

**BEFORE THE NEVADA ENERGY DIRECTOR
NEVADA STATE OFFICE OF ENERGY**

In the Matter of the Application of:)
) **Application Filing No. 11-061411TR**
NEVADA POWER COMPANY dba NV Energy)
SIERRA PACIFIC POWER dba NV Energy)
GREAT BASIN TRANSMISSION SOUTH, LLC)

ONE NEVADA TRANSMISSION FACILITY / ON LINE PROJECT

FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

A hearing was held before the Director of the Nevada State Office of Energy (NSOE) on October 21, 2011 regarding Application Filing Number 11-061411TR. At the hearing, applicant NV Energy was represented by Thomas Woodworth. The Director was advised by Cassandra Joseph of the Attorney General's Office. Based upon NV Energy/Great Basin Transmission South's (GBT-S) application and evidence presented at the hearing, the Director makes the following findings of fact, conclusions of law, and order in this matter.

FINDINGS OF FACT

1. At the hearing of the matter, NV Energy presented the testimony of Jim McMorran, Manager of Transmission Strategy for NV Energy. The Director admitted into evidence as Exhibit 1 a packet that contained eight subparts: (A) Notice of Public Hearing, dated September 27, 2011; (B) NV Energy/GBT-S's Pre-Application filed with the Nevada Energy Commissioner on January 4, 2011; (C) NV Energy/GBT-S's Application (unredacted) as filed with the Nevada State Office of Energy on June 15, 2011; (D) Energy Related Tax Incentive Fiscal Note as required by NRS 701A.375-1(a) by the Budget Division of the State of Nevada Department of Administration; (E) Fiscal Impact Renewable Energy Partial Abatement of Sales/Use and Property Taxes as required by NRS 701A. 375-1(b) by the State of Nevada Department of

Taxation; (F) Prefiled Testimony of Jim McMorran; (G) Lincoln County's Notice of Intent to Participate; and (H) Nye County's Notice of Intent to Participate. At the hearing, all of the subparts of Exhibit 1 were admitted into evidence. In addition, the oral testimony of Mr McMorran on behalf of NV Energy was heard, and the comments of Ms. Joni Eastley on behalf of Nye County, and Mr. Tommy Rowe on behalf of Lincoln County, were heard. Based upon the testimony of the witnesses and the evidence presented, the Director finds the following to be the facts in this matter.

2. Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy are wholly owned subsidiaries of NV Energy, Inc. Nevada Power Company and Sierra Pacific Power Company are Nevada corporations with current Nevada State Business Licenses from the Nevada Secretary of State. Great Basin Transmission South (GBT-S) and its affiliates are headquartered in East Brunswick, New Jersey. GBT-S is a member of the LS Power Group.

3. On January 4, 2011, NV Energy/ GBT-S submitted its Pre-application in this matter.

4. On June 15, 2011, NV Energy/GBT-S submitted its Application seeking partial abatement of sales and use taxes for the construction and operation of an electrical transmission line called the Nevada ONE Transmission Line (ON Line) Project that is expected to be located on approximately 5,884 Right Of Way acres of land crossing into White Pine, Nye, Lincoln, Clark, Eureka, and Elko Counties, Nevada (Application Filing Number (AFN) 11-061411TR). The Application describes a utility scale electrical transmission line that will transmit approximately 600 MW of renewable energy, with the transmission line running across land owned almost exclusively by the Federal Bureau of Land Management (BLM).

5. At the hearing, Mr. McMorran testified that NV Energy was properly licensed and qualified to do business in Nevada; that NV Energy had applied for all required state and local

licenses and permits that NV Energy expects to obtain all required state and local licenses and permits prior to commencing construction and intends to maintain all of the required licenses and permits to construct and operate the ON Line transmission facility; that NV Energy has all necessary approvals for the On Line transmission facility; that the ON Line transmission facility is anticipated to be completed and operational at the end of the fourth quarter of 2012; that the capital investment of the project will be approximately \$509,710,592; that the project includes the construction and installation of a 235 mile transmission line; that the project is expected to create 244 full-time construction jobs during the second quarter of construction; that employees working on the construction of the facility, excluding management and administrative employees, are expected to receive an average hourly wage of \$32.00 per hour; and that both the construction and operational employees are expected to be provided health insurance benefits meeting the requirements of NRS 701.365(1)(e)(4).

6. The Director took notice that the statewide average hourly rate as determined by the Department of Employment, Training, and Rehabilitation (hereinafter "DETR") for fiscal year 2011 was \$19.83. Thus 110% of the wage for fiscal year 2011 was \$21.81, and 150% of the wage for fiscal year 2011 was \$29.75.

