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26-06011

Public Utilities Commission of Nevada
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BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Joint Petition of the Regulatory Operations Staff and
South Drilling, Inc., requesting the Commission
accept a stipulation regarding violations of Chapter
455 of the Nevada Revised Statutes and Nevada
Administrative Code by South Drilling, Inc. /

Docket No. 26-06011

STIPULATION

The Regulatory Operations Staff (“Staff”) of the Public Utilities Commission of Nevada (“Commission”) and South Drilling, Inc. (“South Drilling”) (collectively, the “Parties”), pursuant to Nevada Revised Statutes (“NRS”) 455.170, submit this Stipulation to the Commission in full settlement of the matters at issue.

I. RECITALS

1. On April 17, 2026, South Drilling excavation activities in Southern Nevada struck a duct run damaging a cable supporting a Nevada Power 1000 MCM electric line—12.4 KV phase to phase and 7.2 KV phase to ground. South Drilling failed to identify all marked underground facilities and instead blind bored and struck the duct run and damaged the cable. Despite its machine alerting the user to the energy strike, South Drilling failed to notify Nevada Power. The strike caused over 300 customer outages, including for a fire agency facility.

2. The post-strike investigation revealed that South Drilling failed to perform an electronic positive response review. Specifically, two operators failed to provide responses on the ticket revisions following the original ticket. And, despite the lack of those responses, South Drilling continued excavation operations. The investigation also showed that South Drilling failed to follow its standard operating procedures by removing the bore from the damaged location after the strike occurred.¹

3. NRS 455.110(1) prohibits excavations in areas that are known to or reasonably should be known to contain a subsurface installation, unless the excavator properly notifies the association for operators per NRS 455.120 and “cooperates with the operator in locating and identifying its subsurface

¹ On July 15, 2026, South Drilling damaged a properly identified and marked underground eight-inch water line in the City of North Las Vegas. South Drilling’s crew failed to properly verify line locations before excavating. Part of this stipulation includes Staff not pursuing this separate violation.

1 installation.”² The Commission has implemented related regulations providing that, absent an
2 emergency, an excavator “[s]hall not commence [work] until each operator of a subsurface installation
3 within the affected area of the proposed [work] has marked the location or has provided the
4 approximate location” pursuant to NAC 455.125.³ Further, under NAC 455.145(2)(e), an excavator
5 may not proceed with the work until the excavator has completed review of the electronic notification
6 sent by the association of operators pursuant to NAC 455.120. South Drilling improperly started its
7 excavations before properly reviewing the electronic notifications or obtaining necessary information
8 from two operators.

9 4. After completing review of the electronic notifications, and pursuant to NRS 455.137
10 and Nevada Administrative Code (“NAC”) 455.150(1)-(2), an excavator shall determine the exact
11 location of subsurface facilities in the excavation area using hand tools (i.e., potholing) before using
12 mechanical excavation equipment and shall proceed in all respects in a careful and prudent manner.
13 South Drilling failed to determine the exact location of the subsurface conduits and duct run before it
14 used mechanical equipment to blind bore approximately two feet below the company’s pothole.

15 5. Additionally, “[i]f, during the course of an excavation or demolition, an excavator is
16 unable to determine the exact location of a subsurface installation within 24 horizontal inches of a mark
17 placed by an operator, the excavator shall notify immediately the association for operators and the
18 operator who placed the mark.”⁴ South Drilling did not identify all of Nevada Power’s marked conduits
19 or the duct run. When this happened, South Drilling did not notify either the association of operators
20 or the relevant operator (Nevada Power) to pinpoint the locations before continuing.

21 6. If the “excavator has concerns regarding the accuracy and meaning of the operator’s
22 marks before or during an excavation or demolition, the excavator: [s]hall not begin the [work],” or if
23 the work has already begun, the excavator “shall cease” the work “in the portion of the affected area of
24 the proposed” work.⁵ In either of these situations, the excavator must also mark “the affected area of
25 the proposed” work “and resubmit a notification to the association for operations” to mark, confirm
26

27 ² NRS 455.110(1).

28 ³ NAC 455.145(1).

⁴ NAC 455.150(3) (emphasis added).

⁵ NAC 455.135(2)(a).

