



**NV Energy, Inc. and Subsidiaries**

**Consolidated Financial Statements and Independent Auditors' Report  
as of and for the  
Years Ended December 31, 2013 and 2012**

**and**

**Management's Discussion and Analysis  
of Financial Condition and Results of Operations**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following is management's discussion and analysis of certain significant factors that have affected the consolidated financial condition and results of operations of NV Energy, Inc. ("NV Energy"), a holding company that owns Nevada Power Company ("Nevada Power") and Sierra Pacific Power Company ("Sierra Pacific") (collectively, the "Nevada Utilities") and certain other subsidiaries (collectively, the "Company") during the periods included herein. Explanations include management's best estimate of the impact of weather, customer growth and other factors. The Company's actual results in the future could differ significantly from the historical results.

On December 19, 2013, MidAmerican Energy Holdings Company ("MEHC") completed the merger contemplated by the Agreement and Plan of Merger dated May 29, 2013, among MEHC, Silver Merger Sub, Inc. ("Merger Sub"), MEHC's wholly owned subsidiary, and NV Energy, whereby Merger Sub was merged into NV Energy and NV Energy became an indirect wholly owned subsidiary of MEHC ("MEHC Merger").

### **Forward-Looking Statements**

The Company may make forward-looking statements that involve judgments, assumptions and other uncertainties beyond its control. These forward-looking statements may include, among others, statements concerning revenue and cost trends, cost recovery, cost reduction strategies and anticipated outcomes, pricing strategies, changes in the utility industry, planned capital expenditures, financing needs and availability, statements of the Company's expectations, beliefs, future plans and strategies, anticipated events or trends and similar comments concerning matters that are not historical facts. These types of forward-looking statements are based on current expectations and involve a number of known and unknown risks and uncertainties that could cause the actual results and performance of the Company to differ materially from any expected future results or performance, expressed or implied, by the forward-looking statements. Important factors that could cause actual results to differ materially from those expectations include: market-related effects on revenues and other operating uncertainties, uncertainties relating to economic and political conditions and uncertainties regarding the impact of regulations, changes in government policy and competition. The Company undertakes no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors should not be construed as exclusive.

### **Results of Operations**

The Company recognized net income of \$162 million for the year ended December 31, 2013, compared to \$322 million for the same period in 2012. The Company believes presenting gross margin allows the reader to assess the impact of the Company's regulatory treatment and its overall regulatory environment on a consistent basis. Gross margin, as a percentage of revenue, is primarily impacted by the fluctuations in electric and natural gas supply costs versus the fixed rates collected from customers. While these fluctuating costs impact gross margin as a percentage of revenue, they only impact gross margin amounts if the costs cannot be passed through to customers.

A comparison of key operating results and discussion of net income follows for the years ended December 31 (dollars in millions):

	<u>2013</u>	<u>2012</u>	<u>Change</u>	
Operating revenue	\$ 2,961	\$ 2,979	\$ (18)	(1)%
Cost of fuel, energy and capacity	1,127	1,075	52	5
Natural gas purchased for resale	72	62	10	16
Gross margin	<u>1,762</u>	<u>1,842</u>	<u>(80)</u>	<u>(4)</u>
Operating and maintenance expense	659	619	40	6
Depreciation and amortization	400	378	22	6
Property and other taxes	64	60	4	7
Merger-related expenses	81	—	81	—
Operating income	<u>558</u>	<u>785</u>	<u>(227)</u>	<u>(29)</u>
Other income (expense)	<u>(289)</u>	<u>(296)</u>	<u>7</u>	<u>(2)</u>
Income before income tax expense	<u>269</u>	<u>489</u>	<u>(220)</u>	<u>(45)</u>
Income tax expense	107	167	(60)	(36)
Net income	<u>\$ 162</u>	<u>\$ 322</u>	<u>\$ (160)</u>	<u>(50)</u>

Gross margin decreased \$80 million in 2013 compared to 2012 primarily due to:

- a decrease in energy efficiency program rate revenues of \$54 million;
- a one-time bill credit to retail customers of the Nevada Utilities totaling \$20 million in connection with the MEHC Merger;
- a decrease of \$15 million in energy efficiency implementation revenue; and
- a decrease in net usage of \$12 million primarily due to a decrease in cooling degree days at Nevada Power,
- partially offset by an increase in customer growth of \$10 million.

Operating and maintenance expense increased \$40 million in 2013 compared to 2012 primarily due to:

- an impairment charge of \$35 million related to the recovery of certain assets not currently in rates;
- a disallowance by the Public Utilities Commission of Nevada of \$16 million in energy efficiency implementation revenues due to the Nevada Utilities earning in excess of their authorized rate of return in 2012 (including carrying charges);
- settlement of litigation with November 2005 Land Investors, LLC of \$12 million;
- increased maintenance and regulatory expenses of \$11 million;
- disallowances as a result of the Sierra Pacific general rate case of \$7 million; and
- canceled projects written-off of \$7 million;
- partially offset by decreased energy efficiency program costs of \$54 million, which are fully recovered in operating revenue.

Depreciation and amortization increased \$22 million in 2013 compared to 2012 primarily due to adjustments to regulatory amortization as a result of the Sierra Pacific general rate case of \$11 million, additional software amortization of \$5 million and an increase in depreciation due to a higher plant balance of \$4 million.

The Company incurred costs totaling \$81 million related to the MEHC Merger, consisting of amounts payable under NV Energy's change in control policy of \$22 million; accelerated vesting and stock compensation under NV Energy's long-term incentive plan of \$26 million; investment banker fees paid by NV Energy of \$21 million and legal and other expenses of \$12 million.

Other income (expense) decreased \$7 million in 2013 compared to 2012 primarily due to a decrease in interest expense of \$5 million.

Income tax expense decreased \$60 million in 2013 compared to 2012 due to lower income before income tax expense.

**NV Energy, Inc. and Subsidiaries**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Shareholder of  
NV Energy, Inc.  
Las Vegas, Nevada

We have audited the accompanying consolidated financial statements of NV Energy, Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NV Energy, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1 to the consolidated financial statements, on December 19, 2013, the Company became an indirect wholly-owned subsidiary of MidAmerican Energy Holdings Company. Our opinion is not modified with respect to this matter.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada  
March 7, 2014

**NV ENERGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in millions)

		<b>As of December 31,</b>	
		<b>2013</b>	<b>2012</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$	287	\$ 298
Accounts receivable, net of allowance for doubtful accounts		383	373
Inventories		116	138
Regulatory assets		96	—
Deferred income taxes		189	61
Other current assets		52	41
<b>Total current assets</b>		<b>1,123</b>	<b>911</b>
Property, plant and equipment, net		9,544	9,442
Regulatory assets		1,471	1,501
Other non-current assets		134	130
		<b>\$ 12,272</b>	<b>\$ 11,984</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable	\$	314	\$ 332
Accrued interest		79	84
Accrued property, income and other taxes		50	9
Accrued employee expenses		24	35
Regulatory liabilities		111	137
Current maturities of long-term debt		217	356
Other current liabilities		92	66
<b>Total current liabilities</b>		<b>887</b>	<b>1,019</b>
NV Energy long-term debt		315	510
Subsidiary long-term debt		4,755	4,160
Regulatory liabilities		555	551
Deferred income taxes		1,706	1,471
Other non-current liabilities		421	716
<b>Total liabilities</b>		<b>8,639</b>	<b>8,427</b>
Commitments and contingencies (Note 16)			
Equity:			
Common stock		—	236
Treasury stock at cost		—	(17)
Other paid-in capital		3,023	2,713
Retained earnings		619	635
Accumulated other comprehensive loss, net		(9)	(10)
<b>Total equity</b>		<b>3,633</b>	<b>3,557</b>
<b>Total liabilities and equity</b>		<b>\$ 12,272</b>	<b>\$ 11,984</b>

The accompanying notes are an integral part of the consolidated financial statements.

