

Application No. 11-061411TR
Direct Testimony of
JAMES D. MCMORAN
On behalf of
Nevada Power Company, dba NV Energy
Sierra Pacific Power Company, dba NV Energy

- 1. Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**
A. My name is James D. McMorran and my business address is 6100 Neil Road, Reno, Nevada.
- 2. Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**
A. I am Manager of Transmission Strategy for NV Energy.
- 3. Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**
A. I am testifying on behalf of NV Energy as the Project Manager for the ON Line Owners. The ON Line project is jointly owned by Sierra Pacific Power Company ("SPPC"), Nevada Power Company ("NPC"), both d/b/a NV Energy (collectively "NV Energy"), and Great Basin Transmission South, LLC ("GBT-South") (an affiliate of LS Power) (NV Energy and GBT-South together, the "ON Line Parties").
- 4. Q. DOES ATTACHMENT 1 ACCURATELY DESCRIBE YOUR BACKGROUND AND EXPERIENCE?**
A. Yes, it does.
- 5. Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?**
A. The purpose of my testimony is to support the ON Line Parties' request for partial tax abatement for the ON Line Project. I will provide specific information related to the ON Line Project to assist the Director, Nevada State Office of Energy in considering the application for partial tax abatement.
- 6. Q. WHAT TYPE OF ABATEMENTS ARE THE ON LINE PARTIES REQUESTING FOR THIS PROJECT?**
A. The ON Line Parties are requesting partial abatement of the sales and use taxes for personal property purchased for the ON Line Project, and the property tax on the real and personal property associated with the ON Line Project.
- 7. Q. CAN YOU PLEASE PROVIDE AN OVERVIEW OF THE ON LINE PARTIES?**
A. NPC and SPPC are public utilities that generate, transmit and distribute electric energy and, in the case of SPPC, also deliver natural gas service in Nevada. At year-end 2010, NPC served approximately 830,000 electric customers primarily in Las Vegas, North Las Vegas, Henderson and adjoining areas, including Nellis Air Force Base and the DOE's Nevada Test Site in

Nye County. At year end 2010, SPPC served approximately 367,000 electric customers and its electric service territory covered over 50,000 square miles of western, central and northeastern Nevada, including the cities of Reno, Sparks, Carson City, and Elko, and a portion of eastern California, including the Lake Tahoe area (however, on January 1, 2011, SPPC sold its California assets). Additionally, SPPC provided natural gas service to approximately 151,000 customers in an area of about 800 square miles in Nevada's Reno/Sparks area.

Great Basin Transmission South, LLC ("GBT-South") is a member of the LS Power Group ("LS Power"), a power generation and transmission group with a proven track record of successful project development, operations management and commercial execution.

8. Q. PLEASE DESCRIBE THE PROJECT IN MORE DETAIL.

A. The Project consists of construction, operation and maintenance of: 1) a new 500 kV/345 kV electric substation located approx. 18 miles northwest of Ely, NV in the Robinson Summit area, and including facilities to interconnect with Sierra Pacific Power Company's 345 kV Falcon to Gonder transmission line; 2) a 235-mile long, aboveground, 500 kV single circuit electric transmission line, stretching between a southern terminus at NPC's 500 kV Harry Allen Substation in Clark County, (approx. 20 miles northeast of Las Vegas), and a northern terminus at the new Robinson summit substation; 3) a 500 kV switchyard addition to be located at NPC's 500 kV Harry Allen Substation; and 4) a fiber optic and microwave tower communications system. The ON line project has an estimated initial capability of approximately 600 MWs (increased flows may be possible depending on generation sourcing and other system conditions).

9. Q. WHAT BENEFITS WILL THE ON LINE PROJECT BRING TO THE STATE OF NEVADA?

A. The ON Line project consists of facilities for the transmission of electricity produced from renewable energy or geothermal resources in this State as required by statute (NRS 701A.360). ON Line provides multiple benefits accruing to renewable energy development, RPS compliance and resource integration. For example, ON line:

- Enables the development of a number of renewable energy projects throughout Nevada.
- Interconnects NV Energy's northern Nevada service area with its southern Nevada service area for the first time.
- Enhances overall energy-sharing efficiencies for NV Energy's power generation resources.
- Allows the use of all of NV Energy's generating resources to better manage the integration of intermittent renewable resources, such as wind and solar. Without this increased capability the development of renewable resources in the State would be stymied as the system could not reliably or economically manage the variability of such resources.
- Improves system reliability.
- Enables NV Energy to more cost effectively comply with Nevada's Renewable Portfolio Standard ("RPS") than would have been possible in its absence. ON line allows geographically constrained resources, such as geothermal, to be developed in the northern part of the system for use in the southern part of the State where the majority of the load is located. It also allows solar resources in the south to be developed for systemwide use, thus resulting in reduced costs and more efficient utilization of the system for all customers' benefit.

