

**State of Nevada
Public Utilities Commission of Nevada
2009 Biennial Report**



July 1, 2006 through June 30, 2008

JIM GIBBONS
Governor

STATE OF NEVADA
PUBLIC UTILITIES COMMISSION OF NEVADA

<http://pucweb1.state.nv.us/PUCN>

NORTHERN NEVADA OFFICE
1150 East William Street
Carson City, Nevada 89701-3109
(775) 684-6101 • Fax (775) 684-6110



SOUTHERN NEVADA OFFICE
101 Convention Center Drive, Suite 250
Las Vegas, Nevada 89109
(702) 486-7210 • Fax (702) 486-7206

February 13, 2009

Hon. Jim Gibbons
Governor of Nevada
Executive Chamber
State Capitol
Carson City, NV 89701

Governor Gibbons:

On behalf of the Public Utilities Commission of Nevada ("Commission"), I am pleased to present you with the 2009 Biennial Report. The report is published pursuant to Nevada Revised Statutes 703.180 and is a detailed description of the most significant cases, decisions and other Commission activities from July 1, 2006, through June 30, 2008.

During this biennium, the Commission has been tasked with deciding several major utility cases and has also addressed a number of other important utility issues. The Commission has worked with the utilities to lessen the effects of rising energy costs and price volatility on consumers. The Commission has also been actively involved with regulatory matters before the Federal Energy Regulatory Commission and the Federal Communications Commission.

In addition, the Commission has continued its commitment to administrative efficiencies with the implementation of the Electronic Filings and Records Management System. This system allows the Commission to accept and process documents and fees electronically. Public records are now available and accessible 24 hours a day, seven days a week.

We continue to seek new ways to increase operating efficiencies, while being objective, practical and fair in the discharge of our regulatory responsibilities.

We look forward to serving the State and people of Nevada.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jo Ann Kelly".

Jo Ann Kelly
Chairman

PUBLIC UTILITIES COMMISSION OF NEVADA

2009 BIENNIAL REPORT

The Public Utilities Commission of Nevada’s (“Commission”) 2009 Biennial Report, covering the period July 1, 2006, through June 30, 2008, is published in accordance with Nevada Revised Statutes (“NRS”) 703.180, which requires that the Commission publish biennial reports concerning its proceedings.

1150 East William Street
Carson City, Nevada 89701
(775) 684-6101

101 Convention Center Drive, Suite 250
Las Vegas, Nevada 89109
(702) 486-2600

<http://pucweb1.state.nv.us/PUCN>

Chairman, Executive Director.....	(775) 684-6101
Commission Secretary.....	(775) 684-6177
Director of Regulatory Operations.....	(775) 684-6105
General Counsel.....	(775) 684-6108
Policy Analysis.....	(775) 684-6101
Consumer Complaint Resolution - North.....	(775) 684-6100
Consumer Complaint Resolution - South.....	(702) 486-2600
Public Information Officer.....	(775) 684-6118
For Further Information.....	(775) 684-6101

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ABOUT THE PUBLIC UTILITIES COMMISSION OF NEVADA

MISSION

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

VISION STATEMENT

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

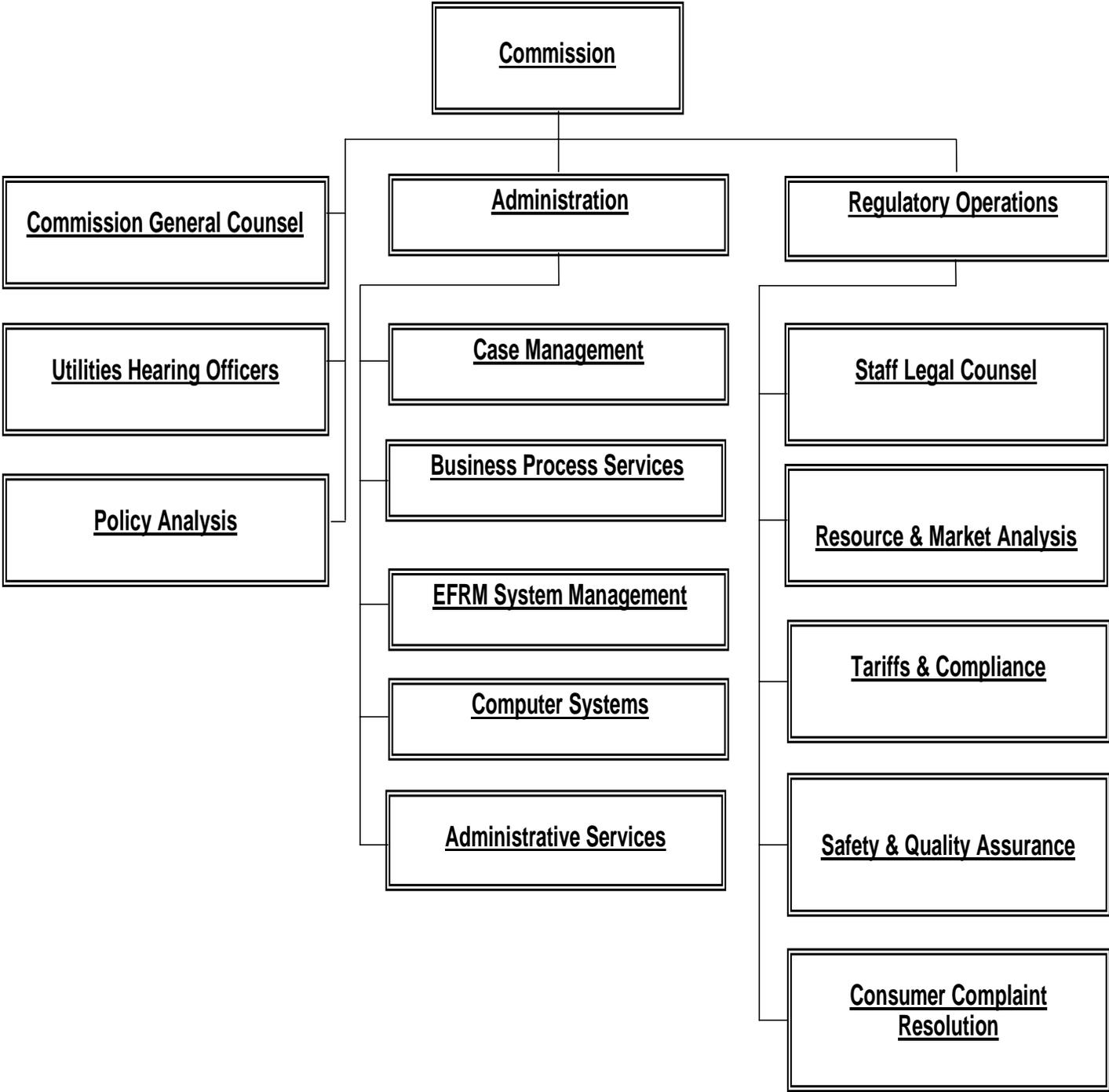
PHILOSOPHY

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 also subject to the Administrative Procedure Act and the Nevada Open Meeting Law requirements as delineated in NRS Chapters 233B and 241, respectively, and performs its regulatory and quasi-judicial functions in accordance with these statutes.

ORGANIZATIONAL CHART



COMMISSION

The Commission is comprised of three Commissioners who are appointed by the Governor to four-year terms. The Governor designates one of the Commissioners to act as Chairman of the Commission.

The Chairman is the Commission's Executive Officer and oversees the daily operations and all administrative functions of the agency. The Chairman approves contracts, requests amendments to the legislatively approved budget via work programs, delegates day-to-day processing of paperwork to the Administration Division and approves the hiring of personnel for the Commission Policy/Administration, and delegates the hiring of Staff personnel to the Directory of Regulatory Operations.

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 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.



JO ANN P. KELLY

Chairman

Governor Jim Gibbons appointed Commissioner Kelly as Chairman July 13, 2007.

Jo Ann P. Kelly was appointed by Governor Kenny Guinn to fill the unexpired term of Commissioner Adriana Escobar Chanos beginning January 13, 2005, reappointed her effective October 1, 2005.

Commissioner Kelly previously served as a member of the Public Service Commission from 1985 to 1996. During her 11 years on the Public Service Commission, Commissioner Kelly presided over more than 200 regulatory proceedings. She served on the National Association of Regulatory Utility Commissioners (“NARUC”) Committee on Natural Gas and served as Chairman of the Western Conference Natural Gas Committee. Commissioner Kelly is again serving on the NARUC Committee on Natural Gas, and she is active in the U.S. Department of Energy / NARUC Liquefied Natural Gas Partnership and is a member of the Interstate Oil & Natural Gas Compact Commission.

Commissioner Kelly was appointed to the Commission in January 2000 on a temporary basis to participate in the adjudication of contested cases pending before the Commission in which Commissioner McIntire disqualified himself due to his previous positions with the Regulatory Operations Staff of the Commission and the Attorney General’s Bureau of Consumer Protection.

Commissioner Kelly is a retired Certified Public Accountant. She holds a bachelor's degree in chemistry from Mt. St. Mary's College in Los Angeles and a master's degree from the University of Chicago, and received her accounting education at the University of Nevada, Las Vegas.

Commissioner Kelly's term expires September 30, 2009.



REBECCA D. WAGNER

Commissioner

Rebecca D. Wagner was appointed to the Commission by Governor Kenny Guinn on June 19, 2006 and Governor Jim Gibbons reappointed her on October 1, 2007. As a Commissioner, her area of focus has been on renewable energy and transmission. She is currently presiding over a number of dockets dealing with the creation and implementation of new renewable energy programs for Nevada.

Prior to her appointment to the Commission, Commissioner Wagner served as Governor Guinn's Energy Advisor and as the Director of the Nevada State Office of Energy.

Commissioner Wagner's career in energy began in 1997 when she worked in a variety of management positions for a geothermal development company that owned, operated, and developed geothermal projects.

Commissioner Wagner holds a bachelor's degree in English from the University of Nevada, Reno. She serves as the Vice Chair of the Western Interconnect Regional Advisory Body and is a member of the Governor's Renewable Energy Transmission Access Advisory Committee. She was a recipient of the PVNow 2006 Solar Champion Award.

Commissioner Wagner's term expires on September 30, 2011.



SAM A. THOMPSON

Commissioner

Sam Thompson was appointed by Governor Jim Gibbons to fill the unexpired term of former Chairman Donald L. Soderberg beginning on July 16, 2007, and reappointed on October 1, 2008. He currently serves on the National Association of Regulatory Utility Commissioners (NARUC) Committee on Electricity. Prior to these appointments he served as a Commissioner on the Nevada Transportation Authority and on the Nevada Standing Committee on Judicial Ethics and Election Practices. Previous to these gubernatorial appointments, Commissioner Thompson was a civil arbitrator/mediator panelist in the Las Vegas office of JAMS, The Resolution Experts. Commissioner Thompson has also been a Planning and Training Consultant for the United States Department of Justice, National Academy of Corrections and has presented legal seminars around the country.

In 1990, Commissioner Thompson was elected to an eight year term in Division VI of the Shelby County General Sessions Court in Memphis, Tennessee. He retired in 1998, after serving 25 years with Shelby County Tennessee (Memphis) Government in a variety of judicial and administrative positions. Previous to his election in 1990, Commissioner Thompson served as Judicial Referee and Special Judge at the Shelby County Juvenile Court in Memphis, Tennessee. He is a graduate of the College of the National Council of Juvenile and Family Court Judges, National Judicial College at Reno, Nevada, and of the Tennessee General Sessions Judges' Academy. He served as Administrator of Corrections for Shelby County Government and Superintendent of the Shelby County Correction Center.