**NV ENERGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Amounts in millions)

	<b>Years Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Operating revenue:</b>		
Regulated electric	\$ 2,840	\$ 2,871
Regulated natural gas	121	108
Total operating revenue	2,961	2,979
<b>Operating costs and expenses:</b>		
Cost of fuel, energy and capacity	1,127	1,075
Natural gas purchased for resale	72	62
Operating and maintenance expense	659	619
Depreciation and amortization	400	378
Property and other taxes	64	60
Merger-related expenses	81	—
Total operating costs and expenses	2,403	2,194
<b>Operating income</b>	558	785
<b>Other income (expense):</b>		
Interest expense, net of allowance for debt funds	(294)	(299)
Allowance for equity funds	10	9
Other, net	(5)	(6)
Total other income (expense)	(289)	(296)
<b>Income before income tax expense</b>	269	489
Income tax expense	107	167
<b>Net income</b>	\$ 162	\$ 322

The accompanying notes are an integral part of these consolidated financial statements.

**NV ENERGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Amounts in millions, except per share data)

	Common Stock		Treasury Stock		Other	Retained	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-in	Earnings	Other	Equity
					Capital		Comprehensive	
<b>December 31, 2011</b>	236	\$ 236	—	\$ —	\$ 2,714	\$ 464	\$ (8)	\$ 3,406
Net income	—	—	—	—	—	322	—	322
Employee benefits	—	—	—	3	(1)	—	—	2
Repurchased common stock, \$1 par value	—	—	(1)	(20)	—	—	—	(20)
Dividends declared	—	—	—	—	—	(151)	—	(151)
Other	—	—	—	—	—	—	(2)	(2)
<b>December 31, 2012</b>	236	236	(1)	(17)	2,713	635	(10)	3,557
Net income	—	—	—	—	—	162	—	162
Employee benefits	—	—	1	16	(1)	—	—	15
Repurchased common stock, \$1 par value	—	—	—	(6)	—	—	—	(6)
Treasury stock retired	—	—	—	7	(7)	—	—	—
Dividends declared	—	—	—	—	—	(178)	—	(178)
Cancellation of common stock, \$1 par value	(236)	(236)	—	—	236	—	—	—
Issuance of common stock, \$0.01 par value	—	—	—	—	—	—	—	—
MEHC contribution	—	—	—	—	82	—	—	82
Other	—	—	—	—	—	—	1	1
<b>December 31, 2013</b>	—	\$ —	—	\$ —	\$ 3,023	\$ 619	\$ (9)	\$ 3,633

The accompanying notes are an integral part of these consolidated financial statements.

**NV ENERGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in millions)

	<b>Years Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 162	\$ 322
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	400	378
Deferred income taxes and amortization of investment tax credits	111	187
Allowance for equity funds	(10)	(9)
Amortization of deferred energy	(97)	(278)
Deferred energy	(129)	185
Amortization of other regulatory assets	166	163
Other, net	139	(31)
Changes in other operating assets and liabilities:		
Accounts receivable and other assets	(29)	(41)
Inventories	27	(8)
Accounts payable and other liabilities	(45)	6
Net cash flows from operating activities	<u>695</u>	<u>874</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(372)	(414)
Proceeds from sale of asset	14	—
Other	2	—
Net cash flows from investing activities	<u>(356)</u>	<u>(414)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of subsidiary long-term debt, net of costs	245	130
Retirement of subsidiary long-term debt	(480)	(270)
Issuance of common stock	3	2
Common stock repurchased	(6)	(19)
MEHC cash contribution	66	—
Dividends paid	(178)	(151)
Net cash flows from financing activities	<u>(350)</u>	<u>(308)</u>
<b>Net change in cash and cash equivalents</b>	(11)	152
<b>Cash and cash equivalents at beginning of period</b>	298	146
<b>Cash and cash equivalents at end of period</b>	<u>\$ 287</u>	<u>\$ 298</u>

The accompanying notes are an integral part of these consolidated financial statements.

**NV ENERGY, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1) Organization and Operations**

NV Energy, Inc. ("NV Energy") is a holding company that owns Nevada Power Company ("Nevada Power") and Sierra Pacific Power Company ("Sierra Pacific") (collectively, the "Nevada Utilities") and certain other subsidiaries (collectively, the "Company"). The Nevada Utilities, which do business as NV Energy, are public utilities that provide electric service to 1.2 million regulated retail electric customers and 0.2 million regulated retail natural gas customers in Nevada. NV Energy is an indirect wholly owned subsidiary of MidAmerican Energy Holdings Company ("MEHC"). MEHC is a holding company based in Des Moines, Iowa that owns subsidiaries principally engaged in energy businesses. MEHC is a consolidated subsidiary of Berkshire Hathaway Inc. ("Berkshire Hathaway").

On December 19, 2013, MEHC completed the merger contemplated by the Agreement and Plan of Merger dated May 29, 2013 ("Merger Agreement"), among MEHC, Silver Merger Sub, Inc. ("Merger Sub"), MEHC's wholly owned subsidiary, and NV Energy, whereby Merger Sub was merged into NV Energy and NV Energy became an indirect wholly owned subsidiary of MEHC ("MEHC Merger"). The total purchase price was \$5.6 billion, or \$23.75 per share for 100% of NV Energy's outstanding common stock.