- Allows the more than 1,200 MWs of renewable projects that NV Energy has under contract to be used throughout the system.
- Allows over 600 MWs of renewable resources committed to NV Energy South (NPC), but located in the north, to be delivered to the load center in southern Nevada where it is needed. NV Energy South is currently developing an additional 200 MWs of renewable resources in northern Nevada and finalizing agreements for an additional 100 MWs of future renewable resources that are currently under development.
- Provides benefits to the local economies where construction is occurring such as White Pine County where hotels, motels, R.V. camps, restaurants and stores have seen significant increases in business.

10. Q. WHAT EXPERIENCE DO THE ON LINE PARTIES HAVE IN DEVELOPING AND OPERATING TRANSMISSION FACILITIES?

A. NV Energy has served as a Balancing Authority and operated the NPC and SPPC Balancing Authority Areas and electric systems for more than 100 years. As such, NV Energy's utilities have built an integrated transmission system with over 3,800 line miles of transmission voltage facilities. Over the last 12 years only, NV Energy has constructed several major interconnections (five interties) to other utilities in the West. These lines total over 600 Miles of new High Voltage (230 kV) and Extra High Voltage (345 & 500 kV) transmission.

GBT-South, a joint owner of the ON Line transmission project, is an affiliate of LS Power. Through various affiliates LS Power is actively engaged in transmission development across the country with more than 1000 miles of transmission planned to help deliver renewable resources to load, reduce transmission constraints, and/or increase reliability. These projects include: (1) two 500 kV transmission line segments under development by Great Basin Transmission, LLC ("Great Basin Transmission"), each of which complements the ON Line project referenced above, namely, the Southwest Intertie Project – North (to be located in Nevada and Idaho) and the Southern Nevada Intertie Project (to be located in Nevada); (2) approximately 235 miles of double circuit 345 kV transmission in Texas under construction by Cross Texas Transmission, LLC ("Cross Texas") as part of the State of Texas Competitive Renewable Energy Zone Transmission Plan; (3) the Wyoming Colorado Intertie, an approximately 180 mile 345 kV line under development in Wyoming and Colorado; and (4) additional transmission projects submitted to PJM for consideration with respect to market efficiency, reliability and/or public policy objectives.

11. Q. ARE THE ON LINE PARTIES QUALIFIED TO CONDUCT BUSINESS IN NEVADA AND DO THEY HOLD VALID NEVADA BUSINESS LICNESES?

A. Yes, they are and they do.

12. Q. HAVE THE ON LINE PARTIES OBTAINED ALL MAJOR PERMITS REQUIRED TO CONSTRUCT THE PROJECT?

A. Yes.

13. Q. WILL THE ON LINE PARTIES OBTAIN AND MAINTAIN ALL REQUIRED LICENSES AND PERMITS TO OPERATE THE PROJECT?

A. Yes.

14. Q. ARE YOU FAMILIAR WITH THE APPLICATION FOR PARTIAL ABATEMENT FILED ON BEHALF OF THE PROJECT?

A. Yes, I am.

15. Q. IS THE INFORMATION IN THAT APPLICATION TRUE AND CORRECT TO THE BEST OF YOUR KNOWLEDGE AND BELIEF?

A. Yes, it is.

16. Q. WILL ANY PUBLIC LAND OR FUNDING FROM A GOVERNMENTAL ENTITY IN THIS STATE BE USED FOR THE PROJECT?

A. The Project will be located almost exclusively on public lands managed by the U.S. Department of Interior-Bureau of Land Management ("BLM"). The 235-mile long, aboveground, 500 kV single circuit electric transmission line will be located primarily within the southern portion of the Right-of-Way ("ROW") issued by the BLM for the Southwest Intertie Project, and more specifically within the BLM ROW grant identified as NVN-85210, including all amendments to such grant, which grant and amendments are on file in the BLM District Office in Ely, NV. The new 500 kV/345 kV electric substation located approx. 18 miles northwest of Ely, NV in the Robinson Summit area, and the facilities to interconnect with Sierra Pacific Power Company's 345 kV Falcon to Gonder transmission line are located within BLM ROW grants NVN-89507 and NVN-89508, respectively, also on file in the BLM District Office in Ely, NV.