While maintaining a private law practice, Commissioner Thompson was also an Assistant Shelby County Attorney, with his practice focusing on civil rights litigation in the federal trial and appellate courts and employment/administrative trial work and appeals in the state trial and appellate courts. He holds a bachelor's degree in English from the University of Memphis and earned his juris doctorate degree while serving as a Sergeant with the Shelby County Sheriffs' Department.

Commissioner Thompson's term expires on September 30, 2012.

ADMINISTRATION

Administration is responsible for the overall administrative operations of the entire agency, to include Regulatory Operations. Administration ensures that all employees perform at a high level of competence and professionalism. Other responsibilities include: budget and fiscal management; assessments, fees, and administrative fines; human resources and management services; case management, including reviewing filings for administrative compliance; computer systems and operations; matters of policy and procedure; work organization, coordination, production, and results; as well as the timely docketing, complete filing and processing, and proper record keeping of Commission findings.

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.

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.

EFRM SYSTEM MANAGEMENT

EFRM System Management is responsible for ensuring that the Commission's Electronic Filings and Records Management System is operational and available for use by employees of the Commission; that access to public records stored in the System are available and accessible by utilities, the general public, media, and other governmental entities; that the technical infrastructure of the system is leveraged, enhanced and maintained based on the needs of the Commission; that the records stored in the system can be archived for historical purposes; that the system supports the submission of electronic filings submitted over the Internet and over the counter; that System security is maintained; that support, training and documentation for use of the System is available.

COMPUTER SYSTEMS

Computer Systems is responsible for the direct provision of computer assistance services to all employees of the Commission; oversight and maintenance of the local area network for the Commission; maintenance and update of the database applications programs and records management system used by the Commission for docketing and docket tracking; security and data integrity of the database tables where the docketing information is stored; and oversight and maintenance of the Commission's video conferencing system and website.

ADMINISTRATIVE SERVICES

Administrative Services encompasses the fiscal activities to include budget preparation, maintenance and account reconciliation, accounts payable/receivable, payroll, purchasing, inventory, travel and training. In addition, Administrative Services provides administrative support for the Commission Policy/Administration to include noticing of matters pending before the Commission; dissemination of Commission orders, certificates, agendas and minutes.

GENERAL COUNSEL

Commission General Counsel Division is responsible for representing the Commission's interests in all proceedings in state and federal court. In addition, the division represents the Commission's interests before various state and federal regulatory agencies, including the FERC. The division also counsels commissioners and administrative attorneys on legal and policy issues. The division 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 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.

UTILITIES HEARING OFFICERS

The Utilities Hearing Officers hold administrative hearings on applications to provide utility services, tariff rates, financial practices, jurisdictional issues, and consumer complaints; write administrative orders; and arbitrate disputes between telecommunications providers. Utilities Hearing Officers schedule and preside over administrative proceedings including prehearing conferences, consumer sessions, workshops, mediations, arbitrations, and hearings in rulemakings, investigations, and contested cases. They also research and analyze evidence while drafting orders and opinions based on the record as well as state and federal law, which will be reviewed and voted on by the Commissioners. Finally, the Utilities Hearing Officers review petitions for reconsideration and drafts appropriate responses.

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

POLICY ANALYSIS

Policy Analysis Division is responsible for providing policy, technical support, and advice to the Commissioners on various aspects of utility issues (i.e., telecommunications, electric, gas, water and sewer). This includes 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 and to General Counsel during all proceedings before state and federal courts as well as federal regulatory agencies.

REGULATORY OPERATIONS

The Director of Regulatory Operations (“DRO”) supervises and manages all aspects of the Regulatory Operations Staff, consisting of four operating divisions and Staff Counsel's division. The DRO ensures that all staff employees perform at a high level of competence and professionalism. Other responsibilities include: organizing and managing all staff regulatory functions including establishment of staff policy, making recommendations to the Commission regarding public utility matters, and assuring that: (1) public utilities comply with Commission regulations and provide safe and reliable service; (2) utility applications are processed in a timely manner; and (3) consumer issues are resolved fairly.

STAFF COUNSEL

Staff Counsel Division performs the legal functions of the Regulatory Operations Staff (“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 reviews and assists in the development of Staff testimony and filings and ensures that Staff's positions are in compliance with Nevada statutes and regulations. The division represents Staff at Commission hearings and workshops, assists in the development of proposed regulations and legislation, and provides other legal support to the 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 Division conducts engineering, economic, and quantitative analysis of electric, natural gas, and local telephone utility performance. The division analyzes general rate case applications, purchase gas adjustments, deferred energy cases, utility environmental permit applications, and electric resource plans, as well as the effects of wholesale electrical and gas markets. The division monitors the effective implementation of electric renewable portfolio standards and demand-side management activities and forecasts Nevada's electric energy and capacity requirements. The division also conducts investigations and drafts regulations.

TARIFFS AND COMPLIANCE

Tariffs and Compliance Division is responsible for the project management and audit of general rate case applications and analyzing tariff filings for electric, natural gas, telephone, and water and sewer utilities. The division is responsible for the project management and audit of deferred energy and purchase gas adjustment applications and mobile home park filings. The division analyzes and processes applications for licenses, certificates of public convenience and necessity, and changes in ownership. The division reviews annual report filings, tracks compliance for non-safety issues, and monitors universal energy charge collections.

SAFETY AND QUALITY ASSURANCE

Safety and Quality Assurance Division is responsible for safety and service issues for utilities regulated by the Commission. The division implements a natural and liquefied propane gas, gas pipeline safety program in conjunction with the U. S. Department of Transportation (“US DOT”) Pipeline and Hazardous Materials Safety Administration. The division implements a railroad safety program in conjunction with the US DOT Federal Railroad Administration. The division also monitors water and wastewater utilities for quality of service, environmental compliance, and financial performance. The division also reviews applications to modify or construct new railroad crossings and applications for construction permits for compliance with environmental requirements for new water and/or sewer facilities.

CONSUMER COMPLAINT RESOLUTION

Consumer Complaint Resolution Division 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 (i.e., electric, gas, telecommunications, water and sewer). The division also tracks complaint levels and apprises the Commission of arising problem areas. Additionally, it makes recommendations to the Commission and the utilities regarding possible changes in policies or practices relating to the improvement of customer service and complaint resolution.

The division is also responsible for coordinating all external communications with the public, media, financial community, trade organizations, and other interested groups. The division monitors state legislative activities and produces reports as needed; interacts with other state agencies and branches of local, state, and federal government to increase understanding of Commission activities; coordinates emergency management activities; coordinates special meetings that allow the public to address the commission; and arranges meetings between members of the Commission and its staff with external parties. Additionally, the division is responsible for the production and dissemination of press releases, consumer informational brochures, various reports and other printed material; and manages consumer education activities and staff assigned to the division.

FUNDING AND BUDGET

While the Commission is a relatively small agency with 93 full time equivalents and actual operating expenses of approximately \$19.2 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. The annual regulatory assessment was set at 1.95 mills for both years of the biennium one of the lowest rates in recent history. 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 6.4% 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 is funded through a combination of assessments to railroads and a portion of the hazardous waste disposal fees paid to the state. The Commission 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 On-Call Program (Call-Before-You-Dig).

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

- (a) Regulatory assessments for the Commission and Attorney General's Bureau of Consumer Protection operations (NRS 704.033), totaling approximately \$24 million;
- (b) 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 \$25 million;
- (c) Access line surcharge for the Department of Health and Human Services Office of Disability Services (NRS 426.295), totaling approximately \$2.9 million;
- (d) Inspection fees for the Commission's Rail Safety Inspection Program (NRS 704.309), totaling approximately \$740,000;
- (e) 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 \$126,000; and
- (f) Three federal grants: one for the Commission's Gas Pipeline Safety Program and two for the Commission's Gas Pipeline Safety Damage Prevention Program, totaling approximately \$762,000.

ELECTRIC

The Commission has continued implementing the State's energy policy, including furthering fuel diversity, the development of renewable energy resources within Nevada and continued policy of promoting new generation to limit reliability on regional power markets. The Commission regulates the operations of two electric utilities, Nevada Power Company ("NPC") and Sierra Pacific Power Company ("SPPC").

FUEL AND PURCHASED POWER

The single largest component in NPC's and SPPC's rates to customers is the Base Tariff Energy Rate (BTER), accounting for over 50% of customer rates. In 2007, NPC and SPPC operations spent almost \$2.0 billion for fuel and purchased power. NPC and SPPC use natural gas to generate 58.2% and 33.8% of their electricity requirements, respectively.

This biennium was marked by continued volatile and high natural gas prices. (See Figures 1 and 2 below). These trends were exacerbated by the increased demand for natural gas for power generation, the 2006 and 2007 hurricane seasons, and the price of crude oil which correlated in the markets with the price of natural gas. The impact has been an overall increase in the price of natural gas each year accompanied by wide swings in prices of natural gas for in-between months. In terms of the impact of fuel cost on electricity prices, for each \$1 increase in the price of natural gas, utility fuel and purchased power costs increase \$160 million annually over a 12-month period.

Figure 1
USA/Nevada City Gate Gas Prices
1990-2007

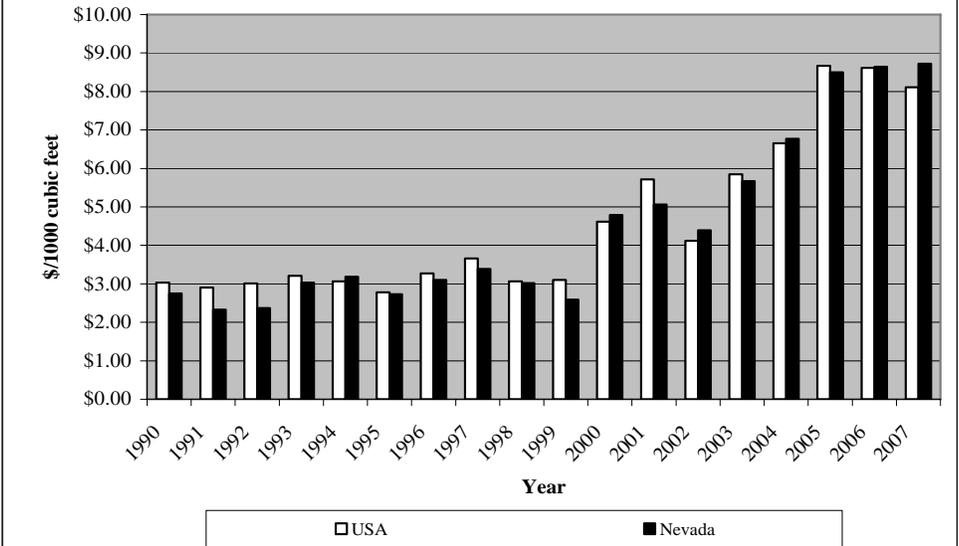
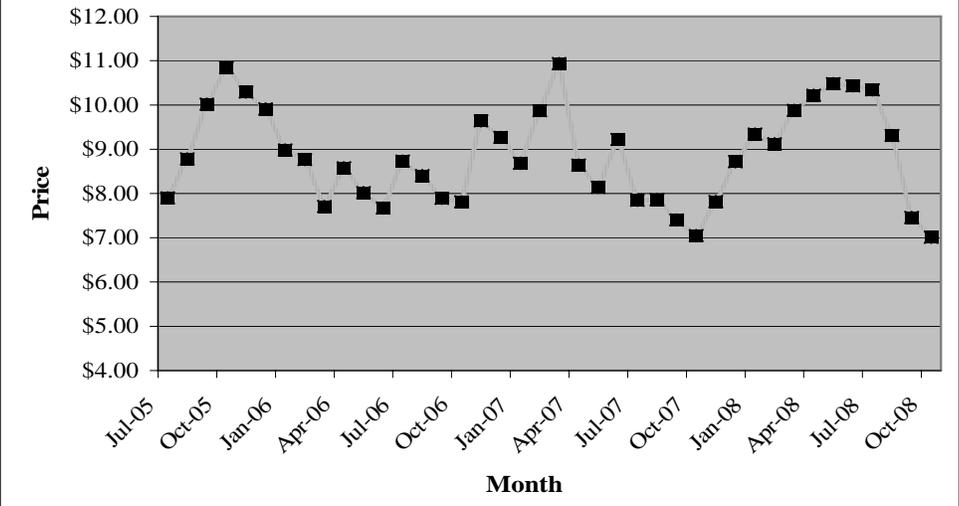


Figure 2
Nevada Monthly City Gate Prices
July 2005-October 2008



ENERGY SUPPLY PLANS

Fuel and purchased power costs are passed through to consumers on a dollar-for-dollar basis. The Commission has worked to mitigate the effect of rising energy costs and price volatility upon the consumer with education and outreach plans that inform consumers how to reduce their bills and how the price of natural gas impacts their bills. Each triennium, an electric utility is required to file an energy supply plan as part of its resource plan for the three-year period. Electric utilities are required to file energy supply updates each year during the interim years to discuss how utilities mitigate the costs of fuel and purchase power through hedging and various purchase strategies.