7. The Fiscal Impact statement produced by the Department of Taxation shows the following estimated figures regarding the sales and uses taxes related to the NV Energy/GBT-S transmission line facility:

Total Amount Abated (Year 1)	\$3,688,859.35
Total Amount Abated (Year 2)	\$4,889,120.56
Total Amount Abated (Years 3)	\$0.00
TOTAL AMOUNT ABATED	\$8,577,979.90
Total Amount Abated by Local Government (Year 1)	\$2,102,018.81
Total Amount Abated by Local Government (Year 2)	\$2,848,329.72

Total Amount Abated by Local Government (Year 3)	\$0.00
TOTAL AMOUNT ABATED BY LOCAL GOVERNMENT	\$4,950,348.52
Total Local School Support Tax Gain	\$4,715,920.79

8. The Fiscal Note produced by the Budget Division shows that the State General Fund will be impacted for a total of \$3,627,631 in sales and use taxes abated over the period of the abatement (2011 through 2014).

9. Synthesizing the figures in evidence in this matter, the total estimated benefit pursuant to NRS 701A.365(1)(f) to the state and local governments in Nevada is \$ \$37,220,177 and the total estimated amount of sales and use taxes abated in this matter is \$8,577,979. Thus, the benefits to the state and local governments in Nevada exceed the total amount of abated taxes. The estimated benefits and amounts abated over the applicable periods of abatement are calculated as follows:

Financial Benefits

Capital Investment in Nevada	\$25,485,530
Total School Support Tax Over Abatement Period	\$4,715,920
Total Property Taxes to Local Government and Renewable Energy Fund Over Abatement Period	N/A this application
Construction Payroll in Nevada	\$7,018,728.
Operational Payroll in Nevada:	\$N/A this application
TOTAL BENEFITS OVER ABATEMENT PERIODS	\$37,220,177

Amounts Abated

Total Sales and Use Taxes Abated (3 Years)	\$8,577,979
TOTAL TAXES ABATED	\$8,577,979

10. That all of the evidence discussed in the preceding paragraphs was supported by the substantial, reliable, and probative evidence taken from the record as a whole in this matter.

CONCLUSIONS OF LAW

1. The Director has the jurisdiction and authority to adjudicate this matter because the Application is within the scope of NRS 701A.300 through 701A.390 and the Director is required by law to hold the hearing in this matter pursuant to NRS 701A.360(5).

2. The substantial, reliable, and probative evidence in the record of this matter shows that NV Energy/ GBT-S's Application for the construction and operation of the ON Line transmission facility satisfies the following statutory requisites:

(a) NRS 701A.320(1)(a) – The ON Line Transmission facility will use renewable energy as its primary source of energy, thus meeting the statutory standard.

(b) NRS 701A.320(1)(b) – N/A The ON Line is a transmission line only..

(c) NRS 701A.320(2) – The ON Line transmission facility is not located on residential property, thus meeting the statutory standard.

(d) NRS 701A.360(2) – The ON Line transmission facility is not owned, operated, leased, or controlled by a government agency, thus meeting the statutory standard.

(e) NRS 701A.365(1)(a)(1) – The ON Line transmission facility is anticipated to be operational for at least 25 years, thus exceeding the statutory standard.

(f) NRS 701A.365(1)(b) – The ON Line transmission facility has all the necessary state and local permits and licenses to operate, thus meeting the statutory standard.

(g) NRS 701A.365(1)(c) - No funding for the ON Line transmission facility is or will be provided by any governmental entity in this State for the acquisition, design or construction of

the facility or for the acquisition of any land therefore, except any private activity bonds as defined in 26 U.S.C. §141, thus meeting the statutory standard.

(h) NRS 701A.365(1)(e)(1) – The construction of the ON Line transmission facility will employ at least 244 full-time employees during the second quarter of construction, of which at least 30% will be Nevada residents, thus exceeding the statutory standard.

(i) NRS 701A.365(1)(e)(2) – The capital investment in the ON Line transmission facility is estimated to be \$509,710,592, thus exceeding the statutory standard.

(j) NRS 701A.365(1)(e)(4) – The average hourly wage paid to the construction employees on the ON Line transmission facility will be approximately \$32.00, which is more than 150% of the average hourly wage set by DETR of \$29.75, thus exceeding the statutory standard.

(k) NRS 701A.365(1)(e)(4)(I) and (II) – The health insurance provided to the construction employees on the ON Line transmission facility was represented to allow for the coverage of the dependents of the employees and will meet or exceed the standards established by the Director, thus meeting the statutory standard.


(l) NRS 701A.365(1)(f) – The benefits that will result to this State from the employment by the facility of the residents of this State and from capital investments by the ON Line transmission facility in this State exceeds the loss of tax revenue that will result from the abatement, thus meeting the statutory standard.

(m) NRS 701A.370(1)(b)(1)(III) – The partial sales and use tax abatement granted by this Order will not apply during any period in which the ON Line transmission facility is receiving another abatement or exemption from local sales and use taxes, thus meeting the requirement of the statute.

ORDER

Based upon the foregoing, the Director orders that NV ENERGY/GBT-S's Application Filing No. 11-061411TR related to the construction and operation of the ON Line transmission facility is hereby **GRANTED**. NV Energy/GBT-S and the Director may execute an Abatement Agreement as soon as practicable that will satisfy the requisites of NRS 701A.300 through NRS 701A.390. NV Energy/GBT-S's sales and use tax abatement will terminate three years from the effective date of the Abatement Agreement.

SIGNED this 24th day of October, 2011.



STACEY CROWLEY
Director
Nevada Office of Energy