The transaction was approved by the boards of directors of both NV Energy and MEHC and the shareholders of NV Energy. MEHC received unconditional approval of the MEHC Merger from the Federal Energy Regulatory Commission ("FERC") on December 19, 2013 and the Federal Communications Commission on September 27, 2013. The United States Department of Justice and the Federal Trade Commission granted early termination of the mandatory waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976 on July 22, 2013. On December 17, 2013, the Public Utilities Commission of Nevada ("PUCN") approved the Joint Application filed by MEHC and NV Energy, subject to certain stipulations. The stipulations included, among others:

- A one-time bill credit to retail customers of the Nevada Utilities totaling \$20 million credited to retail customers over one billing cycle beginning within 30 days of the close of the MEHC Merger.
- MEHC and NV Energy agreed to not seek recovery of the acquisition premium, transaction and transition costs associated with the MEHC Merger from customers.
- NV Energy agreed that it will base any rate case filed in 2014 by the Nevada Utilities with a requested change in revenue requirement on a return on common equity not to exceed 10%.
- The Nevada Utilities will not seek to collect lost revenues as described in section 704.9524 of the Nevada Administrative Code for calendar year 2013 in 2014 rates, and will not seek collection of lost revenues in excess of 50% of what the Nevada Utilities could otherwise request for calendar year 2014 in 2015 rates. NV Energy also agreed to work cooperatively with PUCN staff and the Nevada Bureau of Consumer Protection ("BCP") to develop a legislative or administrative alternative to the current mechanism that would retain the objective of encouraging investment in energy efficiency and that is acceptable to NV Energy, PUCN staff and the BCP. NV Energy and the BCP also agree to work in good faith to have a legislative or administrative alternative adopted.
- Normal rate case rules and procedures apply to costs and revenues, and any under or over earnings will accrue to the Nevada Utilities until the next rate case filing after 2014, subject to specified adjustments for intercompany charges from MEHC and its other subsidiaries as described in the PUCN joint application and the exclusion of the \$20 million one-time bill credit from the test period. The commitment does not preclude parties from proposing any other adjustments to test year or certification period results.

**(2) Summary of Significant Accounting Policies**

*Basis of Consolidation and Presentation*

The Consolidated Financial Statements include the accounts of NV Energy and its subsidiaries in which it holds a controlling financial interest as of the financial statement date. Intercompany accounts and transactions have been eliminated. The Company has evaluated subsequent events through March 7, 2014, which is the date the audited Consolidated Financial Statements were available to be issued.

MEHC elected not to establish a new basis of accounting under push-down accounting at NV Energy in connection with its acquisition of NV Energy.

### *Use of Estimates in Preparation of Financial Statements*

The preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. These estimates include, but are not limited to, the effects of regulation; recovery of long-lived assets; certain assumptions made in accounting for pension and other postretirement benefits; asset retirement obligations ("ARO"); income taxes; unbilled revenue; valuation of certain financial assets and liabilities, including derivative contracts; and accounting for contingencies. Actual results may differ from the estimates used in preparing the Consolidated Financial Statements.

### *Accounting for the Effects of Certain Types of Regulation*

The Nevada Utilities prepare their Consolidated Financial Statements in accordance with authoritative guidance for regulated operations, which recognizes the economic effects of regulation. Accordingly, the Nevada Utilities defer the recognition of certain costs or income if it is probable that, through the ratemaking process, there will be a corresponding increase or decrease in future regulated rates. Regulatory assets and liabilities are established to reflect the impacts of these deferrals, which will be recognized in earnings in the periods the corresponding changes in regulated rates occur.

The Nevada Utilities continually evaluate the applicability of the guidance for regulated operations and whether its regulatory assets and liabilities are probable of inclusion in future regulated rates by considering factors such as a change in the regulator's approach to setting rates from cost-based ratemaking to another form of regulation, other regulatory actions or the impact of competition that could limit the Nevada Utilities' ability to recover their costs. The Nevada Utilities believe the application of the guidance for regulated operations is appropriate and its existing regulatory assets and liabilities are probable of inclusion in future regulated rates. The evaluation reflects the current political and regulatory climate at both the federal and state levels. If it becomes no longer probable that the deferred costs or income will be included in future regulated rates, the related regulatory assets and liabilities will be written off to net income, returned to customers or re-established as accumulated other comprehensive loss ("AOCI").

### *Fair Value Measurements*

As defined under GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants in the principal market or in the most advantageous market when no principal market exists. Adjustments to transaction prices or quoted market prices may be required in illiquid or disorderly markets in order to estimate fair value. Different valuation techniques may be appropriate under the circumstances to determine the value that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Market participants are assumed to be independent, knowledgeable, able and willing to transact an exchange and not under duress. Nonperformance or credit risk is considered in determining fair value. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

### *Cash Equivalents and Restricted Cash and Investments*

Cash equivalents consist of funds invested in money market mutual funds, United States Treasury Bills and other investments with a maturity of three months or less when purchased. Cash and cash equivalents exclude amounts where availability is restricted by legal requirements, loan agreements or other contractual provisions. Restricted amounts are included in other current assets on the Consolidated Balance Sheets.

### *Allowance for Uncollectible Accounts*

The allowance for uncollectible accounts is based on NV Energy's estimate of the collectability of amounts owed by customers. This estimate is primarily derived from historical write-off trends. NV Energy also has the ability to assess deposits on customers who have delayed payments or who are deemed to be a credit risk. As of December 31, 2013 and 2012, the allowance for doubtful accounts totaled \$9 million and is included in accounts receivable, net of allowance for doubtful accounts on the Consolidated Balance Sheets.

## *Derivatives*

The Company employs a number of different derivative contracts, including forwards, futures, options, swaps and other agreements, to manage price risk for electricity, natural gas and other commodities; and interest rate risk. Derivative contracts are recorded on the Consolidated Balance Sheets as either assets or liabilities and are stated at estimated fair value unless they are designated as normal purchases or normal sales and qualify for the exception afforded by GAAP.

Commodity derivatives used in normal business operations that are settled by physical delivery, among other criteria, are eligible for and may be designated as normal purchases or normal sales. Normal purchases or normal sales contracts are not marked-to-market and settled amounts are recognized as cost of fuel, energy and capacity or natural gas purchased for resale on the Consolidated Statements of Operations.

For the Company's derivatives not designated as hedging contracts, the settled amount is generally included in regulated rates. Accordingly, the net unrealized gains and losses associated with interim price movements on contracts that are accounted for as derivatives and probable of inclusion in regulated rates are recorded as regulatory liabilities and assets, respectively.

For the Company's derivatives designated as hedging contracts, the Company formally assesses, at inception and thereafter, whether the hedging contract is highly effective in offsetting changes in the hedged item. The Company formally documents hedging activity by transaction type and risk management strategy.

Changes in the estimated fair value of a derivative contract designated and qualified as a cash flow hedge, to the extent effective, are included on the Consolidated Statements of Changes in Equity as AOCI, net of tax, until the contract settles and the hedged item is recognized in earnings. The Company discontinues hedge accounting prospectively when it has determined that a derivative contract no longer qualifies as an effective hedge, or when it is no longer probable that the hedged forecasted transaction will occur. When hedge accounting is discontinued because the derivative contract no longer qualifies as an effective hedge, future changes in the estimated fair value of the derivative contract are charged to earnings. Gains and losses related to discontinued hedges that were previously recorded in AOCI will remain in AOCI until the contract settles and the hedged item is recognized in earnings, unless it becomes probable that the hedged forecasted transaction will not occur at which time associated deferred amounts in AOCI are immediately recognized in earnings.

## *Inventories*

Inventories consist mainly of materials and supplies totaling \$84 million and \$82 million as of December 31, 2013 and 2012, respectively, and fuel, which includes coal stocks, stored gas and fuel oil, totaling \$32 million and \$56 million as of December 31, 2013 and 2012, respectively. The cost of the inventories is determined using the average cost method. Materials are charged to inventory when purchased and are expensed or capitalized to construction work in process, as appropriate, when used. Fuel costs are recovered from retail customers through the base tariff energy rates and deferred energy accounting adjustment charges approved by the PUCN.