As provided by NAC 704.9061, an energy supply plan establishes the parameters of an energy supply portfolio for a utility for the three-year period covered by its action plan which balances the objectives of (a) Minimizing the cost of supply; (b) Minimizing retail price volatility; and (c) Maximizing the reliability of energy supply over the term of the energy supply plan. The plans are composed of a purchased power procurement plan, fuel procurement plan and risk management strategy. In this context, the term risk management involves the balancing or hedging the identified risks related to cost, price volatility and reliability, including financial instruments and relying on a mix of suppliers and timing. Typically, the utility will present alternative strategies, which are analyzed by the Commission and its technical staff within 135 days. The Commission may reject as inadequate any portion of the plan relating to the energy supply plan for the utility for the three years covered by the plan.

Proceedings:

Docket No. 06-06051--Application of Nevada Power Company for approval of its 2007-2026 Integrated Resource Plan.

Docket No. 06-07010--Application of Sierra Pacific Power Company for approval of the Thirteenth Amendment to its 2005-2024 Integrated Resource Plan, for approval of the Energy Supply Plan update for 2007 and for a determination that the elements of the Energy Supply Plan are prudent.

Docket No. 07-07013--Application of Nevada Power Company for approval of the fourth amendment to the Action Plan of the 2007 - 2026 Integrated Resource Plan and its Annual Energy Supply Plan Update.

Docket No. 07-06049--Application For Approval Of Sierra Pacific Power Company's Integrated Resource Plan.

BASE TARIFF ENERGY RATES

The base tariff energy rate (“BTER”) is set to prospectively recover the utility’s cost of obtaining fuel and purchased power. It is determined by dividing the annualized cost of fuel for electric generation and purchased power by applicable sales.

Nevada adopted SB 437 (2007), which allowed for the updating of the BTER on a quarterly-basis based on a rolling 12-month average. The Commission modified its regulations to require quarterly updates. Adoption of these regulations reduced the accumulation of energy costs that would be recovered from the consumer in a future period, including financing costs. Prior to this modification, the BTER was established annually by using a forecasted method based on future prices and/or a 12-month historic average.

Proceedings:

Docket No. 06-06028--Investigation and rulemaking to adopt, amend, or repeal regulations pertaining to Chapters 703 and 704 of the Nevada Administrative Code regarding quarterly rate adjustments and annual deferred energy accounting adjustments and other related utility matters in accordance with Senate Bill 437

Docket No. 06-08001--Application of Sierra Pacific Power Company for authority to establish a new Temporary Renewable Energy Development charge and to reduce the currently effective Base Tariff Energy Rate by an equivalent amount

Docket No. 06-08002--Application of Nevada Power Company for authority to establish a new Temporary Renewable Energy Development charge and to reduce the currently effective Base Tariff Energy Rate by an Equivalent

Docket No. 07-11020--Application of Nevada Power Company to adjust the Base Tariff Energy Rates effective January 1, 2008

Docket No. 07-11021--Application of Sierra Pacific Power Company to adjust the Base Tariff Energy Rates effective January 1, 2008

Docket No. 08-02022--Application of Sierra Pacific Power Company to adjust the Base Tariff Energy Rate, effective April 1, 2008

Docket No. 08-02023--Application of Nevada Power Company to adjust the Base Tariff Energy Rates effective April 1, 2008

DEFERRED ENERGY ACCOUNTING ADJUSTMENTS

Deferred energy accounting is the practice which provides for the monthly deferral of increased or decreased energy costs experienced during a specific period and the amortization of those costs during a subsequent period to the extent that an electric utility does not collect more or less than its actual cost of fuel for electric generation and purchased power which is prudently incurred.

NRS 704.187 provides that an electric utility that purchases fuel or power shall use deferred accounting by recording upon its books and records in deferred accounts all increases and decreases in costs for purchased fuel and purchased power that are prudently incurred by the electric utility. An electric utility using deferred accounting shall include in its annual report to the Commission a statement showing, for the period of recovery, the allocated rate of return for each of its operating departments in this State using deferred accounting. An electric utility using deferred accounting shall file an annual deferred energy accounting adjustment application on or before March 1, 2008, and on or before March 1 of each year thereafter.

Annually, both NPC and SPPC file deferred energy accounting adjustment cases. The purpose of these proceedings is to review the approximately \$2 billion in purchased power and fuel costs for prudence and to make adjustments as indicated. The proceedings also establish a rate to either collect or refund any over/under collections.

Proceedings:

Docket No. 06-12001--Application of Sierra Pacific Power Company to establish a new Deferred Energy Accounting Adjustment rate for Period 6, to reset the Base Tariff Energy Rate and to reset the Temporary Renewable Energy Development Charge.

GENERAL RATES

General rate cases ("GRC") are intended to establish rates to collect utility costs except those for fuel and purchased power, which are collected through the BTER. The base tariff general rate ("BTGR") revenues collect through this rate are approximately \$1.1 billion for NPC and approximately \$400 million for SPPC, a combined total of \$1.5 billion per year.

In November 2006, NPC filed a GRC requesting an increase to general revenues of \$156.4 million, a return on equity ("ROE") of 11.4% and a return on ratebase ("ROR") of 9.39%. The Commission issued its order in May 2007, with rates effective as of June 1, 2007. The Commission order resulted in the following significant items:

- Increase in general rates of \$120.1 million, a 5.66% increase;
- ROE and ROR of 10.7% and 9.06%, respectively;
- Authorized 100% recovery of unamortized 1999 NPC/SPPC merger costs;
- Authorized incentive rate making for Chuck Lenzie Generating Station;
- Authorized recovery of unrecovered accumulated costs and savings, including the net book value, of the retired Mohave Generating Station over an eight year period

In December 2007, SPPC filed a GRC. SPPC requested an overall increase of \$110 million in general rates. The filing requested an ROE of 11.4%. The Commission issued its order in June 2008, with rates effective as of July 1, 2008. The Commission order resulted in the following significant items:

- Increase in general rates of \$87 million;
- ROE of 10.6% and ROR of 8.41%;
- Authorized incentive rate treatment for the Tracy Combined Cycle Plant.

Docket No. 06-11022--Application of Nevada Power Company for authority to increase its annual revenue requirement for general rates charged to all classes of electric customers and for relief properly related thereto.

Docket No. 07-12001--Application of Sierra Pacific Power Company for authority to begin to recover the costs of constructing the new Tracy Combined Cycle Unit and other plant additions and costs of service through an increase of its annual revenue requirement for general rates charged to all classes of electric customers and for relief properly related thereto.

ASSEMBLY BILL 103

Nevada has adopted Assembly Bill (“AB”) 103 (2007). It modified the required filing of a general rate case for electric utilities from 24 to 36 months. It modified the existing statute public utilities use to provide expected financial data when filing general rate applications and revised the provisions governing the consideration of that data by the Commission. The Commission has adopted regulations in response and the review of expected change in circumstances has been conducted in several general rate cases now.

Proceedings:

Docket No. 08-01007-- Investigation and rulemaking to adopt, amend, or repeal regulations pertaining to Chapters 703 and 704 of the Nevada Administrative Code regarding general rate cases and other related utility matters in accordance with Assembly Bill No. 103.

STOCKS AND SECURITY TRANSACTIONS

NRS 704.323 provides that no privately owned public utility operating in the State of Nevada shall issue any security, or assume any obligation as guarantor, endorser, surety or otherwise, in respect of any security of any other person, firm or corporation, unless and until, and only to the extent, authorized by a written order of the Commission.

In the case of privately owned electric or combination electric utilities subject to the jurisdiction of the Commission, this applies to all security issues, or renewals or assumption of obligations as guarantor, endorser, surety or otherwise, having a maturity of 1 year or less where the combined sum of such security issues, renewals or assumptions exceeds \$1,000,000 or 5% of the par value of the other securities of the public utility then outstanding.

During the biennium the Commission received two applications from electricity utilities for stock and securities transactions of \$5.6 billion. NPC received specific authority to take the following actions:

- Replace \$600 million of existing credit facility authority with \$1.5 billion in new credit facility authority.
- Replace \$258 million of existing refinancing authority with \$860 million of new refinancing authority.
- Authority for \$1.55 billion of new long-term debt.

SPPC received specific authority to take the following actions:

- Replace \$349 million of existing long-term debt authority with \$700 million of new authority;
- Authority to refinance \$320 million of existing debt.

Proceedings:

Docket No. 07-03004--Application of Nevada Power Company for authority to issue secured and unsecured long-term debt securities in an aggregate amount not to exceed \$3.91 billion through the period ending December 31, 2009.

Docket No. 07-03005--Application of Sierra Pacific Power Company for authority to issue secured and unsecured long-term debt securities in an aggregate amount not to exceed \$1.72 billion through the period ending December 31, 2009.

RESOURCE PLANNING

NRS 704.741 provides that a utility must, on or before July 1 of every third year, submit a plan to increase its supply of electricity or decrease the demands made on its system by its customers to the Commission. NRS 704.751 the Commission shall issue an order accepting the plan as filed or specifying any portions of the plan it deems to be inadequate within 180 days for all portions of the plan (except the energy supply plan). If a utility files an amendment to a plan, the Commission shall issue an order accepting the amendment as filed or specifying any portions of the amendment it deems to be inadequate within 135 days of the filing of the amendment.

The issue of generation resources in the western United States emerged again during this biennium. In the NPC's 2006 resource plan, evidence was presented indicating that generation reserve margins were shrinking due to demand growth in the west posing the potential for capacity shortages and higher prices for purchased power as early as 2010. This issue was also considered as part of NPC's 7th Amendment to its resource plan showing potential shortages in the region.

In January 2007, the Commission issued an order accepting the Preferred Plan proposed by NPC which contained the following major elements:

- 600 MW of new high-efficiency gas peaking units to be located in the Las Vegas area. These units are intended to address NPC's summer peaks;

- The development of a 1,500 MW base load coal plant to be located in Eastern Nevada near Ely, in partnership with SPPC;
- A 250-mile transmission line to electrically link NPC's and SPPC's systems for the first time and allow for the distribution of power from the Ely Energy Center and further the development of renewable energy resources in Eastern Nevada;
- A Demand-Side Management Plan of \$105 million for energy efficiency between 2007 and 2009;
- Approval NPC's load forecast;
- Approval of NPC's fuel and purchased power forecast;
- Approval of environmental improvements at the Reid Gardner Generating Station;
- Approval of a Transmission Plan, which consists of: (1) the East Valley Area Master Plan, (2) the Valley Area Routing Project, (3) West Henderson improvement projects, (4) the Sinatra substation;
- A plan to achieve renewable energy portfolio requirement of 20 percent by 2015, with Nevada Power planning to expend over \$2.0 billion between 2007 and 2015 to achieve this goal.