No funding is or will be provided by any governmental entity in this State.

17. Q. HAS OR WILL ANY STATE OR LOCAL FUNDING BE PROVIDED FOR THE ACQUISITION, DESIGN OR CONSTRUCTION OF THE PROJECT?

A. No.

18. Q. WILL THE PROJECT BE OWNED OR OPERATED BY A GOVERNMENTAL ENTITY?

A. No.

19. Q. HAVE YOU APPLIED FOR OR ARE YOU RECEIVING ANY OTHER TAX ABATEMENT OR EXEMPTION FOR THE PROJECT?

A. No.

20. Q. HOW MUCH CAPITAL WILL BE INVESTED IN THE PROJECT?

A. The Public Utilities Commission of Nevada approved a budget of \$509 million for the project, exclusive of AFUDC.

- 21. Q. HOW MANY PEOPLE WILL BE EMPLOYED DURING THE SECOND QUARTER OF CONSTRUCTION OF THE PROJECT?**
- A. We anticipate at least 244 construction employees during the second quarter of construction.
- 22. Q. WHAT PERCENTAGE OF THE ON LINE CONSTRUCTION EMPLOYEES WILL BE NEVADA RESIDENTS?**
- A. At least 30% of the construction employees will be Nevada residents.
- 23. Q. WHAT WILL BE THE AVERAGE HOURLY WAGE FOR CONSTRUCTION EMPLOYEES, EXCLUDING MANAGEMENT AND ADMINISTRATIVE EMPLOYEES?**
- A. We anticipate an average hourly wage of \$32 for construction employees.
- 24. Q. WILL THE CONSTRUCTION EMPLOYEES BE PROVIDED A HEALTH INSURANCE PLAN WITH AN OPTION FOR COVERAGE OF THE DEPENDENTS OF EMPLOYEES?**
- A. Construction contractors and sub contractors utilize union labor (including IBEW local 396 and local 1245, Operating Engineers locals 12 and 3, Teamsters locals 631 and 533), and as such are covered (including Dependent Care) per their individual compensation plans.
- 25. Q. HOW MANY PERMANENT EMPLOYEES WILL BE EMPLOYED BY THE PROJECT AFTER IT BEGINS OPERATIONS?**
- A. ON Line will be operated and maintained by NV Energy the same as any other line on its system using its regular employee workforce.
- 26. Q. WHAT WILL BE THE AVERAGE WAGE OF THESE EMPLOYEES AND WILL THEY RECEIVE BENEFITS?**
- A. See Question 25 above. NV Energy's employees are compensated and/or receive benefits in accordance with company policies and collective bargaining agreements, where applicable.
- 27. Q. HOW LONG WILL THE PROJECT BE IN OPERATION?**
- A. Transmission facilities are typically designed and constructed to remain in operation for 50 years or more.
- 28. Q. DOES THIS CONCLUDE YOUR TESTIMONY?**
- A. Yes, it does.

ATTACHMENT 1
BACKGROUND AND EXPERIENCE

James D. McMorran is Manager of Transmission Strategy for NV Energy and is responsible for various transmission assignments including the Application for Partial Tax Abatement for the ON Line Project. Mr. McMorran has more than 27 years of experience in the electric and natural gas utility sector, including 18 years of experience with NV Energy and nine years with Southern California Gas Company. His experience includes transmission, finance, investor relations, accounting and internal audit. He joined NV Energy in 1992 and has served as accounting manager, investor relations manager, principal financial analyst, transmission policy and contracts executive, and manager of transmission strategy. He previously was employed by Arthur Andersen & Co. in the San Francisco Tax Division.

Mr. McMorran holds an MBA from the University of Nevada and a BS in Business Administration from California Polytechnic State University. He also is a Certified Public Accountant.