1 marks, or replace marks.⁶ South Drilling did not identify all conduits or the duct run. A reasonable
2 excavator in this circumstance would have had concerns about the accuracy or meaning of the
3 operator's marks, requiring the excavator to cease all work in the relevant area and resubmit notification
4 to the association of operators. South Drilling did not cease excavation. Instead, South Drilling chose
5 to proceed by blind boring beneath its pothole. This conduct was not reasonable or prudent

6 7. Upon causing or observing any damage "to a subsurface installation during an
7 excavation or demolition," the excavator must "cease work...in the area around the damaged
8 subsurface installation" and inform the operator of that damage.⁷ When South Drilling struck Nevada
9 Power's subsurface installation at 4:04 p.m. on April 17, 2026, South Drilling did not inform Nevada
10 Power. Nevada Power learned about the outage caused by the strike over two hours later from customer
11 outage calls.

12 Excavators are required to operate in a reasonable and prudent manner when excavating, which
13 necessarily includes following the excavator's own standard operating procedures.⁸ South Drilling
14 violated this requirement by failing to follow the company's standard operating procedures by
15 removing the bore head from the damaged location once the energy strike alarm was set off.

16 8. Each of South Drilling's April 17, 2026, violations addressed above contributed to customer
17 outages, including a fire agency facility, which made the strike one that impacted a high consequence subsurface
18 installation as defined under NRS 455.093(8).

19 9. Pursuant to NRS 455.170(5), in determining the amount of the penalty or the amount
20 agreed upon in a settlement or compromise, the Commission shall consider:

- 21 a. The gravity of the violation;
- 22 b. The good faith of the person charged with the violation in attempting to comply with
23 the provisions of NRS 455.080 to 455.180, inclusive, before and after the violation;
- 24 c. Any history of previous violations of the provisions of NRS 455.080 to 455.180,
25 inclusive, by the person charged with the violation;
- 26

27
28 ⁶ NAC 455.135(2)(b).

⁷ NAC 455.160(1).

⁸ NAC 455.150(1).

- d. The willfulness or negligence of the person charged with the violation in failing to comply with the provisions of NRS 455.080 to 455.180, inclusive;
 - e. The timeliness of notification of the violation to the Public Utilities Commission of Nevada by the person charged with the violation;
 - f. The cooperation of the person charged with the violation in the investigation and repair of any damage caused by the violation; and
 - g. Whether an interruption of services occurred as a result of the violation.
10. In reaching a settlement, the Parties considered the following:
- a. Gravity of violations. Each of the above-referenced violations reflects a pattern of reckless behavior by South Drilling when it comes to complying with Nevada law and ensuring the public's safe and reliable utility services are not disrupted. All of South Drilling's violations related to high-consequence subsurface installations, and the strike cut off power to a firefighting facility and approximately 300 other customers.
 - b. Good faith in attempting to comply before/after the violation. South Drilling had valid USA North 811 Dig Tickets. As explained above, South Drilling engaged in a series of violations both in preparation for excavating, actual excavating, and its post-strike response. South Drilling knew it had not discovered all the conduits and chose to move forward with blind boring. South Drilling also knew it struck a subsurface installation but failed to report that strike to the operator or Commission. Nevada Power discovered the issue two hours later based on customer calls about interrupted services.
 - c. History of violations. South Drilling violated NRS and NAC Chapters 455 during three separate incidents within approximately 6 months of the date of these additional violations on April 17, 2026. Additionally, the Commission has already issued South Drilling a civil penalty for violations of NRS and NAC Chapters 455 as part of Docket No. 26-02024.

- 1 d. Willfulness or negligence in failing to comply. South Drilling had three repeated
2 violations before the ones subject to this stipulation. Despite these previous
3 violations South Drilling continued to blind bore without first locating all subsurface
4 installations. These repeated violations demonstrate willful conduct.⁹
- 5 e. Timeliness of notification to Staff of violation. South Drilling did not notify Nevada
6 Power of the line strike when it occurred. Nevada Power learned about the line strike
7 via the subsequent customer outages that occurred. Staff was informed of the strike
8 by Nevada Power.
- 9 f. Cooperation in the investigation and repair of any damage. South Drilling did not
10 appear to notify Nevada Power of the strike on April 17, 2026, when it first occurred.
11 South Drilling employees did, however, speak to Staff and Nevada Power when they
12 arrived on-site.
- 13 g. Interruption of services. South Drilling's April 17, 2026 violations interrupted
14 service to approximately 300 Nevada Power customers, including a firefighting
15 facility, thereby resulting in this damage impacting a high consequence facility as
16 defined in NRS 455.093.¹⁰

17 11. Under NRS 455.170, Staff estimates that South Drilling could be subject to civil penalties
18 of at least \$45,000 for the violations discussed above.