In December 2007, the Commission issued an order approving the following elements of SPPC's 2007 resource plan:

- Approval of the Load Forecast;
- Approval of the fuel and purchase power forecast;
- Expenditures of \$176 million on various projects to expand the capacity of the company's electric transmission system;
- Approval to replace the emergency diesel generators at Kings Beach at Lake Tahoe, which serve customers in both Nevada and California at a cost of \$16 million;
- Expenditures of \$29.8 million on new Demand Side Management programs over the next three years.

Since 2000 it has been Nevada's policy to promote new generation within the state. NPC and SPPC increased ownership of power plants to avoid price spikes and reliability problems. In 2006 the companies added 1800 MW of efficient natural gas facilities and by summer of 2008, the total increase for the companies will be 2,800 MW. These increases effectively doubled the generating capacities of the companies in eight years. During the biennium the following facilities began commercial operation:

- In June 2007, SPPC began operation of a 540 MW natural gas generation plant at the Tracy Generation Station.
- In June 2007, Nevada Solar One, began operation of a 64 MW solar thermal generation plant near Boulder City, Nevada.
- In December 2007, Solar Star began operation of a 12 MW solar photovoltaic generation plant at Nellis Air Force Base.

- In December 2007, Barrick Goldstrike Corporation began operation of a 1 MW energy farm in northwestern Nevada.
- In summer 2008, Newmont Mining Corporation began operation of a 203 MW base load coal generation plant near Battle Mountain, Nevada.
- In summer 2008, NPC began operation of 400 MW of peaking natural gas generation at the Clark Generating Station.

The plants recently constructed, or currently under construction, are “state-of-the-art” in terms of fuel efficiency and minimizing environmental impacts. Additionally, contracts were approved which allowed NPC to control the MW output of Dynegy’s Griffith Plant in Arizona for a 10-year period.

NPC and SPPC continue efforts to permit and obtain land for a 500 kV transmission line which will electrically connect NPC’s and SPPC’s systems for the first time, allowing the transmission of renewable energy generated in the north to NPC. Additionally, this project will provide both utilities with access to more wholesale markets and allow for the more efficient use of utility generation resources. This project is expected to be completed by 2012; however, without final approval from permitting agencies, a firm date has not been established.

Both NPC and SPP continue to expand their sub-transmission, 230 kV to 120 kV transmission infrastructure, to meet the increasing demands of their customers.

Proceedings:

Docket No. 06-06051--Application of Nevada Power Company for approval of its 2007-2026 Integrated Resource Plan.

Docket No. 06-07010--Application of Sierra Pacific Power Company for approval of the Thirteenth Amendment to its 2005-2024 Integrated Resource Plan, for approval of the Energy Supply Plan update for 2007 and for a determination that the elements of the Energy Supply Plan are prudent.

Docket No. 07-06049--Application For Approval Of Sierra Pacific Power Company's Integrated Resource Plan.

Docket No. 06-04018--Application of Sierra Pacific Power Company for approval of the tenth amendment to the Action Plan of its 2005-2024 Integrated Resource Plan as it relates to Demand Side Management.

Docket No. 06-03038--Application of Nevada Power Company for approval of the eleventh amendment to the Action Plan of its 2003-2022 Integrated Resource Plan as it relates to Demand Side Management.

Docket No. 07-01035--Application of Nevada Power Company for approval of the second amendment to the Action Plan of the 2007 - 2026 Integrated Resource Plan as it relates to renewable power purchase agreements, a new renewable energy program and environmental upgrades to the Clark Generation Station.

Docket No. 07-01036--Application of Sierra Pacific Power Company for approval of the fourteenth amendment to the Action Plan of the 2005 - 2024 Integrated Resource Plan as it

relates to renewable power purchase agreements.

Docket No. 07-02015--Application of Nevada Power Company for approval of the third amendment to the Action Plan of the 2007 - 2026 Integrated Resource Plan as it relates to two renewable power purchase agreements.

Docket No. 07-12020--Application of Nevada Power Company for approval of the fifth amendment to the Action Plan of the 2007-2026 Integrated Resource Plan as it relates to revisions to its Demand Side Management Plan and new agreements with Las Vegas Cogeneration Limited Partnership and Dynegy Power Marketing, Inc.

Docket No. 08-02002--Application of Sierra Pacific Power Company for approval of the first amendment to the Action Plan of the 2008 - 2027 Integrated Resource Plan and approval of the Ormat Settlement Agreement.

Docket No. 08-02003--Application of Nevada Power Company for approval of the sixth amendment to the Action Plan of the 2007 - 2026 Integrated Resource Plan and approval of the Ormat Settlement Agreement.

Docket No. 08-03034--Application of Nevada Power Company for approval of the Seventh Amendment to the Action Plan of the 2007- 2026 Integrated Resource Plan as it relates to the construction of two new renewable energy projects, revisions to its Transmission Plan, and other matters related thereto.

Docket No. 08-03035--Application of Sierra Pacific Power Company for approval of the second amendment to the Action Plan of the 2008 - 2027 Integrated Resource Plan as it relates to a renewable energy agreement, continued funding of CO2 research, and a revised load forecast.

UTILITY ENVIRONMENTAL PROTECTION ACT

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 considers the potential environmental impact of a proposed utility with whether the proposed facility will serve the public interest.

The Commission issues a UEPA Permit to Construct utility facilities once all other relevant permits have been obtained by the developer. During this biennium, the Commission revised its regulations to help streamline and fast track the review process.

Proceedings:

Docket No. 06-08003--Application of Nevada Power Company under the provisions of the Utility Environmental Protection Act for a permit to construct a 500/320/138 kV substation, the associated substation facilities and the modification of the existing kV transmission lines through and out of the Thunderbird Substation site located in the northeast Las Vegas valley area in the state of Nevada.

Docket No. 06-11032--Application of Nevada Geothermal Power Company under the provisions of the Utility Environmental Protection Act for a permit to construct the proposed Blue Mountain Geothermal Power Plant, a 37.5 MW renewable energy geothermal power plant and associated facilities to be located 25 miles west of Winnemucca, Nevada.

Docket No. 06-12020--Application of Nevada Power Company for authority under the provisions of the Utility Environmental Protection Act for a permit to construct the Valley Electric Interconnection project consisting of a 230 kV breaker with protective relaying equipment, approximately 1,000 feet of underground cable, 3-phase gas-insulated 230kV bus and approximately 6 miles of 230 kV line to be located in northwest Las Vegas Valley, Clark County, Nevada.

Docket No. 07-01033--Application of Reliant Energy Wholesale Generation, LLC for authority under the provisions of the Utility Environmental Protection Act for a permit to construct a 26-mile 500 kV transmission line from the Reliant Energy Bighorn Electric Generating Station to the Eldorado Substation and modifications to both substations, located in southern Nevada.

Docket No. 07-01038--Application of Valley Electric Association for authority under the provisions of the Utility Environmental Protection Act for a permit to construct the Stirling to Northwest 230 kV Transmission Project to be located in southern Nevada.

Docket No. 07-02038--Application of Valley Electric Association for authority under the provisions of the Utility Environmental Protection Act for a permit to construct the Stirling Mountain to Northwest 230 kV Transmission Line Project consisting of approximately 36.7 miles of new overhead 230 kV transmission line to be located in unincorporated areas in Clark and Nye Counties, Nevada.

Docket No. 07-04026-- Investigation and rulemaking to adopt, amend and/or repeal regulations regarding applications for permits to construct utility facilities pursuant to the Utility Environmental Protection Act.

Docket No. 07-06001--Application of Nevada Power Company for authority under the provisions of the Utility Environmental Protection Act for a permit to construct the Centennial/Hualapai Substation consisting of a 230/12 kV, 100 MVA distribution substation and approximately one and one-half miles of a double-circuit 230 kV overhead transmission line to be located in northwest Las Vegas Valley, Nevada.

Docket No. 07-06011--Application of Great Basin Transmission, LLC for authority under the provisions of the Utility Environmental Protection Act for a permit to construct the Harry Allen to Thirtymile Project, a 500 kV electrical transmission facility and ancillary facilities to be located within Clark County, Lincoln County, Nye County and White Pine County, Nevada.

Docket No. 07-08020-- Application of Toquop Energy, LLC for authority under the provisions of the Utility Environmental Protection Act for a permit to construct a 750 MW pulverized coal-fired electric generation facility and associated facilities including a 31 mile rail line, a well field in the Tule Desert, an underground 13 mile water pipeline and a new transmission substation to be located in Lincoln County, Nevada.

Docket No. 07-09005--Application of Nevada Power Company for authority under the provisions of the Utility Environmental Protection Act for a permit to construct the Arden Substation Expansion Project consisting of the relocation of the Arden-Magnolia, Arden-Bighorn, and Arden-Avera 230 kV transmission lines to be located in the southwest Las Vegas Valley, Nevada.

Docket No. 08-01016--Application of Eureka Moly, LLC for authority under the provisions of the Utility Environmental Protection Act for a permit to construct approximately 24.3 miles of 230 kV transmission line from the Machacek Substation to the Mount Hope Substation to be located in Eureka County, Nevada.

Docket No. 08-03002--Application of Nevada Power Company for authority under the provisions of the Utility Environmental Protection Act for a permit to expand and upgrade the existing Harry Allen Generation Facility by installing combined cycle power Generation units and accessory structures to be known as the Harry Allen Combined Cycle Plant to be located at the Apex Industrial Park in Clark County, Nevada.

Docket No. 06-11040--Application of Nevada Power Company for authority under the provisions of the Utility Environmental Protection Act for a permit to construct the Sinatra Substation which consists of a 230/138 kV substation, 230 kV transmission line structures and a 230 kV Arden Substation expansion to be located in the central Las Vegas Valley along the Las Vegas Strip in Nevada.

Docket No. 07-06033--Application of Sierra Pacific Power Company for authority under the provisions of the Utility Environmental Protection Act for a permit to construct a new 345 kV transmission line from the existing East Tracy Substation to a new Emma Substation and to upgrade both substations located in Storey County, Nevada.

Docket No. 07-08008--Application of Nevada Power Company for authority under the provisions of the Utility Environmental Protection Act for a permit to construct at the Clark Generating Station a new 230 kV switch station onto the new peaking Generator Block No. 1 to interconnect to the existing Faulkner-Winterwood 230 kV transmission line to be located in the central Las Vegas Valley, Nevada.

Docket No. 07-12023--Application of Nevada Power Company for authority under the provisions of the Utility Environmental Protection Act for a permit to construct transmission facilities for the Northwest Substation 230/138 kV Autotransformer Upgrade Project to be located in the northwest Las Vegas Valley, Nevada.

Docket No. 08-04031--Application of Nevada Power Company for authority under the provisions of the Utility Environmental Protection Act for a permit to construct a 230/138 kV transformer interconnection and associated facilities at the existing McDonald Substation located in Clark County, Nevada.

Docket No. 08-04041--Application of Nevada Power Company for authority under the provisions of the Utility Environmental Protection Act for a permit to construct supporting structures for one future 230 kV transmission line approximately 2.29 miles in length and approximately 2,700 feet of underground conduit as part of the Collman Substation Project to be located in Clark County, Nevada.

