

**BEFORE THE NEVADA ENERGY COMMISSIONER
STATE OF NEVADA
RENEWABLE ENERGY AND ENERGY EFFICIENCY AUTHORITY**

In the Matter of the Application of:)	
)	
SPRING VALLEY WIND, LLC.)	Application Filing No. 10-06004W
_____)	

FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

A hearing was held before the Nevada Energy Commissioner of the Nevada Renewable Energy and Energy Efficiency Authority (Commissioner) on October 20, 2010 regarding Application Filing Number 10-06004W. At the hearing, applicant Spring Valley Wind, LLC (SVW) was represented by Brent Keele of McDonald • Carano • Wilson, LLP. The Commissioner was advised by Louis Ling. Based upon SVW's presentation at the hearing, the Commissioner makes the following findings of fact, conclusions of law, and order in this matter.

FINDINGS OF FACT

1. At the hearing of the matter, SVW presented the testimony of George Hardie, Senior Developer for Pattern Energy, LP and its subsidiary SVW, and Alex Hoffer, Project Developer for Pattern Energy, LP and its subsidiary SVW . The Commissioner admitted into evidence as Exhibit 1 a packet that contained five subparts: (A) Notice of Public Hearing, dated September 24, 2010; (B) Pre-application filed by SVW with the Nevada Energy Commissioner on March 31, 2010 and response letter from the Nevada Energy Commissioner dated April 13, 2010; (C) Application (redacted) filed by SVW with the Nevada State Office of Energy on June 23, 2010;

(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, received on August 08, 2010; and

(E) Fiscal Impact Renewable Energy Partial Abatement of Sales/Use Taxes and Fiscal Impact Renewable Energy Partial Abatement of Property Taxes as required by NRS 701A.375-1(b) by the State of Nevada Department of Taxation, received on August 20, 2010.

At the hearing, SVW introduced and the Commissioner accepted into evidence five additional exhibits: Exhibit 2 – Written testimony of George Hardie; Exhibit 3 – Written testimony of Alex Hoffer; Exhibit 4 – Letter from White Pine County Board of County Commissioners to the Commissioner dated October 13, 2010; Exhibit 5 – Development Agreement between White Pine County and SVW signed by the parties on October 14, 2010; and Exhibit 6 – Revised redacted Application provided by SVW. At the hearing, the Commissioner asked SVW to revise the partially redacted application (Exhibit 6) before and on October 26, 2010 to make available all the information discussed on the record at the hearing (remove redactions as appropriate from the application, provide nine month estimated construction employee salary list, remove first four classes from the construction employees for the wage calculations, update figures in Schedules 6 & 7, provide the list of contractors and subcontractors (if known), estimated the modified business tax over 20 years, provide estimated BLM royalties and lease rentals for federal, state, and local governments (if any), and update the permit list)

Based upon the testimony of the witnesses and the evidence presented, the Commissioner finds the following to be the facts in this matter.

2. SVW is a wholly-owned indirect subsidiary of Pattern Energy Group LP. SVW is a Nevada LLC with its primary office located in San Francisco, California. Pattern Energy Group LP is a developer of wind turbine power generation facilities totaling approximately 2,000 MW in eleven states.

3. On March 31, 2010, SVW submitted its Pre-application in this matter.

4. On June 23, 2010, SVW submitted its Application seeking partial abatement of sales and use taxes and property taxes for the construction of a wind turbine power generation facility near Ely, White Pine County, Nevada that would be known as the Spring Valley Wind project (Application Filing Number (AFN) 10-06004W). The Application described a wind turbine generation facility that would install and utilize between 67 and 75 wind turbines that would generate 150 megawatts (MW) nameplate with a net of 149 MW of electricity that would be sold to NV Energy for a period of 20 years pursuant to a power purchase agreement.

5. At the hearing and in his written testimony, Mr. Hardie testified that SVW was properly licensed and qualified to do business in Nevada; that SVW had obtained and intended to maintain all of the required licenses and permits to operate the Spring Valley Wind facility; that SVW had extensive history constructing and operating similar facilities in Nevada and in eleven other states and Canada; that SVW had received all necessary approvals for the Spring Valley Wind facility, including most recently all the necessary approvals from the Bureau of Land Management; that the White Pine County Board of County Commissioners entered into a development agreement with SVW and that White Pine County fully supported the construction and operation of the Spring Valley Wind facility with the tax abatement sought by SVW; that the Spring Valley Wind facility would have a nameplate rating of 150 MW and was anticipated to produce slightly less than that because of a potential parasitic load of approximately 1MW

needed to operate the facility; that SVW had entered into a 20-year power purchase agreement with NV Energy by which NV Energy would purchase all the power produced by the Spring Valley Wind facility; that commencement of the construction of the Spring Valley Wind project was anticipated to be in March 2011 and was anticipated to be completed and operational in December 2011; that orders for the turbines and other necessary items had already been placed with the manufacturers but that none of those items had yet been received by SVW and would not be received until the commencement of construction; that historically Pattern Energy, the parent company to SVW, has used as many local contractors, subcontractors, and employees on its projects as it could and that it anticipated that it would do the same on the Spring Valley Wind project; that the project did not include the construction and installation of a transmission line by which the facility would be connected to the power distribution grid because a transmission line already crossed through the middle of the project's land; and that the project would not be feasible and would not be constructed without the benefit of the abatements sought through the Application.

