

Agenda 17-24; Item No. 2-A Draft Order for discussion at agenda

***THIS ORDER IS NOT A FINAL ORDER AND MAY BE SUBSTANTIALLY REVISED
PRIOR TO ENTRY OF A FINAL ORDER BY THE PUBLIC UTILITIES COMMISSION
OF NEVADA***

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Application of Sierra Pacific Power Company d/b/a NV)	
Energy for authority to adjust its annual revenue)	
requirement for general rates charged to all classes of)	Docket No. 24-02026
electric customers and for relief properly related thereto.)	
_____)	
)	
Application of Sierra Pacific Power Company d/b/a NV)	
Energy for authority to adjust its annual revenue)	Docket No. 24-02027
requirement for general rates charged to all classes of)	
gas customers and for relief properly related thereto.)	
_____)	

At a special session of the Public Utilities
Commission of Nevada, held at its offices
on September 17, 2024.

PRESENT: Chair Hayley Williamson
Commissioner Tammy Cordova
Commissioner Randy J. Brown
Assistant Commission Secretary Trisha Osborne

**COMMISSIONER CORDOVA’S PROPOSED MODIFICATIONS TO THE
[PROPOSED] ORDER**

(Additions are in ***bold italics***; deletions are in ~~striketrough~~)

[. . .]

IV. COST OF CAPITAL

[. . .]

Commission Discussion and Findings

Return on Equity

[. . .]

149. The Commission also agrees that Sierra has alternatives to large rate-based projects. If Sierra does not have the balance sheet or credit capacity to undertake large rate-based capital projects without creating risk to its credit quality, cost of capital, and cost to customers, it can propose and structure such projects outside of rate base. Sierra has a history of adding renewable energy resources and large transmission projects similar to Greenlink outside of rate base. Renewable energy supply resources can be contracted for using PPAs with third-party developers. Sierra is a counterparty to numerous existing PPAs and has proposed PPAs for the acquisition of new renewable energy supply resources in its current joint Integrated Resource Plan (“IRP”) filing in Docket No. 24-05041. Sierra’s One Nevada Line transmission project (“On-Line”), which Sierra jointly operates with Nevada Power, was developed and placed in service through an operating lease structure with a third-party developer. Sierra can consider similar structures or joint venture partners for its Greenlink projects if it does not have the capacity to absorb the size, scale, or increasing costs of the Greenlink projects as proposed without significant increases to rates charged to customers from elevated ROE and Equity ratios.

[. . .]

V. REVENUE REQUIREMENT

A. Tracy Area Master Plan (“TAMP”)

[. . .]

Commission Discussion and Findings

[. . .]

176. To limit existing customers' responsibility for paying the costs of the TAMP-related facilities at issue, the Commission orders Sierra to establish a regulatory liability account, with carry, to capture BTGR and BSC revenues associated with new incremental customers and load within the TAMP area. If, prior to the filing of Sierra's next general rate case, the revenues recorded to the regulatory liability fully offset the total TAMP infrastructure investment included for recovery in the revenue requirement of this general rate case, Sierra may cease recording any additional incremental revenues to the regulatory liability at that time. The Commission finds that this arrangement is investment-supportive and mutually beneficial to Sierra and its customers (both existing and future). The Commission finds that including all of Sierra's TAMP infrastructure investment into the revenue requirement for recovery through rates in this general rate case will allow Sierra the opportunity to be made whole for its investment as it relates to the rate-effective period of this general rate case. Additionally, recording incremental revenues from potential new TAMP customers and load in a regulatory liability will not adversely affect Sierra's opportunity to fully recover on its investment, but it will ensure that existing and future customers are appropriately credited for any incremental revenues that would otherwise accrue to Sierra as windfall profit.

[. . .]

B. Critical Substation T

[. . .]