## *Property, Plant and Equipment, Net*

### *General*

Additions to property, plant and equipment are recorded at cost. The Nevada Utilities capitalize all construction-related material, direct labor and contract services, as well as indirect construction costs. Indirect construction costs include debt allowance for funds used during construction ("AFUDC"), and equity AFUDC, as applicable. The cost of additions and betterments are capitalized, while costs incurred that do not improve or extend the useful lives of the related assets are generally expensed. The cost of repairs and minor replacements are charged to expense when incurred, with the exception of costs for generation plant maintenance under certain long-term service agreements. Costs under these agreements are expensed straight-line over the term of the agreements as approved by the PUCN.

Depreciation and amortization are generally computed by applying the composite or straight-line method based on either estimated useful lives or mandated recovery periods as prescribed by the Nevada Utilities' various regulatory authorities. Depreciation studies are completed by the Nevada Utilities to determine the appropriate group lives, net salvage and group depreciation rates. These studies are reviewed and rates are ultimately approved by the applicable regulatory commission. Net salvage includes the estimated future residual values of the assets and any estimated removal costs recovered through approved depreciation rates. Estimated removal costs are recorded as either a cost of removal in regulatory liabilities or an ARO liability in other non-current liabilities on the Consolidated Balance Sheets, depending on whether the obligation meets the requirements of an ARO. As actual removal costs are incurred, the associated liability is reduced.

Generally when the Nevada Utilities retire or sell a component of regulated property, plant and equipment, it charges the original cost, net of any proceeds from the disposition, to accumulated depreciation. Any gain or loss on disposals of all other assets is recorded through earnings.

Debt and equity AFUDC, which represents the estimated costs of debt and equity funds necessary to finance the construction of regulated facilities, are capitalized as a component of property, plant and equipment, with offsetting credits to the Consolidated Statements of Operations. AFUDC is computed based on guidelines set forth by the FERC. After construction is completed, the Nevada Utilities are permitted to earn a return on these costs as a component of the related assets, as well as recover these costs through depreciation expense over the useful lives of the related assets. Nevada Power's AFUDC rates used during 2013 and 2012 were 8.09%. Sierra Pacific's AFUDC rates used during 2013 and 2012 were 7.86% for Electric, 5.15% for Gas and 7.59% for common facilities. The rates for Sierra Pacific remained the same for both years as the allowed rate of return was less than the calculated rates. As specified by the PUCN, certain projects may be assigned a lower or higher AFUDC rate due to specific interest-rate financings directly associated with those projects.

#### *Asset Retirement Obligations*

The Nevada Utilities recognize AROs when it has a legal obligation to perform decommissioning, reclamation or removal activities upon retirement of an asset. The fair value of an ARO liability is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made, and is added to the carrying amount of the associated asset, which is then depreciated over the remaining useful life of the asset. Subsequent to the initial recognition, the ARO liability is adjusted for any revisions to the original estimate of undiscounted cash flows (with corresponding adjustments to property, plant and equipment) and for accretion of the ARO liability due to the passage of time. The difference between the ARO liability, the corresponding ARO asset included in property, plant and equipment, net and amounts recovered in rates to satisfy such liabilities is recorded as a regulatory asset or liability in the Consolidated Balance Sheets.

Management's methodology to assess its legal obligation includes an inventory of assets by the Company's, system and components and a review of rights of way and easements, regulatory orders, leases and federal, state and local environmental laws. Management identified legal obligations to retire generation plant assets specified in land leases for Nevada Power's jointly-owned Navajo generating station and the Higgins generating station. Provisions of the lease require the lessees to remove the facilities upon request of the lessors at the expiration of the leases. Additionally, management has determined evaporative ponds, dry ash landfills, fuel storage tanks, asbestos and oils treated with Poly Chlorinated Biphenyl have met the requirements for an ARO.

#### *Impairment*

The Company evaluates long-lived assets for impairment, including property, plant and equipment, when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable or the assets are being held for sale. Upon the occurrence of a triggering event, the asset is reviewed to assess whether the estimated undiscounted cash flows expected from the use of the asset plus the residual value from the ultimate disposal exceeds the carrying value of the asset. If the carrying value exceeds the estimated recoverable amounts, the asset is written down to the estimated fair value. The impacts of regulation are considered when evaluating the carrying value of regulated assets. For all other assets, any resulting impairment loss is reflected in operating and maintenance expense on the Consolidated Statements of Operations.

#### *Income Taxes*

Berkshire Hathaway commenced including the Company in its United States federal income tax return on December 20, 2013 in connection with the MEHC Merger. Prior to December 20, 2013, the Company filed a consolidated United States federal income tax return. The Company's provision for income taxes has been computed on a separate return basis.

Deferred income tax assets and liabilities are based on differences between the financial statement and income tax basis of assets and liabilities using estimated income tax rates expected to be in effect for the year in which the differences are expected to reverse. Changes in deferred income tax assets and liabilities that are associated with components of other comprehensive income ("OCI") are charged or credited directly to OCI. Changes in deferred income tax assets and liabilities that are associated with income tax benefits and expense for certain property-related basis differences and other various differences that the Nevada Utilities are required to pass on to their customers are charged or credited directly to a regulatory asset or liability. As of December 31, 2013 and 2012, these amounts were recognized as regulatory assets of \$261 million and \$270 million, respectively, and regulatory liabilities of \$13 million and \$15 million, respectively, and will be included in regulated rates when the temporary differences reverse. Other changes in deferred income tax assets and liabilities are included as a component of income tax expense. Changes in deferred income tax assets and liabilities attributable to changes in enacted income tax rates are charged or credited to income tax expense or a regulatory asset or liability in the period of enactment. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount that is more-likely-than-not to be realized. Investment tax credits are generally deferred and amortized over the estimated useful lives of the related properties.

In determining the Company's income taxes, management is required to interpret complex income tax laws and regulations, which includes consideration of regulatory implications imposed by the Company's various regulatory jurisdictions. The Company's income tax returns are subject to continuous examinations by federal and local income tax authorities that may give rise to different interpretations of these complex laws and regulations. Due to the nature of the examination process, it generally takes years before these examinations are completed and these matters are resolved. The Company recognizes the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the Consolidated Financial Statements from such a position are measured based on the largest benefit that is more-likely-than-not of being realized upon ultimate settlement. Although the ultimate resolution of the Company's federal, state, local and foreign income tax examinations is uncertain, the Company believes it has made adequate provisions for these income tax positions. The aggregate amount of any additional income tax liabilities that may result from these examinations, if any, is not expected to have a material impact on the Company's consolidated financial results. The Company's unrecognized tax benefits are primarily included in accrued property, income and other taxes and other long-term liabilities on the Consolidated Balance Sheets. Estimated interest and penalties, if any, related to uncertain tax positions are included as a component of income tax expense on the Consolidated Statements of Operations.