6. At the hearing and in his written testimony, Mr. Hoffer testified that SVW was properly licensed and qualified to do business in Nevada; that SVW had obtained and intended to maintain all of the required licenses and permits to operate the Spring Valley Wind facility; that SVW had received all necessary approvals for the Spring Valley Wind facility, including recently issued approvals from the BLM necessary for the construction of the facility; that the capital investment by SVW in the Spring Valley Wind facility would be approximately \$241,280,500.00; that SVW had entered into a 20-year power purchase agreement with NV Energy by which NV Energy would purchase all the power produced by the Spring Valley Wind facility; that the project would take approximately nine months to construct and that it was

anticipated that the project would be completed and producing power in December 2011; that in its second quarter of construction, the Spring Valley Wind facility would have more than 50 full-time employees engaged in the construction, of which at least 30% would be Nevada residents; that at its height of construction, the project would employ as many as 225 to 250 employees; that the average hourly wage for the construction employees who would be working in the second quarter of the project's construction, excluding the managers and engineers, was estimated to be \$30.19; that when it was operational, the Spring Valley Wind facility would employ eleven full-time employees for whom the average hourly wage would be expected to be \$30.65; and that all of the employees who would be working on the construction of the facility or in the subsequent operation of the facility would be provided health insurance that would meet the requirements set out in the Commissioner's regulation.

7. The Commissioner took notice that the statewide average hourly wage rate as determined by the Department of Employment, Training, and Rehabilitation (hereinafter "DETR") on July 1 of each fiscal year and for fiscal year 2011, it was \$19.93. Thus, the required minimum tax abatement hourly wages for fiscal year 2011 were \$21.92 (110% of the wage for fiscal year 2011) and \$29.90 (150% of the wage for fiscal year 2011)..

8. The Fiscal Impact statement produced on August 20, 2010 by the Department of Taxation shows the following estimated figures regarding the property taxes related to the Spring Valley Wind facility:

Total Taxable Value of the Project in 2012	\$248,730,501.00
Total Taxable Value of the Project in 2032	\$179,914,956.00
Total Property Taxes Due Over Abatement Period	\$55,413,282.00
Total Property Taxes Abated Over Abatement Period	\$30,477,305.00
Total Taxes to Local Government Over Abatement Period	\$13,714,788.00
Total Taxes to Renewable Energy Fund Over Abatement Period	\$11,221,189.00

9. The Fiscal Impact statement produced on August 20, 2010 by the Department of Taxation shows the following estimated figures regarding the sales and uses taxes related to the Spring Valley Wind facility:

Total Amount Abated (Year 1)	\$4,929,112.50
Total Amount Abated (Year 2)	\$6,025,012.50
Total Amount Abated (Years 3)	\$0.00
TOTAL AMOUNT ABATED	\$10,954,125.00

Total Impact on Local Government (Year 1)	\$2,906,912.50
Total Impact on Local Government (Year 2)	\$3,553,212.50
Total Impact on Local Government (Year 3)	\$0.00

TOTAL IMPACT ON LOCAL GOVERNMENT	\$6,460,125.00
---	-----------------------

Total Local School Support Tax Gain (Year 1 and 2)	\$5,409,635.00
---	-----------------------

10. The Fiscal Note produced by the Budget Division shows that the State General Fund will be impacted for a total of \$4,558,024.00 in sales and use taxes abated over the period of the abatement (2010 through 2013) and that the State's Debt fund will be impacted for a total \$2,573,841.00 in property taxes abated over the period of the abatement (20 years).