Commission Discussion and Findings

189. The Commission finds that *the updated perimeter barrier is used and useful, and that the actions taken by Sierra to delay the completion of the gate and apron were prudent.* *However,* Staff and BCP raise valid concerns regarding the timing of the project's completion and the manner in which Sierra presented the project for inclusion into the revenue requirement. ~~However,~~ neither party appears to dispute the need for the perimeter barrier and, at hearing, Sierra described how a block wall provided additional security. (Tr. at 494-495: 11-17.) ~~The Commission agrees that that updated perimeter barrier is used and useful, and that the actions taken by Sierra to delay the completion of the gate and apron were prudent.~~ *It remains Sierra's responsibility to not only make prudent decisions, but to be able to comply with regulatory requirements and demonstrate the reasonableness of its decisions to the Commission. Given that the perimeter barrier is used and useful in providing security,* ~~t~~The Commission finds that Sierra shall be permitted to recover approximately \$6.444 million for Critical Substation T and that the \$485,000 in costs for the gate and apron are appropriately not included in the revenue requirement at this time.

[. . .]

E. Affiliate Charges

[. . .]

Commission Discussion and Findings

220. ~~The Commission finds that~~ the stipulation entered into by Sierra and accepted in Docket No. 13-07021 included a cap on the basic cross-charges because there was uncertainty about the charges that would be pushed down from affiliates. The Commission approved a 10-year timeframe to allow the audit process to repeat itself a few times over that span, which would allow all parties to become familiar with the process. In addition to the provision for the 10-year

cap, the stipulated settlement established other commitments that NV Energy would adhere to. Specifically, Commitment #28 of the stipulation in Docket No. 13-07021 provides for NV Energy to “cooperate fully with the Commission’s, Staff’s, or BCP’s audits of the accounting records of the Nevada Utilities, NV Energy and of MidAmerican and its subsidiaries relevant to matters within the jurisdiction of the Commission.”

221. The Commission finds that Sierra did not meet its obligation to provide adequate information in this docket to satisfy the investigatory and audit needs of the intervenors.

222. Although the provision for a 10-year cap of basic cross-charges contained in Commitment #27 of Docket No. 13-07021 has expired, its concluding sentence, which reads “nothing in this paragraph shall limit any Signatory’s ability to review or propose an adjustment to IASA Basic Cross Charge costs,” did not expire. So, while some portion (perhaps all) of the basic cross-charges could have been prudently incurred, Sierra’s inability to provide Staff and BCP with adequate information to verify what that portion is presents a difficult circumstance.

223. The Commission declines to find that a complete disallowance of the basic cross-charges is appropriate and instead finds that the capping of those charges, consistent with the methodology followed for the preceding decade, presents a reasonable outcome in this instance. Regarding the basic cross-charges, the Commission agrees with Staff’s recommendation to disallow recovery of \$1.858 million in affiliate basic cross-charges for Sierra-E and \$37,000 for Sierra-G in this general rate case, based on prior approved amounts adjusted for inflation. The Commission accordingly finds that the cap on the basic cross-charges should remain until Sierra can demonstrate that it can meet ~~the~~ other requirements of the stipulation in Docket No. 13-07021.

224. The Commission further agrees with Staff and BCP that Sierra has not met its burden to demonstrate that all of the other affiliate charges were prudently incurred. Therefore, the Commission also disallows all of the incremental cross-charges sought for recovery for both Sierra-E and Sierra-G at this time. Those amounts, however, may be held in abeyance, without carry charges, and brought forward for recovery when Sierra can adequately demonstrate that their inclusion into rates for recovery is just and reasonable.

225. The Commission finds that any affiliate charges held in abeyance should be recorded in FERC Account 186.

226. The Commission orders Sierra, Staff, and the BCP to have informal discussions to address what information should be expected to be provided by Sierra to satisfy Staff and BCP's investigatory and audit responsibilities. ~~**Sierra is** Those parties are further~~ ordered to provide an informational report as a compliance item in this docket ***within 6 months*** to apprise the Commission of any progress or impasse that the parties encounter. ~~The parties should endeavor to provide the information to the Commission within a timeframe that would allow the Commission and the parties to consider the circumstances of the report as soon as practicable and with enough time for Sierra to satisfy the expectations of Staff and the BCP.~~

[. . .]