#### *Revenue Recognition*

Revenue from energy business customers is recognized as electricity or natural gas is delivered or services are provided. Revenue recognized includes billed and unbilled amounts. As of December 31, 2013 and 2012, unbilled revenue was \$168 million and \$136 million, respectively, and is included in accounts receivable, net of allowance for doubtful accounts on the Consolidated Balance Sheets. Rates for energy businesses are established by regulators or contractual arrangements. When preliminary regulated rates are permitted to be billed prior to final approval by the applicable regulator, certain revenue collected may be subject to refund and a liability for estimated refunds is accrued. The Company records sales, franchise and excise taxes collected directly from customers and remitted directly to the taxing authorities on a net basis on the Consolidated Statements of Operations.

#### *Unamortized Debt Premiums, Discounts and Financing Costs*

Premiums, discounts and financing costs incurred for the issuance of long-term debt are amortized over the term of the related financing using the effective interest method.

#### *Franchise Fees and Universal Energy Charges*

The Company, as agents for some state and local governments collect from customers franchise fees and universal energy charges levied by the state or local governments on our customers. The Company presents such fees on a net basis, as such, fees are excluded from revenue and expense.

### (3) Merger-Related Activities

On December 17, 2013, the PUCN approved the Joint Application related to the MEHC Merger filed by MEHC and NV Energy, subject to certain stipulations. The stipulations included, among others, a one-time bill credit to retail customers of the Nevada Utilities totaling \$20 million credited to retail customers over one billing cycle beginning within 30 days of the close of the MEHC Merger. The \$20 million was included as a reduction to operating revenue on the Consolidated Statements of Operations for the year ended December 31, 2013.

The Company incurred costs totaling \$81 million related to the MEHC Merger, consisting of: (i) \$22 million for amounts payable under NV Energy's change in control policy; (ii) \$26 million for accelerated vesting and stock compensation under NV Energy's long-term incentive plan ("LTIP"); (iii) \$21 million for investment banker fees paid by NV Energy and (iv) \$12 million for legal and other expenses. The costs were included in merger-related expenses on the Consolidated Statements of Operations for the year ended December 31, 2013.

Included in other expense on the Consolidated Statements of Operations for the year ended December 31, 2013 is \$16 million for donations made by MEHC in the form of stock to NV Energy's charitable foundation on NV Energy's behalf.

On December 19, 2013, MEHC contributed \$66 million in cash to NV Energy to fund payments required under NV Energy's LTIP pursuant to the Merger Agreement.

### (4) Property, Plant and Equipment, Net

Property, plant and equipment, net consists of the following as of December 31 (in millions):

	<u>2013</u>	<u>2012</u>
Utility plant in-service:		
Electric generation, distribution and transmission	\$ 12,295	\$ 11,460
Natural gas distribution	370	354
Other	213	217
Utility plant in-service	<u>12,878</u>	<u>12,031</u>
Accumulated depreciation and amortization	<u>(3,519)</u>	<u>(3,313)</u>
Utility plant in-service, net	<u>9,359</u>	<u>8,718</u>
Other non-regulated, net of accumulated depreciation and amortization	<u>3</u>	<u>16</u>
	<u>9,362</u>	<u>8,734</u>
Construction work-in-progress	182	708
Property, plant and equipment, net	<u>\$ 9,544</u>	<u>\$ 9,442</u>

Almost all of the Company's plant is subject to the ratemaking jurisdiction of the PUCN and the FERC. Nevada Power's depreciation and amortization expense, as authorized by the PUCN and stated as a percentage of the average depreciable property balances was 3.26% and 3.22% during 2013 and 2012, respectively, while Sierra Pacific's depreciation and amortization was 3.02% and 2.94% during 2013 and 2012, respectively.

The Nevada Utilities are required to file a utility plant depreciation study every six years as a companion filing with their triennial general rate case filings. Sierra Pacific revised its electric and gas utility plant depreciation rates based on the results of a depreciation study it filed with its general rate case filing. The new depreciation rates are effective as of January 1, 2014 and the effect of the change is expected to not have a material impact in 2014 based on depreciable plant balances at the time of the change.

Construction work-in-progress is related to the construction of regulated assets.

#### *Impairment of Regulated Assets Not In Rates*

The Nevada Utilities recorded an impairment charge of \$35 million in operating and maintenance expense on the Consolidated Statements of Operations for the year ended December 31, 2013 related to the recovery of certain assets not currently in rates.

**(5) Regulatory Matters**

Regulatory assets represent costs that are expected to be recovered in future regulatory rates. The Nevada Utilities' regulatory assets and liabilities reflected in the Consolidated Balance Sheets consist of the following as of December 31 (in millions):

	<b>Weighted Average Remaining Life</b>	<b>2013</b>	<b>2012</b>
Deferred income taxes <sup>(1)</sup>	29 years	\$ 261	\$ 270
Employee benefit plans <sup>(2)</sup>	13 years	173	281
Merger costs from 1999 merger	30 years	245	257
Abandoned projects	6 years	174	84
Deferred excess energy costs	1 year	176	87
Legacy meters	7 years	89	64
Unrealized loss on regulated derivative contracts	5 years	47	—
Asset retirement obligations	7 years	108	67
Other	Various	294	391
Total regulatory assets		<u>\$ 1,567</u>	<u>\$ 1,501</u>
Reflected as:			
Current assets		\$ 96	\$ —
Noncurrent assets		1,471	1,501
Total regulatory assets		<u>\$ 1,567</u>	<u>\$ 1,501</u>

(1) Amounts primarily represent income tax benefits related to accelerated tax depreciation and certain property-related basis differences that were previously flowed through to customers and will be included in regulated rates when the temporary differences reverse.

(2) Represents amounts not yet recognized as a component of net periodic benefit cost that are expected to be included in regulated rates when recognized.

The Company had regulatory assets not earning a return on investment of \$730 million and \$662 million as of December 31, 2013 and 2012, respectively, that primarily related to deferred income taxes and merger costs.

Regulatory liabilities represent income to be recognized or amounts to be returned to customers in future periods. The Company's regulatory liabilities reflected on the Consolidated Balance Sheets consist of the following as of December 31 (in millions):

	<b>Weighted Average Remaining Life</b>	<b>2013</b>	<b>2012</b>
Cost of removal <sup>(1)</sup>	39 years	\$ 492	\$ 457
Deferred energy over collected	1 year	—	137
Energy efficiency program	1 year	69	42
Renewable energy program	1 year	42	—
Deferred income taxes	18 years	13	15
Other	Various	50	37
Total regulatory liabilities		<u>\$ 666</u>	<u>\$ 688</u>
Reflected as:			
Current liabilities		\$ 111	\$ 137
Noncurrent liabilities		555	551
Total regulatory liabilities		<u>\$ 666</u>	<u>\$ 688</u>

(1) Amounts represent estimated costs, as accrued through depreciation rates and exclusive of ARO liabilities, of removing regulated property, plant and equipment in accordance with accepted regulatory practices. Amounts are deducted from rate base or otherwise accrue a carrying cost.