RENEWABLE PORTFOLIO STANDARD

Nevada first enacted a renewable portfolio standard (“RPS”) in 1997 and subsequently increased the percentage amounts in 2001 and 2005. Under the RPS, NPC and SPPC must use eligible renewable energy resources to supply a minimum percentage of the total electricity they sell. The 2007 RPS threshold increased from 6% to 9%.

In terms of non-solar requirements, SPPC met its non-solar requirements and currently has a surplus of credits. NPC did not meet its non-solar requirements for 2007. Neither NPC nor SPPC met its solar requirements in 2007. (See Table 1 below).

Table 1: Summary of the Companies' 2007 PC Positions

2007 Activity	Nevada Power	Sierra	Total
Retail Sales (MWh)	21,873,043	8,244,665	30,117,708
Total Requirement (9% of Retail Sales)	1,968,574	742,020	2,710,594
Non-Solar Requirement (95% of Requirement)	1,870,145	704,919	2,575,064
Solar Requirement (5% of Requirement)	98,429	37,101	135,530
Non-Solar Position			
Non-Solar Portfolio ¹	534,253	2,227,132	2,761,386
Non-Solar Requirement	1,870,145	704,919	2,575,064
Gross Position (Open Position)	(1,335,892)	1,522,214	186,322
Purchase / (Sale)	1,335,892	(1,335,892)	0
Net Non-Solar Position	0	186,322	186,322
Solar Position			
Solar Portfolio	56,157	18,798	74,955
Solar Requirement	98,429	37,101	135,530
Gross Position (Open Position)	(42,272)	(18,303)	(60,575)
Purchase / (Sale)	0	0	0
Net Solar Position / (Open Position)	(42,272)	(18,303)	(60,575)

¹ Does not include Sierra's credits set aside for the California Requirement

Two milestone events for the solar industry occurred in 2007, both in Southern Nevada. First, the largest concentrating solar power generation facility constructed in the last 16 years began commercial operation; second, the largest photovoltaic facility in the United States achieved commercial operation. With the operation of these two solar facilities, NPC and SPPC should meet the solar RPS requirement in 2008 and for a number of years thereafter. On a per capita basis, Nevada now leads the United States in use of solar power. The completion of the new solar systems in southern Nevada should facilitate full compliance with the solar requirement for both companies.

In terms of compliance, NPC and SPPC are pursuing a three-pronged strategy approved by the Commission to achieve RPS compliance:

- Competitive solicitation of resources leading to long-term purchased power agreements;
- Company ownership and partnership;
- Demand-Side Management.

NPC has entered into contracts to purchase energy and renewable energy credits from geothermal developers in northern Nevada. Until a proposed interconnection linking northern and southern Nevada is completed, NPC will need to sell the energy from electricity generated by these contracts to SPPC and retain the renewable energy credits for compliance. NPC estimated that achieving compliance will cost \$2 billion through 2015. This estimate did not include the cost of energy efficiency programs.

Proceedings:

Docket No. 07-03032--Avista Energy, Inc. Annual Report on compliance with the Portfolio Standard for Renewable Energy for Compliance Year 2006.

Docket No. 07-04005--Nevada Power Company and Sierra Pacific Power Company Annual Report on compliance with the Portfolio Standard for Renewable Energy for Compliance Year 2006.

Docket No. 07-04019--Joint application of Nevada Power Company and Sierra Pacific Power Company for approval of the sale and purchase of portfolio energy credits between the companies and approval to account for additional portfolio energy credits earned from commercial energy efficiency measures.

Docket No. 06-03036--Avista Energy, Inc. of its Annual Report on its compliance with the Portfolio Standard for Renewable Energy for Compliance Year 2005.

Docket No. 07-06019--Commission Investigation and rulemaking to adopt, amend, or repeal regulations pertaining to Chapters 703 and 704 of the Nevada Administrative Code regarding portfolio standards and other related utility matters in accordance with Assembly Bill 1.

NET METERING

Net metering measures the difference between the electricity supplied by a utility and the electricity generated by a customer-generator which is fed back to the utility over the applicable billing period. (See NRS 704.766 et seq.). Nevada enacted net metering legislation in 1997 and amended it in 2001, 2003, 2005, and 2007 to encourage private investment in renewable energy resources, stimulate the economic growth of this State, enhance the continued diversification of the energy resources used in this State, and streamline the process for customers of a utility to apply for and install net metering systems. Systems up to 1 MW in capacity that generate electricity using solar, wind, geothermal, biomass and certain types of hydropower are generally eligible, although systems greater than 100 kilowatts (kW) in capacity may be subject to certain costs at the utility's discretion.

Total Net Metering Installations and Capacity (kW)

	Total Numbers of Net Metering Customers	% Total Solar Generations	Total kW	% Total kW Solar Generations
Sierra Pacific	176	87.50%	996.6	80.02%
Nevada Power	172	75%	868.5	84.35%
Total Net Metering	348	81.34%	1865.1	82.04%

Nevada enacted Assembly Bill 178 (2007) which among other things mandated that the Commission adopt regulations prescribing the form and substance for a net-metering tariff and a standard contract for net metering. The Commission adopted regulations implementing those mandates in 2008.

Proceedings:

Docket No. 07-06024--Investigation and rulemaking to adopt, amend, or repeal regulations pertaining to Chapters 703 and 704 of the Nevada Administrative Code regarding prescribing the form and substance for a net metering tariff and a standard net metering contract and other related utility matters in accordance with Assembly Bill 178.

Docket No. 08-03022--Investigation to gather information on net metering issues in Nevada.

RENEWABLE ENERGY PROGRAMS

Nevada enacted Senate Bill 437 (2007), which established a permanent Solar Generations Incentive Program and Demonstration programs for wind generation and hydroelectric generation. The Commission adopted regulations to implement these renewable energy programs.

SolarGenerations offers rebates to customers for installing photovoltaic systems on their homes, small businesses, public buildings, or schools. The following rebates are available for approved photovoltaic systems: Residential: \$2.30 per watt \$11,500 maximum rebate; Small Business: \$2.30 per watt \$69,000 maximum rebate; Schools: \$4.60 per watt and Public Buildings: \$4.60 per watt.

WindGenerations offers rebates to customers for installing wind generating systems on their homes, small businesses, public buildings, or schools. The following rebates are available for approved small wind systems such as wind turbines. Residential, small business, agriculture: \$2.50 per watt up to 10 kW \$1.50 watt above 10 kW Schools and Public Buildings: \$3.00/watt up to 10 kW \$2.00/watt above 10 kW.

HydroGenerations offers rebates to customers for installing hydro generating systems on their agricultural property. The following rebates are available for agricultural, grid-connected customers installing approved small hydroelectric systems. All agricultural, grid-connected customers: \$2.50 per watt.

Proceedings:

Docket No. 07-06026--Investigation and rulemaking to adopt, amend, or repeal regulations pertaining to Chapter 701B of the Nevada Administrative Code regarding the Solar Incentive Program, Wind Demonstration, and Waterpower Demonstration programs and other related utility matters in accordance with Senate Bill 437.

Docket No. 07-02006--Application of the Nevada Renewable Energy and Energy Conservation Task Force nominating applicants for participation in the Solar Energy Systems Demonstration Program in the residential, small business, schools and other public buildings categories for program year four.

Docket No. 08-02004--Annual plans of Nevada Power Company and Sierra Pacific Power Company for approval of the Solar Energy Systems Incentive Program, the Wind Energy Systems Demonstration Program, and the Waterpower Energy Systems Demonstration Program.

Docket No. 07-06027--Investigation and rulemaking to adopt, amend, or repeal regulations pertaining to Chapter 701B of the Nevada Administrative Code regarding the Renewable Energy School Pilot Program and other related utility matters in accordance with Senate Bill 437.

ENERGY EFFICIENCY

Nevada's renewable portfolio standard was revised in 2005 to allow up to 25% of the annual qualifying energy requirements to be achieved through utility-sponsored energy efficiency and conservation programs. The Commission reviews and evaluates demand side management ("DSM") each year with the purpose of determining which programs should be retained, cancelled or modified. This process involves review of empirical data submitted by the utility company. As a consequence, total funding for NPC's DSM programs has grown from about \$9 million in 2002-03 to over \$24 million in 2006. Program sophistication and resulting energy savings and peak demand reduction also has grown steadily over the past four years. NPC, during its current 3-year budget cycle, plans to spend \$105 million for DSM programs or an annual average of \$35 million per year between 2007 and 2009. NPC is spending over four times the amount for energy efficiency than prior to 2005. Additionally, SPPC included in its 2007 resource plan filing proposals that would double the level of spending in each of the next three years over existing levels.

Proceedings:

Docket No. 06-08020--Application of Sierra Pacific Power Company for approval of its annual Demand Side Management Report as it relates to the three-year Action Plan of its 2005 - 2024 Integrated Resource Plan.

Docket No. 06-12005--Investigation into the appropriateness of Demand Side Management cost recovery mechanisms and incentives.

Docket No. 07-08016--Application of Nevada Power Company for approval of its annual Demand Side Management Update Report as it relates to the three-year Action Plan of its 2007-2026 Integrated Resource Plan.

WESTERN ENERGY CRISIS

For background purposes, on January 26, 2006, upon final approval of the settlement with Enron, SPPC and NPC paid Enron approximately \$129 million from available cash resources. On January 27, 2006, the approximate \$60 million cash held in escrow, plus interest, and NPC's General and Refunding Series H Bond of approximately \$185.7 million and SPPC's General and Refunding Series E Bond of approximately \$92.3 million were returned to the Utilities. As part of the settlement, NPC and SPPC were granted general Unsecured Claims in Class Six of Enron's Plan of Reorganization in the amount of \$80.7 million and \$45.8 million, respectively. On October 24, 2005, NPC and SPPC purchased a put option from a major international banking institution that, if exercised, obligated that institution to purchase the Unsecured Claims (contingent upon allowance of the unsecured claims by the Bankruptcy Court), which ensured that NPC and SPPC net cash outlay to settle Enron's claim would be no higher than \$89.9 million. On February 16, 2006, the Unsecured Claims were sold to a separate third party, resulting in a final net cash outlay which did not materially differ from the anticipated cash outlay.

In January 2007, NPC filed an application to recover from ratepayers \$83.6 million in deferred legal and settlement costs incurred to resolve claims associated with power supply contracts terminated during the Western Energy Crisis. This application requested to begin amortizing the costs over a four-year period beginning June 1, 2007. In March 2007, the Commission approved a negotiated settlement where NPC is authorized to recover the \$83.6 million plus carrying charges over a three-year period beginning June 1, 2007, which differed from the four-year period requested in the application.

On December 1, 2006, SPPC Sierra Pacific Power Company filed with the Commission an Application to recover deferred legal and settlement costs incurred to resolve claims arising from the Western Energy Crisis. SPPC requested authority to establish a regulatory asset for recovery of \$22,647,546 in legal and settlement costs related to the Western Energy Crisis of 2000-2001.

The Commission denied SPPC's request to recover Enron contract termination costs, finding that during the 2000-2001 period, SPPC's procurement practices were chaotic and undisciplined. Further the Commission found SPPC did not properly administrate the contracts in question. The Commission encouraged SPPC to pursue the litigation and allowed recovery of \$2.8 million of deferred legal expenses that had not previously been recovered through general rates.

Proceedings:

Docket No. 06-12001--Application of Nevada Power Company for authority to recover costs incurred to achieve final resolution of claims arising out of the Western Energy Crisis.

Docket No. 06-12002--Application of Sierra Pacific Power Company for authority to recover deferred legal and settlement costs incurred to resolve claims arising from the Western Energy Crisis.