11. 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 \$285,702,694.00 and the total estimated amount of sales and use taxes and property taxes abated in this matter is \$41,431,430.00. 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 the Facility	\$241,280,500.00
Total Property Taxes That Will Be Received by State Governments After the Abatements	\$11,221,189.00
Total Property Taxes That Will Be Received by Local Governments After the Abatements	\$13,714,788.00
Sales and Use Taxes Collected After Abatement (Local School Support Tax)	\$5,409,635.00
Modified Business Taxes Paid (20 years)	\$108,662.00
Construction Payroll	
13 weeks of Q2 @ \$60,380.00 per week = \$784,940.00	
26 weeks (remainder of project) @ \$114,730.00 per week = \$2,982,980.00	\$3,767,920.00
Operational Payroll for 11 FTE (20 years @ \$510,000.00 per year)	\$10,200,000.00
TOTAL BENEFITS OVER ABATEMENT PERIODS	\$285,702,694.00

Amounts Abated

Total Property Taxes Abated (20 Years)	\$30,477,305.00
Total Sales and Use Taxes Abated (3 Years)	\$10,954,125.00
TOTAL TAXES ABATED	\$41,431,430.00

12. 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 produced at the hearing and additional information provided by SVW on October 26, 2010 of this matter.

CONCLUSIONS OF LAW

1. The Commissioner 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 Commissioner 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 SVW's Application for the construction and operation of the Spring Valley Wind facility satisfies the following statutory requisites:

(a) NRS 701A.320(1)(a) – The primary source of energy to operate the Spring Valley Wind facility will be the facility itself, thus meeting the statutory standard.

(b) NRS 701A.320(1)(b) – The Spring Valley Wind facility will generate 150 MW nameplate and 149 MW net, thus exceeding the statutory standard.

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

(d) NRS 701A.360(1) – The Spring Valley Wind facility will generate electricity from renewable energy resources, thus making it eligible to apply for the partial abatements pursuant to the statutory standard. (e) NRS 701A.360(2) – The Spring Valley Wind facility is not owned, operated, leased, or controlled by a government agency, thus meeting the statutory standard.

(f) NRS 701A.365(1)(a)(1) – The Spring Valley Wind facility is anticipated to be operational for at least 20 years, thus exceeding the statutory standard.

(g) NRS 701A.365(1)(b) – The Spring Valley Wind facility has all the necessary state and local permits and licenses to operate, thus meeting the statutory standard.

(h) NRS 701A.365(1)(c) - No funding for the Spring Valley Wind 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.

(i) NRS 701A.365(1)(e)(1) – The construction of the Spring Valley Wind facility will employ more than 50 full-time employees during the second quarter of construction of which 30% or more will be Nevada residents, thus meeting the statutory standard.

(j) NRS 701A.365(1)(e)(2) – The capital investment in the Spring Valley Wind facility is estimated to be \$241,280,500.00, thus exceeding the statutory standard.

(k) NRS 701A.365(1)(e)(3) – The average hourly wage paid to the operational employees of the Spring Valley Wind facility will be approximately \$30.65, which is more than 110% of the average hourly wage set by DETR of \$21.92 for FY 2011, thus exceeding the statutory standard.

(l) NRS 701A.365(1)(e)(4) – The average hourly wage paid to the construction employees on the Spring Valley Wind facility will be approximately \$30.19, which is more than 150% of the average hourly wage set by DETR of \$29.90 for FY 2011, thus exceeding the statutory standard.

(m) NRS 701A.365(1)(e)(4)(I) and (II) – The health insurance provided to the construction employees on the Spring Valley Wind facility allows for the coverage of the dependents of the employees and will meet or exceed the standards established by the Commissioner, thus meeting the statutory standard.

(n) 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 Spring Valley

Wind facility in this State exceeds the loss of tax revenue that will result from the abatement, thus meeting the statutory standard.

(o) NRS 701A.370(1)(a)(3) – The abatement granted by this Order will not apply during any period in which the facility is receiving another abatement or exemption from property taxes imposed pursuant to chapter 361 of NRS, other than any partial abatement provided pursuant to NRS 361.4722, thus meeting the statutory standard.

(p) NRS 701A.370(1)(b)(1)(III) – The abatement granted by this Order will not apply during any period in which the Spring Valley Wind 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 Commissioner orders that SVW's Application Filing No. 10-06004W related to the construction and operation of the Spring Valley Wind facility is hereby **GRANTED**. SVW and the Commissioner will execute an Abatement Agreement as soon as practicable that will satisfy the requisites of NRS 701A.300 through NRS 701A.390 and Nevada Administrative Codes (NAC) chapter 701A (presently uncoded as LCB File No. R094-10) . SVW's sales and use tax abatement will commence on the effective date of the Abatement Agreement and will terminate three years from the effective date of the Abatement Agreement. SVW's property tax abatement will commence on the date immediately following the effective date of the Abatement Agreement and will terminate 20 years from the effective date of the Abatement Agreement.

SIGNED this 10 day of November, 2010.

Hatice Gecol

Dr. HATICE GECOL
Nevada Energy Commissioner
State of Nevada
Renewable Energy and Energy Efficiency Authority