In June 2013, Sierra Pacific filed its statutorily required triennial general rate case for its Nevada electric operations and updated the filing in August 2013. The filing, as updated, requested a return on equity of 10.40% and a decrease in general rates of \$5 million. The PUCN issued its order in December 2013 granting a return on equity of 9.80% and a \$37 million general rate decrease, which

was effective January 1, 2014. As a result of the final order Sierra Pacific recorded \$2 million of operating and maintenance expense in the Consolidated Statements of Operations related to general study costs originally deferred.

In June 2013, Sierra Pacific filed a general rate case for its natural gas operations and updated the filing in August 2013. The filing, as updated, requested a return on equity of 10.35% and an increase in general rates of \$6 million. The PUCN issued its order in December 2013 granting a return on equity of 9.7% and a \$4 million increase to general rates which was effective January 1, 2014.

#### *Deferred Energy*

Nevada statutes permit regulated utilities to adopt deferred energy accounting procedures. The intent of these procedures is to ease the effect on customers of fluctuations in the cost of purchased gas, fuel and purchased power and are subject to annual prudence review by the PUCN.

Under deferred energy accounting, to the extent actual fuel and purchased power costs exceed fuel and purchased power costs recoverable through current rates that excess is not recorded as a current expense on the Consolidated Statements of Operations but rather is deferred and recorded as a regulatory asset on the balance sheet and is included in the table above as deferred excess energy costs. Conversely, a regulatory liability is recorded to the extent fuel and purchased power costs recoverable through current rates exceed actual fuel and purchased power costs and is included in the table above as deferred energy over collected. These excess amounts are reflected in quarterly adjustments to rates and recorded as cost of fuel, energy and capacity in future time periods.

#### *Energy Efficiency Implementation Rates ("EEIR") and Energy Efficiency Program Rates ("EEPR")*

In July 2010, regulations were adopted by the Nevada State Legislature that authorizes an electric utility to recover lost revenue that is attributable to the measurable and verifiable effects associated with the implementation of efficiency and conservation programs approved by the PUCN through EEIR. In addition, the Nevada State Legislature approved to transition the recovery of program costs associated with energy efficiency from triennial general rate case filings to recovery through annual EEPR filings. As a result, the Nevada Utilities file annually in March to adjust EEPR and EEIR for over or under collected balances, which are effective in October of the same year.

In March 2013, the Nevada Utilities filed applications with the PUCN for the twelve-month period ended December 31, 2012 to reset EEIR elements. In September 2013, the PUCN issued an order indicating that EEIR revenue should not contribute to the Nevada Utilities earning more than their authorized rate of return. As the Nevada Utilities earned in excess of their authorized rate of return in 2012, the PUCN disallowed approximately \$16 million, pre-tax, in EEIR revenue (including carrying charges) and the Nevada Utilities recorded a charge to operating and maintenance expense on the Consolidated Statements of Operations for the year ended December 31, 2013.

The PUCN's final order approving the MEHC Merger stipulated that the Nevada Utilities will not seek recovery in 2014 for lost revenue or lost revenue in excess of 50% of what the Nevada Utilities could otherwise request in the their 2015 annual filing. As a result, for the year ended December 31, 2013, the Nevada Utilities have not recorded revenue for EEIR for the twelve-month period ended December 31, 2013 and have recorded a regulatory liability of \$17 million, which is included in current regulatory liabilities on the Consolidated Balance Sheets. On February 28, 2014, the Nevada Utilities filed an application with the PUCN to reset EEIR and EEPR. Pursuant to the stipulation, the Nevada Utilities established credits to return EEIR revenue collected in the 2013 calendar year. To effect the merger stipulation, Nevada Power and Sierra Pacific proposed to suspend collection of the EEIR on October 1, 2014, and July 1, 2014, respectively, and defer implementation of a new EEIR until January 1, 2015.

#### *FERC Matters*

##### *Nevada Power 2012 FERC Transmission Rate Case*

On October 31, 2012, Nevada Power filed an application with the FERC to revise transmission and ancillary service rates that were last set in 2003. In December 2012, the FERC issued an order which suspended the proposed rate increases until June 1, 2013. Furthermore, as requested in the filing, the FERC accepted two proposed rate decreases effective January 1, 2013. On November 27, 2013, Nevada Power filed an unopposed settlement agreement resolving all issues with the FERC, for approval of rates effective June 1, 2013. The FERC approved the settlement on February 21, 2014. The rate changes under the terms of the settlement agreement result in an overall annual revenue increase of \$5 million.

### *Sierra Pacific 2012 FERC Transmission Rate Case*

On October 31, 2012, Sierra Pacific filed an application with the FERC to revise transmission and ancillary service rates that were last set in 2007 and 2003, respectively. In December 2012, the FERC issued an order which suspended certain rate increases until June 1, 2013. Furthermore, as requested in the filing, the FERC accepted two proposed rate decreases effective January 1, 2013. On June 17, 2013, Sierra Pacific filed an unopposed settlement agreement resolving all issues with the FERC, for approval for rates effective June 1, 2013. The FERC approved the settlement on August 29, 2013. The rate changes under the terms of the settlement agreement result in an overall annual revenue increase of \$2 million.

### *2013 FERC Transmission Rate Case*

On May 31, 2013, the Nevada Utilities filed an application with the FERC to establish single system transmission and ancillary service rates. The combined filing requested incremental rate relief of approximately \$17 million annually, (compared to the settled rates discussed above) effective January 1, 2014. On August 5, 2013, the FERC suspended the effective date of the rates until the in-service date of the 250 mile, 500 kilovolt transmission line connecting the northern and southern service territories ("ON Line") on December 31, 2013, subject to refund and set the case for hearing or settlement proceedings. At this time management is unable to determine the final revenue impact of the case.

## **(6) Risk Management**

The Company is exposed to the impact of market fluctuations in electricity, natural gas, coal, and other commodity prices and interest rates primarily through the Nevada Utilities' obligation to serve retail customer load in their regulated service territories. The Nevada Utilities' load and generating facilities represent substantial underlying commodity positions. Exposures to commodity prices consist mainly of variations in the price of fuel required to generate electricity, wholesale electricity that is purchased and sold, and natural gas supply for retail customers. Commodity prices are subject to wide price swings as supply and demand are impacted by, among many other unpredictable items, weather, market liquidity, generating facility availability, customer usage, storage, and transmission and transportation constraints. The actual cost of fuel and purchased power are recoverable through the deferred energy mechanism. Interest rate risk exists on variable-rate debt and future debt issuances. The Company does not engage in proprietary trading activities.

The Nevada Utilities have established a risk management process that is designed to identify, assess, monitor, report, manage and mitigate each of the various types of risk involved in its business. To mitigate a portion of its commodity price risk, the Company uses commodity derivative contracts, which may include forwards, options, swaps and other agreements, to effectively secure future supply or sell future production. The Company manages its interest rate risk by limiting its exposure to variable interest rates primarily through the issuance of fixed-rate long-term debt and by monitoring market changes in interest rates. Additionally, the Company may from time to time enter into interest rate derivative contracts, such as interest rate swaps or locks, to mitigate the Company's exposure to interest rate risk. The Company does not hedge all of its commodity price and interest rate risks, thereby exposing the unhedged portion to changes in market prices.