COURT REMANDS

NPC 2001 Deferred Energy Case:

In July 2006, the Supreme Court of Nevada issued a ruling that allowed NPC to recover approximately \$180 million of deferred energy costs, which were disallowed in NPC's 2001 deferred energy case. The matter was remanded back to the Commission to determine the appropriate rate schedule.

The Commission accepted a stipulation that authorized NPC to recover \$189.9 million in rates over ten years beginning on June 1, 2007, with no additional carrying charges. This stipulation was expressly conditioned upon the Commission's acceptance of the concurrently filed stipulation related to NPC's involvement in the Western Energy Crisis, discussed above.

Proceeding:

Docket No. 06-11035--Implementation of the October 25, 2006 District Court Order to determine an appropriate rate schedule allowing Nevada Power Company recovery of the \$180 million Merrill Lynch-type contract adjustment.

SPPC 2003 General Rate Case:

In September 2006, the Supreme Court of Nevada dismissed the Commission's appeal of the District Court's order vacating the Commission's disallowance of certain costs related to the Pinon Pine generation plant in SPPC's 2003 GRC and remanded the case back to the Commission for further review as to whether the costs were justly and reasonably incurred.

The Commission found that ratepayers should not be required to pay for \$36 million in costs related to the unregulated subsidiary established to own and operate the coal gasifier.

Proceeding:

Docket No. 07-04028--Implementation of the January 25, 2006 District Court Order for review of Sierra Pacific Power Company's Piñon Pine project expenditures.

CUSTOMER EXITS

NRS Chapter 704B allows certain customer to purchase energy, capacity, and/or ancillary service from a provider of new electric resources. During the biennium, the Commission considered and approved two applications from mining operations in northern Nevada to exit SPPC's system.

Proceedings:

Docket No. 06-07026--Application of Placer Turquoise Ridge Inc. as Operator of Turquoise Ridge Joint Venture to purchase energy, capacity and/or ancillary services from a provider of new electric resources.

Docket No. 08-03025--Application of Barrick Gold U.S. Inc., operator of Cortez Joint Venture d/b/a Cortez Gold Mines, to purchase energy, capacity, and/or ancillary services from a provider of new electric resources.

NATURAL GAS

Volatile natural gas prices continued into 2007 and 2008 in Nevada and nationwide. As discussed previously, this biennium was marked by continued volatile and high natural gas prices. These trends were exacerbated by the increased demand for natural gas for power generation, the 2006 and 2007 hurricane seasons, and the price of crude oil which correlated in the markets with the price of natural gas. The impact has been an overall increase in the price of natural gas each year accompanied by wide swings in prices of natural gas for in-between months.

Nevada's natural gas utilities (Southwest Gas Corporation and Westpac Utilities, a division of SPPC) have been successfully addressing the volatile energy market through purchased gas adjustment applications and quarterly base tariff energy rate adjustments.

Proceedings:

Docket No. 07-05015--Application of Southwest Gas Corporation for authority to establish a revised Deferred Energy Account Adjustment rate and to reset the Base Tariff General Rate for the Variable Interest Expense Recovery mechanism.

Docket No. 07-05019--Application of Sierra Pacific Power Company for authority to close the liquid petroleum 12/11/2007 gas ("LPG") tariff to new customers, to consolidate its gas and LPG rates, to recover deferred energy costs and to reset the Base Tariff Energy Rate for natural gas customers.

Docket No. 07-12017--Application of Sierra Pacific Power Company for authority to adjust its consolidated natural gas and liquefied propane gas (LPG) Base Tariff Energy Rate on a quarterly basis between annual rate adjustment applications.

Docket No. 08-02021--Application of Sierra Pacific Power Company to adjust natural gas Base Tariff Energy Rates effective April 1, 2008.

Docket No. 08-02044--Application of Sierra Pacific Power Company to establish a new natural gas and liquid propane Deferred Energy Accounting Adjustment Rate.

Docket No. 08-03038--Southwest Gas Corporation filed Advice Letter No. 439 to adjust Northern and Southern Base Tariff Energy Rates effective May 1, 2008.

Docket No. 08-05008--Application of Southwest Gas Corporation to establish a revised Deferred Energy Account Adjustment rate, reset the Base Tariff General Rate pursuant to the Variable Interest Expense Recovery mechanism, and adjust other gas-related charges applicable to transportation customer service.

Docket No. 08-05009--Southwest Gas Corporation informational report concerning its natural gas resource planning activities.

Docket No. 08-06034--Southwest Gas Corporation filed Advice Letter No. 443 to adjust Northern and Southern Nevada Base Tariff Energy Rates effective August 1, 2008.

Docket No. 08-03038--Southwest Gas Corporation filed Advice Letter No. 439 to adjust Northern and Southern Base Tariff Energy Rates effective May 1, 2008.

Docket No. 08-05005--Application of Sierra Pacific Power Company to adjust natural gas Base Tariff Energy Rates effective July 1, 2008.

Docket No. 08-06034--Southwest Gas Corporation filed Advice Letter No. 443 to adjust Northern and Southern Nevada Base Tariff Energy Rates effective August 1, 2008.

INFORMATIONAL REPORTS

During the biennium the Commission revised its regulations to facilitate the filing of reports pursuant to NRS 704.991. These informational reports address anticipated demand, estimated cost of supplying gas, sources of planned acquisitions of natural gas, and significant operational or capital requirements.

Proceedings:

Docket No. 06-06009--Petition of the Regulatory Operations Staff to open an investigatory and rulemaking docket to consider revising the Nevada Administrative Code sections applicable to natural gas resource planning.

Docket No. 07-05018--Southwest Gas Corporation informational report concerning its natural gas resource planning activities.

Docket No. 07-06050--Sierra Pacific Power Company informational report concerning its natural gas resource planning activities.

ENERGY EFFICIENCY

Nevada enacted Senate Bill 437 (2007), which provides that the Commission adopt regulations to establish methods and programs for a public utility which purchases natural gas for resale that remove financial disincentives which discourage the public utility from supporting energy conservation

The Commission conducted an investigation and rulemaking proceeding in two phases. Phase I addressed cost recovery methods for energy efficiency programs offered by gas utilities not seeking decoupling. Phase II addressed gas decoupling.

Proceedings:

Docket No. 07-06046--Investigation and rulemaking to adopt, amend, or repeal regulations pertaining to Chapters 703 and 704 of the Nevada Administrative Code regarding establishing methods and programs for a public utility which purchases natural gas for resale that remove financial disincentives which discourage the public utility from supporting energy conservation and other related utility matters in accordance with Senate Bill 437.

Docket No. 07-08005--Petition of Sierra Pacific Power Company to open an investigatory docket regarding the accounting treatment and cost recovery mechanism for gas demand side management costs.

DISCRETIONARY GAS SERVICE PROVIDERS

In 1985, the Nevada State Legislature passed legislation permitting the selling of natural gas as a discretionary service in Nevada. Consequently, industrial and large commercial consumers of natural gas have been able to choose their supplier. The local utility charges these customers for transporting gas from the interstate pipeline interconnection to the customer's delivery point.

Pursuant to NRS 704.075, the Commission established standards for the setting, increase or decrease of rates for natural gas to generating, industrial and large industrial customers. The utility shall file with the Commission an application for the approval of a contract for special services between the utility and the generating, industrial or large commercial customer. A contract for special services must specify the method, terms, conditions and rates by which the services are to be rendered to the customer. A utility shall not provide service to a generating, industrial or large customer pursuant to a contract of special services until the contract is approved by the Commission.

NAC 703.191 provides that no later than May 15th of each year discretionary gas service providers are required to file with the Commission annual reports, which among other things describe the number of customers served, a statement of intrastate revenues and a statement of income.

Below is a list of licenses issued to discretionary gas service providers in Nevada:

- BP Energy Company
- Commerce Energy Inc.
- Constellation Energy Commodities Group, Inc.
- IGI Resources, Inc.
- IKUN Energy, LLC
- Occidental Energy Marketing, Inc.
- Pacific Summit Energy, LLC
- Reliant Energy Services, Inc.
- Sempra Energy Solutions
- Shell Energy North America (US), L.P.
- Sierra Southwest Cooperative Services, Inc.
- South Jersey Resources Group LLC
- Wasatch Energy LLC

Proceedings:

Docket No. 07-05003--Investigation and rulemaking to adopt, amend, and/or repeal regulations regarding annual reports for regulated entities and licensing fees for alternative sellers of natural gas.

Docket No. 07-09014--Application of Pacific Summit Energy, LLC for a license to provide discretionary service as an alternative seller of natural gas to generating, industrial, or large commercial customers in the state of Nevada.

Docket No. 07-10001--Application of Coral Power, L.L.C. for a license to provide discretionary service as an alternative seller of natural gas to generating, industrial, or large commercial customers in the state of Nevada.

Docket No. 07-11031--Application of South Jersey Resources Group LLC for a license to provide discretionary service as an alternative seller of natural gas to generating, industrial, or large commercial customers in the state of Nevada.

Docket No. 07-12028--Application of Vesta Capital Partners, LP filed on behalf of Choice Energy Services, LP to voluntarily discontinue operating as an alternative seller of natural gas of only discretionary service conducted under License No. G-10.

Docket No. 08-03037--Application of Shell Energy North America (US), Limited Partnership for a license to provide discretionary service as an alternative seller of natural gas to generating, industrial, or large commercial customers in the state of Nevada.

Docket No. 08-06021--Application of Constellation Energy Commodities Group, Inc. for a license to provide discretionary service as an alternative seller of natural gas to generating, industrial, or large commercial customers in the state of Nevada.

TELECOMMUNICATIONS

The federal Telecommunications Act of 1996 (“Telecom Act”) assigned a number of specific responsibilities to state regulatory commissions, which are necessary to open local telecommunications markets to competition while advancing the longstanding public policy goal of universal service.

The process of introducing competition at the local level continues. The Commission, in acting on behalf of the Federal Communications Commission (“FCC”), has reviewed and approved during this biennium 98 negotiated and arbitrated interconnection agreements. These agreements are precursors to local competition. Standards and criteria for the development of cost-based rates for interconnection, as well as unbundled network elements (“UNE”) and wholesale rates are continuing to be reviewed and refined. On July 25, 2007, the Commission also approved a filing by Embarq to revise its UNE wholesale rates.

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

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

The Commission continues 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.

The Commission continues the implementation of the universal service goals of the Telecom Act to ensure that telecommunications services are available to consumers in rural areas at rates comparable to rates in urban areas.

The FCC approved the merger of AT&T and BellSouth on December 29, 2006, with conditions. As a result of this merger, AT&T Nevada will implement the conditions set forth in the agreement that includes a number of concessions with regard to special access, UNEs, other wholesale items, and net-neutrality concessions.

The telecommunications industry is moving towards Voice-Over Internet Protocol (VOIP) technology. This will not only have an impact on competition but also change the infrastructure, as we know it today. The future will bring multimedia services over broadband access to include wireless broadband. During the period 2007-2012, we can expect an optical infrastructure in joint use that will provide common facilities for telecommunication services and digital media contents over IP-based networks. The role that regulators will play under this technology remains to be determined. The classification of broadband (telecommunications or information services) by the FCC will determine the degree of regulation that will be exercised over these providers.

Nevada enacted Assembly Bill 518 (2007), which repeals the plan of alternative regulation (“PAR”) and replaces it with a regulatory scheme intended to promote more competition in the local telephone market. Under this legislation, all telecommunication providers, with the exception of certain small-scale providers of last resort, are classified as competitive suppliers. This legislation reduces the regulatory authority of the Commission over such competitive suppliers and provides for greater flexibility of pricing with regard to most components of local telephone service, including basic telephone service.