G. Valmy Blower Fan

[. . .]

Commission Discussion and Findings

[. . .]

237. The Commission finds that it is reasonable for Sierra to recover \$393,736.96 for the cost of the Valmy blower fan ***due to its use as a capital spare within the certification***

period. ~~But~~ the Commission disallows recovery of any installation costs as they should be included in Sierra's next general rate case.

[. . .]

N. General Office Building ("GOB") Cafeteria Costs

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Commission Discussion and Findings

[. . .]

355. The Commission approves Sierra's inclusion of the costs of the GOB Cafeteria into the revenue requirement, less any costs associated with employee recreation. *If any equipment and machinery from the closed cafeteria is no longer used and useful, as identified by Staff, that equipment should be retired, and the costs removed from the revenue requirement.*

[. . .]

W. Budget ID GD2243_05R

[. . .]

Commission Discussion and Findings

442. The Commission accepts the parties agreement to remove \$20,336 in costs associated with Budget ID GD2243_05R, as they were recorded improperly. Sierra may not seek those costs in a subsequent rate case filing. The Commission urges Sierra to review its project tracking processes or systems to determine whether regulatory or compliance checks are adequately represented and easily identified by users. *The burden remains on Sierra to ensure costs are not included for recovery when it enters into a stipulation, and it appears Sierra has failed to do so for these costs.*

[. . .]

J. Class Cost of Service (“COSS”) – Sierra-E

[. . .]

Marginal Cost Study (“MCS”) vs. Embedded Cost Study (“ECS”)

[. . .]

Commission Discussion and Findings

[. . .]

645. *Although the Commission does not approve the use of Staff’s COSS here, the Commission recognizes the circular problem of Sierra arguing it cannot use Staff’s COSS because of the limited timing between the Commission’s order and the setting of rates.* The Commission orders Sierra to meet with Staff to attempt to identify common ground and reach a consensus on Staff’s model COSS. The Commission also orders Staff to provide its model and instructions to all other parties to this proceeding, *again*, and to hold an informal workshop within 150 days of the date of the issuance of this order so as to discuss the model with any interested parties. The Commission additionally orders Sierra to file a COSS and Statement O consistent with Staff’s model in future general rate case filings. *The Commission has found across several general rate cases the value in Staff’s COSS model; the directive in this paragraph is Sierra’s opportunity to ensure it is able to set rates using a Staff COSS model in the event the Staff COSS model is approved in any future general rate case.* Sierra may file other COSS as it would like, but at least one must be provided using Staff’s model.

[. . .]

THEREFORE, it is ORDERED:

1. The Application of Sierra Pacific Power Company d/b/a NV Energy for authority to adjust its annual revenue requirement for general rates charged to all classes of electric customers and for relief properly related thereto, designated as Docket No. 24-02026, is granted in part as modified by this order.

2. The Application of Sierra Pacific Power Company d/b/a NV Energy for authority to adjust its annual revenue requirement for general rates charged to all classes of gas customers and for relief properly related thereto, designated as Docket No. 24-02027, is granted in part as modified by this order.

Compliances

3. Sierra Pacific Power Company d/b/a NV Energy shall file the rates and supporting workpapers in the instant dockets, in executable form with formulas and links intact, within ten calendar days of the issuance of this order.

4. Sierra Pacific Power Company d/b/a NV Energy and the Regulatory Operations Staff shall coordinate on determining the appropriate depreciation expense and incorporate that adjustment into the revenue requirement of this general rate case, which shall be reflected in the rates to be provided pursuant to Ordering Paragraph 3 above.

5. Sierra Pacific Power Company d/b/a NV Energy shall remove IT costs from the list of projects contained in Ex. 312 at YA-1 and incorporate that adjustment into the revenue requirement of this general rate case and shall be reflected in the rates to be provided pursuant to Ordering Paragraph 3 above.