In October 2011, NV Energy entered into a \$195 million floating for fixed interest rate swap in conjunction with its 3-year Term Loan resulting in an effective interest rate of 2.56% for the remaining tenor of the Term Loan, which matures in October 2014. As of December 31, 2013 and 2012, the carrying value of the interest rate swap, designated as a cash flow hedge contract was \$1 million and \$2 million and included in other current liabilities and non-current liabilities, respectively, on the Consolidated Balance Sheets. The changes in the estimated fair value are included in AOCI on the Consolidated Balance Sheets.

### *Derivative Contract Volumes*

Net notional amounts of outstanding derivative contracts with fixed price terms that comprise the mark-to-market values as of December 31, 2013 were 163 million British thermal units of commodity volume natural gas purchases and 4 million in megawatt hour commodity volume electric sales. Net notional amounts of outstanding derivative contracts with fixed price terms that comprise the mark-to-market values as of December 31, 2013 and 2012 were \$195 million interest rate swaps.

## Collateral and Contingent Features

In accordance with industry practice, certain wholesale derivative contracts contain provisions that require the Nevada Utilities to maintain specific credit ratings from one or more of the major credit rating agencies on its unsecured debt. These derivative contracts may either specifically provide bilateral rights to demand cash or other security if credit exposures on a net basis exceed specified rating-dependent threshold levels ("credit-risk-related contingent features") or provide the right for counterparties to demand adequate assurance in the event of a material adverse change in the Nevada Utilities creditworthiness. These rights can vary by contract and by counterparty. As of December 31, 2013, credit ratings from the three recognized credit rating agencies were investment grade.

The aggregate fair value of the Nevada Utilities' derivative contracts in liability positions with specific credit-risk-related contingent features were immaterial. The Nevada Utilities' collateral requirements could fluctuate considerably due to market price volatility, changes in credit ratings, changes in legislation or regulation or other factors.

### (7) Short-Term Debt and Credit Facilities

The following table summarizes the Nevada Utilities' availability under their revolving credit facilities as of December 31, 2013 (in millions):

	<u>Nevada Power</u>	<u>Sierra Pacific</u>	<u>Total</u>
Revolving credit facilities	\$ 500	\$ 250	\$ 750
Less letters of credit	—	(6)	(6)
Net revolving credit facilities	<u>\$ 500</u>	<u>\$ 244</u>	<u>\$ 744</u>

#### *Nevada Power's \$500 Million Revolving Credit Facility*

In March 2012, Nevada Power replaced its \$600 million secured revolving credit facility and replaced it with a \$500 million secured revolving credit facility, expiring in 2017. The Nevada Power credit facility is for general corporate purposes and provides for the issuances of letters of credits. Amounts due under the Nevada Power credit facility are collateralized by Nevada Power's general and refunding mortgage bonds. The rate for outstanding loans under Nevada Power's credit facility will be at either an applicable base rate (defined as the highest of the Prime Rate, the Federal Funds Rate plus 0.5% and the London Interbank Offered Rate ("LIBOR") Base Rate plus 1.0%) plus a margin, or a LIBOR rate plus a margin. The margin varies based upon Nevada Power's credit rating by S&P and Moody's. Currently, Nevada Power's applicable base rate margin is 0.25% and the LIBOR rate margin is 1.25%. The rate for outstanding letters of credit will be at the LIBOR rate margin plus a fee for the issuing bank.

#### *Sierra Pacific's \$250 Million Revolving Credit Facility*

In March 2012, Sierra Pacific replaced its \$250 million secured revolving credit facility with a \$250 million secured revolving credit facility, expiring in 2017. The Sierra Pacific credit facility is for general corporate purposes and provides for the issuances of letters of credits. Amounts due under the Sierra Pacific credit facility are collateralized by Sierra Pacific's general and refunding mortgage bonds. The rate for outstanding loans under Sierra Pacific's credit facility will be at either an applicable base rate (defined as the highest of the Prime Rate, the Federal Funds Rate plus 0.5% and the LIBOR Base Rate plus 1.0%) plus a margin, or a LIBOR rate plus a margin. The margin varies based upon Sierra Pacific's credit rating by S&P and Moody's. Currently, Sierra Pacific's applicable base rate margin is 0.25% and the LIBOR rate margin is 1.25%. The rate for outstanding letters of credit will be the LIBOR rate margin plus a fee for the issuing bank.

**(8) NV Energy Long-Term Debt**

NV Energy's long-term debt consists of the following as of December 31 (in millions):

	<u>Par Value</u>	<u>2013</u>	<u>2012</u>
6.25% Senior Notes, due 2020	\$ 315	\$ 315	\$ 315
2.56% Term Loan, due 2014 <sup>(1)</sup>	195	195	195
<b>Total NV Energy long-term debt</b>	<u>\$ 510</u>	<u>\$ 510</u>	<u>\$ 510</u>
Reflected as:			
Current liabilities		\$ 195	\$ —
Noncurrent liabilities		315	510
<b>Total NV Energy long-term debt</b>		<u>\$ 510</u>	<u>\$ 510</u>

(1) The term loan has a variable interest rate based on LIBOR plus a spread that varies during the term of the agreement. The variable interest rate as of December 31, 2013 was 1.92%. The Company has entered into an interest rate swap that fixes the interest rate at 2.56% as of December 31, 2013.

The Term Loan contains conditions of borrowing, events of default, and affirmative and negative covenants. The Term Loan includes (i) a financial covenant to maintain a ratio of total consolidated indebtedness to total consolidated capitalization, determined on the last day of each fiscal quarter, not to exceed 0.70 to 1.00 and (ii) a fixed charge covenant that requires NV Energy not to permit the fixed charge coverage ratio, determined on the last day of each fiscal quarter, to be less than 1.50 to 1.00. As of December 31, 2013 and 2012, the Company is in compliance with all financial debt covenants.

**(9) Subsidiary Long-Term Debt**

NV Energy's subsidiary long-term debt consists of the following, including unamortized premiums and discounts, as of December 31 (dollars in millions):