19 12. The Parties negotiated a mutually acceptable settlement of this matter, which includes a
20 civil penalty.

21 **II. AGREEMENT**

22 Considering the foregoing recitals and mutual agreement reflected in this Stipulation, the Parties agree
23 and recommend that the Commission accept the following:

24 1. The Parties agree that South Drilling violated the above-specified NRS and NAC
25 Chapter 455 provisions.

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27 ⁹ Cf. *Century Steel, Inc. v. State, Div. of Indus. Rels., Occupational Safety & Health Section*, 122 Nev. 584, 593, 137 P.3d
28 1155, 1161 (2006) ("A willful violation exists in a place of employment if an employer acts in an intentional, deliberate,
knowing, and voluntary manner, and if the action is taken with either intentional disregard of or plain indifference to the
relevant safety requirements.").

¹⁰ The firefighting facility is the Henderson Fire Training Center located at 401 Parkson Road, Henderson, Nevada.

1 2. The Parties agree that pursuant to NRS 455.170, South Drilling will pay a civil penalty
2 for the violations listed in Paragraph 1 above. The Parties agree that a settlement consisting of a civil
3 penalty for twenty-five thousand dollars (\$25,000) is appropriate.

4 3. As compliance items, South Drilling agrees:

5 a. To submit payment of the Civil Penalty in the amount of twenty-five thousand dollars
6 (\$25,000) to the Commission for deposit in the State General Fund within thirty (30) days from the date
7 of issuance of the Commission's Order accepting this Stipulation.

8 b. That \$20,000 in additional civil penalties will be held in abeyance for a period of twelve
9 (12) months from the issuance of the Commission's Order accepting this Stipulation ("Abeyance Period").
10 This additional penalty amount will be forgiven at the conclusion of the Abeyance Period if South Drilling
11 does not violate any requirement in NRS or NAC Chapter 455 during that period. If South Drilling violates
12 any requirement in NRS or NAC Chapter 455 during the Abeyance Period,¹¹ that violation would trigger
13 the civil penalty amount held in abeyance to be brought to the Commission through a separate
14 action filed by Staff. In order for the civil penalty held in abeyance to come due, unless otherwise
15 agreed to by the Parties, the Commission would have to determine that South Drilling violated a
16 requirement in NRS or NAC Chapter 455. If the Commission makes such a finding, then any other
17 associated civil penalties with noncompliance would also be assessed and come due in addition to
18 the civil penalty held in abeyance.

19 4. Neither this Stipulation, nor its terms, nor the Commission's acceptance of the
20 recommendations contained in this Stipulation, shall have any precedential effect in any other proceeding before
21 the Commission, a court of law, or any other state government regulatory body; nor shall it be admissible or
22 otherwise described or used in any proceeding hereafter for any purpose.

23 5. This Stipulation is made upon the express understanding that it constitutes a negotiated
24 settlement. The provisions of this Stipulation are not severable. In the event this Stipulation is not accepted by
25 the Commission without change, it shall be deemed withdrawn without prejudice to any claims or
26 contentions which may have been made by any Party.

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28 ¹¹ The relevant date of the violation is the date it occurs, not the date the Commission issues an order finding that the violation occurred.

1 6. In accordance with NAC 703.845, this Stipulation settles only issues relating to the
2 present proceeding and seeks relief that the Commission is empowered to grant.

3 7. This Stipulation may be executed in one or more counterparts, all of which together
4 shall constitute the original executed document. This Stipulation may be executed by electronic
5 transmission, which signatures shall be as binding and effective as original signatures.

6 This Stipulation is entered into by each Party as of the date entered below.
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9 **REGULATORY OPERATIONS STAFF OF THE**
10 **PUBLIC UTILITIES COMMISSION OF NEVADA**

11 By: /s/ Jared Wigginton
12 Jared R. Wigginton
13 Assistant Staff Counsel

Dated: 10/6/2026

14 **South Drilling, Inc.**

15
16 By: /s/ William Bowen
17 William Bowen
18 President

Dated: 10/6/2026