6. Sierra Pacific Power Company d/b/a NV Energy shall determine the amount of project costs specific to the Rainbow Bend 8-inch lateral to be removed from rate base as well as

any related depreciation expense and incorporate that adjustment into the revenue requirement of this general rate case and resulting rates to be provided pursuant to Ordering Paragraph 3 above.

7. Sierra Pacific Power Company d/b/a NV Energy shall file the schedules supporting the adjustments to unprotected excess accumulated deferred income taxes in electronic executable form with all links and equations intact within five business days.

8. Sierra Pacific Power Company d/b/a NV Energy, the Regulatory Operations Staff, and the Bureau of Consumer Protection shall have informal discussions to address what information should be expected to be provided by Sierra Pacific Power Company to satisfy the Regulatory Operations Staff's and the Bureau of Consumer Protection's investigatory and audit responsibilities regarding affiliate charges. ~~Sierra is These parties are~~ further ordered to, within six months of the issuance of this Order, provide an informational report as a compliance to this docket to apprise the Commission of any progress or impasse that the parties encounter.

Directives

9. Sierra Pacific Power Company d/b/a NV Energy shall file a tariff modification request to incorporate the changes agreed to by the parties. Sierra Pacific Power Company d/b/a NV Energy must also work with the Regulatory Operations Staff, the Bureau of Consumer Protection, and other intervenors to include application termination metrics into existing or future NEM application reporting.

10. Sierra Pacific Power Company d/b/a NV Energy shall meet with the Regulatory Operations Staff in an effort to reach a consensus regarding the use of the Regulatory Operations Staff's model cost-of-service study. The Commission also directs Sierra Pacific Power Company d/b/a NV Energy to file a cost-of-service study consistent with the model used by the Regulatory Operations Staff in future general rate case filings.

11. The Regulatory Operations Staff shall provide its model and instructions to all other parties to this proceeding and hold an informal workshop within 150 days of the date of this order to discuss the model with any interested parties.

12. Sierra Pacific Power Company d/b/a NV Energy shall evaluate the establishment of a large residential rate class in its next general rate case filing and provide either a proposal to establish such a class or discussion and support in testimony as to why it is unnecessary.

13. Sierra Pacific Power Company d/b/a NV Energy and Nevada Power Company d/b/a NV Energy shall review alternatives for incorporating the difference in wildfire risk and exposure between Sierra Pacific Power Company d/b/a NV Energy and Nevada Power Company d/b/a NV Energy into the excess liability premium allocation factors applied to the insurers in its excess liability program that include coverage for wildfire liability, with such alternatives presented to the Public Utilities Commission of Nevada in Nevada Power Company d/b/a NV Energy's or Sierra Pacific Power Company d/b/a NV Energy's next general rate case filing.

14. Sierra Pacific Power Company d/b/a NV Energy and Nevada Power Company d/b/a NV Energy shall file a cost-of-service study and Statement O consistent with the Regulatory Operations Staff's model in future general rate case filings. Sierra Pacific Power Company d/b/a NV Energy and Nevada Power Company d/b/a NV Energy may file other cost-of-service studies as they would like, but at least one must be provided using the Regulatory Operations Staff's model.

15. Sierra Pacific Power Company d/b/a NV Energy shall evaluate establishing a low-income rate class in their next general rate case filings and provide either a proposal to establish such a class or discussion and support in testimony as to why it is unnecessary.

16. Sierra Pacific Power Company d/b/a NV Energy shall include a cost-of-service study in their next gas general rate cases that reflect the Regulatory Operations Staff's recommendation of a 50/50 allocator for its throughput allocation for the Commission of Nevada to consider.

By the Commission,

HAYLEY WILLIAMSON, Chair

TAMMY CORDOVA, Commissioner

RANDY J. BROWN, Commissioner and Presiding Officer

Attest: _____
TRISHA OSBORNE,
Assistant Commission Secretary

Dated: Carson City, Nevada

(SEAL)