The two non-rural local exchange telephone companies (AT&T and Embarq) are classified as competitive providers and will freeze their basic residential service rates at the current level until January 2011. After January 1, 2011, AT&T and Embarq will be allowed to increase their basic residential rates by \$1.00 per month. After January 1, 2012, AT&T and Embarq will 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.

The Commission’s rulemaking for AB 518 was separated into five phases. Phase I regulations retain existing consumer protections in the areas of coin-operated pay telephones, inmate services and the consumer bill of rights. Phase II regulations relieve an incumbent local exchange carrier of its obligations as the provider of last resort when a developer has entered into an exclusive arrangement with another provider of telecommunication service for “voice service.” Although the new provider of voice service would not be required to provide lifeline it was clarified in the regulation that excuse from the provider of last resort obligations does not relinquish a provider of last resort’s eligible telecommunications carrier obligations under federal law which includes the obligation to provide lifeline. Phase III regulations establish procedures for a competitive supplier who is a provider of last resort to change the boundaries of its service area and to discontinue basic network service. Phase IV regulations establish procedures for an application of a small-scale provider of last resort to request to be regulated as a competitive supplier. Phase V regulations establish eligibility requirements for competitive suppliers that are providers of last resort to apply to receive payments from the universal service fund to maintain the availability of telephone service based on the need of such competitive suppliers for funding to maintain the availability of telephone service to rural, insular and high-cost areas. The regulations also increase the rate of lifeline eligibility.

The following is a list of the incumbent local exchange carriers in Nevada:

- Beehive Telephone Company Inc. of Nevada (White Pine County / Elko County)
- Central Telephone Company d/b/a Embarq (Las Vegas / Clark County)
- CenturyTel of the Gem State (Owyhee / Mountain City / Elko County)
- Churchill County Telephone (Fallon / Churchill County)
- Frontier Communications of Nevada (Elko / Tonopah)
- Filer Mutual Telephone Company (Jackpot / Elko County)
- Lincoln County Telephone System, Inc. (Lincoln County)
- Moapa Valley Telephone Company (Moapa Valley / Clark County)
- Nevada Bell Telephone Company d/b/a AT&T Nevada (Pahrump / Carson City / Washoe County)
- Humboldt Telephone Company (Humboldt County / Elko County)
- Rio Virgin Telephone Company (Mesquite / Clark County)
- Rural Telephone Company (Elko County)
- Verizon Nevada (Douglas County)

There are also 306 competitive local exchange carriers and 43 commercial mobile radio service providers.

WATER AND WASTEWATER

The Commission regulates 29 water and wastewater utilities serving approximately 24,000 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 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 of 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 has been proactive in providing guidance to the regulated small water companies. The Commission developed and implemented of a comprehensive inspection program, which identifies areas of needed improvement. The response by water companies to has been positive. As an example, during a rate assist for Gold Country Water Company, Staff identified multiple system deficiencies. In coordination with the rate case, Gold Country had corrected most of the water system deficiencies within 3 months of the approved Stipulation.

Nevada enacted Senate Bill 86 (2007), legislation initiated by the Commission, which standardized general rate filings and resource plan filings for certain water and wastewater utilities. The Commission adopted regulations implementing standards for review of these filings.

The Commission also conducted show cause proceedings against Dutchman Acres Water Company (“DAWC”) to revoke its operating authority. As a result of the proceedings, DAWC corrected all of its deficiencies. The communication and cooperation between DAWC and the Commission is very positive now.

During this biennium, the Commission considered evidence in 59 water and wastewater, including:

- 15 dockets for UEPA permits;
- 9 dockets for the issuance of new operating certificates and modification of existing ones;
- 10 dockets for tariff modifications;
- 2 dockets for discontinuance of service and/or transfer of ownership (Verdi Meadows Utility Company, Amargosa Valley Water Company);
- 2 dockets for show cause proceedings (Verdi Meadows Utility Company, Dutchman Acres Water Company);
- 9 dockets for general rates;
- 1 docket for rulemaking on resource planning and hydrant maintenance;
- 6 dockets for utility reviews;
- 5 dockets for investigations, violations, and/or advisory opinions.

RAIL SAFETY

The Commission has a Rail Safety Program as part of Nevada's state Participation Program with the United States 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: hazardous materials; operation practices; track; and, motive power and equipment.

Section 205 of the FRA Act of 1970 ("Act") provides for national uniformity of rail safety laws, regulations and standards. The Act prohibits states from adopting or enforcing additional or more stringent regulations except in certain cases. The Act allows states to adopt or continue to enforce any law or regulation related to railroad safety only until the subject matter is covered in a regulation or order issued by the FRA. The Act also indicates that states may adopt or enforce an additional or more stringent rule or regulation only if it meets three tests: 1) it is necessary to eliminate or reduce an essentially local safety hazard; 2) it is not incompatible with any law or regulation of the federal government; and, 3) it is not an unreasonable burden to interstate commerce.

Although Nevada is limited in many ways from establishing rail safety regulations, the State does have some rail safety regulations contained in NAC 703, 704 and 705, including regulations governing clear areas around the tracks and walkways for rail employees.

The Rail Safety Program performed inspections in the following four categories during the corresponding fiscal years.

- Track

2006	93 reports, 3535 units, 218 defects
2007	94 reports, 3883 units, 134 defects
2008	56 reports, 2426 units, 78 defects

- Operating Practices

2006	82 reports, 648 units, 33 defects
2007	107 reports, 785 units, 33 defects
2008	63 reports, 448 units, 30 defects

- Hazardous Materials

2006	43 reports, 769 units, 22 defects
2007	142 reports, 3772 units, 208 defects
2008	91 reports, 2379 units, 68 defects

- Motive Power & Equipment

2006	259 reports, 25295 units, 491 defects
2007	299 reports, 31921 units, 599 defects
2008	221 reports, 14562 units, 467 defects

The Commission's rail safety inspectors improved rail safety in Nevada during the biennium. Two specific incidents are of particular importance and highlight the Commission's proactive accomplishments during this period.

The first incident involved a chlorine tank car that escaped the Arden Yard in Las Vegas as the result of a procedural error on the part of the Union Pacific Railroad. During a routine switching operation in the Arden Yard, the Chlorine tank car was inadvertently allowed to roll free, traveling nineteen miles through the city to North Las Vegas.

The Commission's SQA Division played an integral part in the Union Pacific Railroad's development of corrective measures to prevent a recurrence of the events that led to the runaway chlorine tank car incident. Those procedural changes are as follows:

- No yard tracks will be left unobstructed.
- At least one rail car will be left on each track with the brakes set (Heel Car).
- All three yards in the Las Vegas area will have zones marked to show where cars are to be placed as Heel cars.
- Job briefings by crews, held in the presence of a manager, will include these procedures.
- All Hazmat cars will be shoved to rest with air brakes applied no exceptions.

The other involved reviewing critical safety statistics that revealed an increase in train accidents across the state. Both situations triggered an immediate focusing of the Commission's railway resources on the factors causing the events. As a result of increased accidents in the State, the Commission devised a multi-tier approach to decrease train accidents. Due to these methods, there has been a 63% drop in train accidents. The methods are as follows:

- Identify commonalities or contributing factors.
- Identify root causes as indicated by contributing factors.
- Identify predominate geographical locations where train accidents are occurring. (Sparks 1st – Elko 2nd)
- Develop a railway inspector cross training program to provide each railway inspector with basic skills in all four disciplines.
- Maintain elevated railway inspector presence in the two railway yards identified as the predominate areas where accidents are occurring.

GAS PIPELINE SAFETY

Nevada residents continue to benefit from the pipeline safety partnership between the Commission and the United States Department of Transportation Pipeline and Hazardous Materials Safety Administration (“PHMSA”) Office of Pipeline Safety. The Pipeline Safety State Grant Program administered by the Office of Pipeline Safety funds up to 50% of the Commission’s Gas Pipeline Safety Program. Each year, the Office of Pipeline Safety conducts an evaluation of the Commission’s Pipeline Safety Program. For five out of the last six years, the Commission’s Pipeline Safety Program has earned the maximum possible score awarded by the Office of Pipeline Safety during its evaluation.

The Pipeline Safety Program involves the inspection of liquid propane and natural gas systems statewide. The Commission’s engineers monitor the design, construction, operation, and maintenance of the gas systems under Commission jurisdiction. They inspect the local natural gas distribution companies, the natural gas master metered distribution systems found in mobile home parks, as well as mobile home parks with 10 or more liquid petroleum gas (“LPG”) customers served by underground distribution systems. SQA engineers also act as an agent of the Office of Pipeline Safety during the inspection of construction projects for new interstate pipelines.

During 2008, the Commission’s engineers responded to two incidents that were reportable to PHMSA. One incident resulted in a fatality. This incident was investigated by Staff and the subsequent report was forwarded to PHMSA and the National Transportation Safety Board. The second incident is still under investigation. Two LDC crew members received burns requiring an overnight hospital stay. In both incidents, Probable Violation letters were sent to the Operator. As a result, the Operator modified some procedures and added additional safety training.

The population growth in Nevada has led to a significant expansion in the State’s gas pipeline infrastructure. The oversight, inspection, and investigation of gas system operators by the Commission’s engineers have provided Nevadans with a high level of safety during these past several years of rapid and unprecedented growth. They established an expanded inspection program in FY 2008 with the cooperation of the LDCs. The purpose is to inspect significantly more of the operation and maintenance work that is performed pursuant to 49 CFR 192. The Commission then instituted a pilot program to test the expanded program and to ease the LDCs concerns that the inspections would disrupt operation and maintenance work flows. The pilot program has become standard operating procedure.

Tabulated below are the number of field days the Commission’s engineers spent on annual operation and maintenance audits, construction inspections, and pipeline incident investigations for the past biennium. Inspections were made on intrastate transmission pipelines, distribution pipelines, direct sale pipelines, master meter distribution systems and liquid propane distribution systems. The inspection field-days are in the following categories:

Field Days	2005	2006	2007	2008
Annual Operation and Maintenance Audits	78	113	96	63 ¹
Construction Inspections	210	186	321	495
Pipeline Incident Investigations	67	23	29	4

¹ Annual Operation and Maintenance Audits are down because LDCs are audited every other year instead of every year starting in 2007.

UNDERGROUND DAMAGE PREVENTION (ONE-CALL PROGRAM)

The Commission continues its efforts to promote and encourage use of the State's underground damage prevention ("One-Call Program"), along with compliance with NRS Chapter 455 and related regulations. The purpose of Nevada's One-Call Program is to reduce damage to underground infrastructures. This is being achieved through field inspections. If an excavator does not have a valid One-Call ticket, the job is shut down and the foreman is contacted. The excavator subsequently receives training in the proper techniques to mark the excavation area with white paint, and the proper procedure to call Nevada's One-Call Center for a ticket before digging. If the training is ignored, repeat offenders are fined.

The Nevada Regional Common Ground Alliance ("NRCGA"), a member-driven association dedicated to the reduction of damage to underground infrastructures, was formed and conducts bi-monthly meetings that are attended by 25 to 30 stakeholders. The Commission's engineers galvanized the loose-knit NRCGA into a formal, highly structured stakeholder advisory group with functions defined in statute and regulation.

Nevada enacted Senate Bill 396 (2007). The legislation revised Nevada's underground excavation statutes to include extending the One-Call ticket from 14 to 28 days, giving increase enforcement authority to the Commission's Staff, and reducing the marking location tolerance from 30 to 24 inches. Although the current growth in infrastructure has slowed, the number of One-Call inspections has increased considerably from 0 in 2006 to 69 in 2007 to 278 in 2008.

With the new legislation and NRCGA, Nevada's One-Call Program has been very successful. As a result, damages to underground infrastructures in Nevada are down approximately 50% since proactive enforcement has been in place.

CONSUMER COMPLAINT RESOLUTION

In fulfilling its obligation to the Nevada Revised Statutes and to the citizens of Nevada, the Commission's Consumer Complaint Resolution Division continues to play a vital role in operations. The Division is responsible for receiving, investigating and resolving disputes between consumers and their utility companies. The Division's employees also log rate protests, attempt to explain Commission decisions and policies, and assist utility customers with making payment arrangements or obtaining financial assistance.

During the biennium, wholesale fuel prices and the need for electric utilities to add new generating units to meet growth all contributed to escalating rates. Customers continued to challenge the accuracy of their bills. Once bills were verified, customers then needed the Division to act as an intermediary with utilities to obtain workable payment schedules or to have service restored under terms that were acceptable to customers and the companies. Customers with medical issues continued to need special protections.

Total complaints increased from 6,364 in the last biennium to 6,728 in this biennium. Complaints continue to be adequately handled by Staff in the Carson City and Las Vegas offices.

Comparison of Complaints

	7/1/06 to 6/30/07	7/1/07 to 6/30/08
Electric	1128	1222
Natural Gas	640	496
Telephone	1386	1197
Water	59	59
Other	257	343
Totals	3470	3317

The Commission's Consumer Complaint Resolution Division has also assumed a greater role in public outreach. The Commission's public information officer ("PIO") has been assigned to the Consumer Complaint Resolution Division. In addition to carrying out traditional public information functions, the PIO has attended energy fairs, made presentations to school classes and civic groups and designed bilingual brochures and publications, all geared toward the need to conserve energy.

The consumer page on the Commission's website has been enhanced. Sample utility bills and line item explanations have been added. Frequent questions and answers about utility services have also been added in English and Spanish.

Numerous consumer sessions were held throughout Nevada in connection with both docketed and non-docketed issues. A consumer session focusing on the proposed Ely Energy Center was held in Ely and was attended by over 100 local residents. Additional emphasis has been placed on holding rural consumer sessions on issues related to water rates and quality and electrical irrigation rates for farmers and ranchers. Two general consumer sessions were held each year at which Staff members gave Power Point presentations touching on where Nevada's energy comes from, price trends and how customers can reduce utility bills through conservation. Similar

Power Point presentations have been made at consumer sessions for cases related to rising fuel and purchased power costs. Free energy conservation materials and compact florescent light bulbs are disseminated at most of the agency's consumer sessions.

ELECTRONIC FILINGS AND RECORDS MANAGEMENT

The Commission began research for implementing an Electronic Filings and Records Management (“EFRM”) system in July of 2003.

The primary goal of the EFRM Project was to enable the Commission to accept and manage electronic filings and associated fees and to enable utilities and other entities to submit electronic filing and associated fees both “over the counter” and “over the Internet”.

The project was originally scheduled to be executed throughout fiscal years 2006 and 2007 with two phases aligned with those fiscal years. The project was officially closed in February of 2007, four months ahead of schedule.

Project budget and expenditures:

	M-FORM New and Replacement Hardware	EFRM Approved Budget	Combined Category 26 Approved Budget	Actual Expenditures	Difference
FY06	\$147,014.00	\$499,998.00	\$647,012.00	\$584,891.37	(\$62,120.63)
FY07	\$4007.00	\$810.458.00	\$814.465.00	\$132,117.62	(\$606,824.20)
Total	\$151,021.00	\$1,310,456.00	\$1,461,477.00	\$744,468.01	(\$717,008.99)

In February of 2007, the budgeted authority (Category 26) was reduced by returning \$600,000.00 to reserve (Category 86).

The results of the EFRM Project exceeded project goals and objectives. The Project produced a comprehensive EFRM system that continues to grow and evolve to support the additional requirements of the Commission.

The EFRM System is made up of the hardware, software, people, and processes supporting the following activities:

- Automated and physical processes, workflows and technologies that convert paper documents to electronic forms that can be managed electronically
- Immediate access (at their workstation) by Commission employees to documents managed by the system
 - Document text search
 - Document cut and paste into word processing programs
 - Document downloads
 - Historical tracking of activities
- Ability to create files to be microfilmed from documents stored in the records management system
- Acceptance of Consumer Complaints over the Internet

- Continued acceptance of over the counter filings (only one paper original required or an electronic version saved in Adobe Acrobat's PDF format submitted on electronic media)
- Automated acceptance of Electronic filings and associated fees over the Internet
 - Accounting and tracking of payments
- Internet acceptance of payments of assessments and penalties
 - Accounting and tracking of payments
- Acceptance of required Universal Energy Charge (UEC) reporting and fees over the Internet
- Automated and image enhanced Public Utilities Commission of Nevada web site
 - Electronic Filings Application
 - Registration System
 - New Filings and associated fees
 - Open Docket Filings and associated fees
 - Fines (open dockets filings and penalty fees)
 - Corrected payments
 - Help and documentation
 - Laws
 - Regulations
 - Electronic Filings Users' Guide
 - Automated confirmation notices
 - Internet "real time" access to Dockets and other public information stored in the records management system (eight years of docket information and growing)
 - Help instructions for records management access
 - Help contact Information
 - Proprietary and confidential information is not accessible via the Internet (example: transcripts owned by the court reporters or confidential filings)
 - Image enabled Commission calendar of events
 - Event Details
 - Access to related documents (agendas, dockets, etc.)
 - Agendas
 - Audio recordings and "real time" access to Agenda meetings
 - Agenda notices
 - Agenda documents
 - CPC's, CMRS, Licenses, Permits
 - Daily distribution reports
 - Historical Indexes to microfilm
 - Miscellaneous Documents
 - EFRM Internet system help documentation
 - Access to other informational and public information
- Internal image enabled and Internet integrated information management systems
 - Processes and workflows and technologies automatically publish documents, update information
 - Systems have the capability to allow or deny access to proprietary or confidential information
 - Both internal and external Commission event calendaring (image enabled)
 - Event Details

- Access to related documents (agendas, dockets, etc.)
- Internal employee phone database (Drives E-mail notifications)
 - Search for employees
 - All employees
 - By business unit
 - By office location
 - Printed Phone Lists
 - All listing
 - Alphabetical
 - By business unit
 - By Office Location
 - Alphabetical
 - By business unit
 - Additional Phone Information
 - Office phone numbers
 - special phone numbers and information
- Automated e-mail notification of electronic events (payments, filings, etc.)
- Agendas
- Docket management (12 years of docket information and growing)
- Docket tracking system
 - Image enabled
 - Internet Integration
- Electronic filings tracking system
 - E-mail notifications
- UEC report submittal tracking system
 - E-mail notifications
- Utilities data management system
 - Image enabled
 - Internet Integration
 - Automated e-mailing
- Policy Support system
- General counsel confidential documents (Restricted to General Counsel managed access)
- Staff counsel confidential documents (Restricted to Staff Counsel managed access)
- Staff data requests and responses (restricted access)
 - Image enabled
- Certificates of Public Convenience, Permits, etc.
- Tariffs
- Commission Press Releases
- News Clippings (internal Commission employee use only)
- Miscellaneous Documents

Prior to implementation of the acceptance of electronic filings, a filing required an original document and nine copies be hand delivered to one of the Commission offices located in Carson City or Las Vegas.

The implementation of the EFRM System enables the Commission to now require the submission of one electronic filing 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.

The following statistics since implementation of the EFRM System have been derived:

Electronic Filings Statistics

Number of electronic filings received:	2,723
Average size of filing (pages)	18
Number of pages filed electronically	49,014
Number of paper copies required prior to implementation	10
Number of pages required before implementation	490,140
Number of pages per case of paper	5,000
Number of cases of paper saved	98.03
Weight of 98.03 cases of paper in tons	2.45
Number of trees required to create 1 Case of Paper ^{2 3}	.60
Number of trees saved	58.82
Estimated average delivery mileage (round trip) ⁴	40
Estimated average vehicle mileage mpg	17
Estimated vehicle mileage saved	108,920
Estimated gallons of gas saved	6,407

Docket Records Management Statistics

Number of years of docket information available (internally)	12
Number of years of docket information available on Internet	8
Number of Docket pages stored in Records Management System	1,415,205
Number of Dockets 1996 through 2008	6,212
Number of Filings 2001 through 2008	44,500
Average number of filings per docket 2001 through 2008	14.2
Average number of pages per filing 2001 through 2008	18.3

² www.conservatree.com/learn/EnviroIssues/TreeStats.shtml

³ www.straightdope.com/columns/read/2231/how-is-paper-made

⁴ Some filings are submitted from locations exceeding 3000 miles (Washington D.C, New York, etc). Nevada Utilities located in Reno delivered filings from Reno to Carson City (> 24 Miles) or in Las Vegas to the Las Vegas Office (> 5 Miles). The Bureau of Consumer Protection delivered to the Carson City Office (1.5 miles).

ENERGY EFFICIENCY AND CONSERVATION EFFORTS

With energy costs on the rise and energy shortages looming, energy efficiency and conservation measures are more important than ever. Nevada has experienced outages as a result of heavy demand and electrical systems reaching their peak. The additional power that is imported to meet this demand is expensive. Everyone must do their part to reduce their reliance on energy consumption. If a consumer is not personally responsible for paying the power bill each month, it is easy to use energy unnecessarily or inefficiently. Most conservation measures can be applied that have no additional or minimal funding requirements.

On November 1, 2006 the Commission took a leadership role in energy efficiency and conservation to reduce wasteful and unnecessary energy consumption at its offices. This measure included an energy efficiency and energy conservation policy to increase employee awareness about energy efficiency and energy conservation and mandated certain energy efficiency and conservation measures at the Commission. The policy came about due to an employee's Capstone Project that was required for Nevada's Certified Public Manager's Program.

The new policy was aimed at altering employee behaviors to show quantifiable results. The goals of the policy are to save taxpayer dollars, protect the environment, and provide an energy-efficient building that is also comfortable for employees. In summary, the Commission wants to use no more electricity or gas than is necessary.

Specific conservation measures were identified and implemented as follows:

Heating and Cooling:

- Thermostats are programmed for energy economy. Thermostats are programmed for low energy use during non-work hours and weekends.
- Space heaters are permitted as long as they are 1500 watts or less. Space heaters are turned off when not in use and unplugged in the warmer months when not needed.
- In the winter, window coverings are closed at the end of the day to cut down on heat loss.
- In cold weather, employees dress warm (i.e. in layers) to trap your body heat.
- In warm weather, we ask that employees dress cool (i.e. loose fitting clothes).
- Employees avoid setting temperatures to warm up faster or lower temperatures to cool down quickly.

Lighting:

- Lights are turned off when not in use and natural light or no lights are used, when possible.

Computers:

- All personal computers are set so that the monitor shuts off after 10 minutes of inactivity.
- All personal computers go into standby mode after 30 minutes of inactivity.

Appliances:

- Small appliances are turned off when not in use.
- Individual office appliances were centralized.
- Refrigerators are defrosted often.
- Purchases of only “energy star” labeled equipment is allowed.

Energy Efficiency Building Upgrades:

- New programmable thermostats were installed in the Carson City office.
- Caulking that was dried out or separating was replaced around windows.
- Exit lights were upgraded to LED bulbs.
- Exterior lights were upgraded to reduced wattage bulbs.
- Motion light sensors were installed in common and storage areas.
- Overhead fluorescent bulbs will be reduced.

All of these upgrades were implemented at no cost to the Commission. The Commission’s efforts are paying off.