	<u>Par Value</u>	<u>2013</u>	<u>2012</u>
Nevada Power:			
General and Refunding Mortgage Securities:			
7.375% Series U, due 2014	\$ —	\$ —	\$ 125
5.875% Series L, due 2015	250	250	250
5.950% Series M, due 2016	210	210	210
6.500% Series O, due 2018	325	324	324
6.500% Series S, due 2018	500	499	499
7.125% Series V, due 2019	500	501	501
6.650% Series N, due 2036	370	363	363
6.750% Series R, due 2037	350	349	349
5.375% Series X, due 2040	250	249	249
5.450% Series Y, due 2041	250	250	250
Variable-rate series (2013-0.454% to 0.459%):			
Industrial Development Refunding Revenue Bonds 2000A, due 2020	—	—	98
Pollution Control Revenue Bonds Series 2006A, due 2032	38	38	38
Pollution Control Revenue Bonds Series 2006, due 2036	38	38	38
Capital and financial lease obligations - 3.01% to 11.60%, due through 2054	506	506	43
Total Nevada Power	<u>3,587</u>	<u>3,577</u>	<u>3,337</u>
Sierra Pacific:			
General and Refunding Mortgage Securities:			
6.000% Series M, due 2016	450	453	455
3.375% Series T, due 2023	250	250	—
6.750% Series P, due 2037	252	259	259
5.45% Series Q, due 2013	—	—	250
Variable-rate debt (2013-0.459% to 0.463%):			
Pollution Control Revenue Bonds Series 2006A, due 2031	58	58	58
Pollution Control Revenue Bonds Series 2006B, due 2036	75	75	75
Pollution Control Revenue Bonds Series 2006C, due 2036	81	81	81
Capital and financial lease obligations - 3.01% to 8.52%, due through 2054	24	24	1
Total Sierra Pacific	<u>1,190</u>	<u>1,200</u>	<u>1,179</u>
<b>Total subsidiary long-term debt</b>	<u><u>\$ 4,777</u></u>	<u><u>\$ 4,777</u></u>	<u><u>\$ 4,516</u></u>
Reflected as:			
Current liabilities		\$ 22	\$ 356
Noncurrent liabilities		4,755	4,160
Total subsidiary long-term debt		<u><u>\$ 4,777</u></u>	<u><u>\$ 4,516</u></u>

The consummation of the MEHC Merger also triggered mandatory redemption requirements under financing agreements of the Nevada Utilities. As a result, Nevada Power and Sierra Pacific offered to purchase \$3.0 billion and \$702 million, respectively, of debt at 101% of par. Debt with a par value totaling \$5.0 million was tendered in January 2014 and paid with cash on hand. The tender offer expired in January 2014.

## *Nevada Power Financing Transactions*

### *Clark County Industrial Development Refunding Revenue Bonds, Series 2000A*

In July 2013, Nevada Power issued a notice of redemption to the bondholders for its \$100 million Clark County Industrial Development Refunding Revenue Bonds, Series 2000A. In August 2013, Nevada Power redeemed the aggregate principal amount outstanding of \$98 million at 100% of the principal amount plus accrued interest with the use of cash on hand.

### *General and Refunding Mortgage Securities, Series U*

In November 2013, Nevada Power issued a notice of redemption to the bondholders for its \$125 million 7.375% Series U General and Refunding Mortgage Securities. In December 2013, Nevada Power redeemed the aggregate principal amount outstanding of \$125 million at 101% of the principal amount plus accrued interest with the use of cash on hand.

## *Sierra Pacific Financing Transactions*

### *General and Refunding Mortgage Securities, Series T*

In August 2013, Sierra Pacific issued and sold \$250 million of its 3.375% Series T General and Refunding Securities, due 2023. The \$248 million in net proceeds was used, together with cash on hand, to pay at maturity the \$250 million principal amount of its 5.45% Series Q General and Refunding Securities, which matured in September 2013.

## *Annual Payment on Long-Term Debt*

The annual amount of maturities for long-term debt (excluding unamortized premiums and discounts) for the next five years and thereafter are shown below as of December 31, 2013 (in millions):

	<b>NV Energy</b>	<b>Nevada Power</b>	<b>Sierra Pacific</b>	<b>Total</b>
2014	\$ 195	\$ 21	\$ 1	\$ 217
2015	—	258	1	259
2016	—	225	451	676
2017	—	12	1	13
2018	—	842	1	843
Thereafter	315	2,229	735	3,279
Total Debt	<u>\$ 510</u>	<u>\$ 3,587</u>	<u>\$ 1,190</u>	<u>\$ 5,287</u>

Utility plant of \$5.3 billion is subject to the liens of Nevada Power's and Sierra Pacific's indentures under which their respective General and Refunding Mortgage Securities are issued.

## *Capital and Financial Lease Commitments*

- In 1984, Nevada Power entered into a 30-year capital lease for the Pearson Building with five, five-year renewal options beginning in year 2015. In February 2010, Nevada Power amended this capital lease agreement to include the lease of the adjoining parking lot and to exercise, three of the five-year renewal options beginning in year 2015. There remain two additional renewal options which could extend the lease an additional ten years.
- In 2007, Nevada Power entered into a 20-year lease, with three 10-year renewal options, to occupy land and building for its Beltway Complex operations center in southern Nevada. Nevada Power accounts for the building portion of the lease as a capital lease and the land portion of the lease as an operating lease. Nevada Power transferred operations to the facilities in June 2009.
- Nevada Power has long-term energy purchase contracts which qualify as capital leases. The leases were entered into between the years 1989 and 1993. The terms of the leases are for 30 years and expire between the years 2022-2023.
- The Nevada Utilities have master leasing agreements of which various pieces of equipment qualify as capital leases. The remaining equipment is treated as operating leases. Lease terms average seven years under the master lease agreement.

- The ON Line transmission line was placed in-service on December 31, 2013. The Nevada Utilities own 25% of the line and have entered into a transmission use agreement with Great Basin Transmission South, LLC for its 75% interest. The term is for 41 years with the agreement ending December 31, 2054. Payments began on January 31, 2014.

Future cash payments for capital and financial leases as of December 31, 2013, were as follows (in millions):

2014	\$ 58
2015	57
2016	57
2017	58
2018	58
Thereafter	<u>1,022</u>
Total minimum lease payments	1,310
Less amounts representing interest	<u>(780)</u>
Present value of net minimum lease payments	<u>\$ 530</u>

#### (10) Fair Value of Financial Instruments

The carrying value of the Company's cash, certain cash equivalents, receivables, investments held in Rabbi trusts, payables, accrued liabilities and short-term borrowings approximates fair value because of the short-term maturity of these instruments. The Company has various financial assets and liabilities, principally related to derivative contracts, that are measured at fair value on the Consolidated Balance Sheets using inputs from the three levels of the fair value hierarchy. A financial asset or liability classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels are as follows:

- Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).
- Level 3 - Unobservable inputs reflect the Company's judgments about the assumptions market participants would use in pricing the asset or liability since limited market data exists. The Company develops these inputs based on the best information available, including its own data.

As of December 31, 2013, the Company has derivative contracts stated at estimated fair value of \$10 million, included in other current liabilities, and \$38 million, included in other non-current liabilities. The Company's commodity derivatives are not designated as hedging contracts as they are included in regulated rates, and as such, a regulatory asset of \$47 million was recorded related to the commodity derivative contracts.

Forward contracts are valued using a market approach that uses quoted forward commodity prices for similar assets and liabilities, which incorporates a mid-market pricing convention (the mid-point price between bid and ask prices) as a practical expedient for valuing its assets and liabilities measured and reported at fair value. Interest rate swaps are valued using a financial model which utilizes observable inputs for similar instruments based primarily on market price curves. The determination of the fair value for derivative instruments not only includes counterparty risk, but also the impact of NV Energy's nonperformance risk on its liabilities, which as of December 31, 2013, had an immaterial impact to the fair value of its derivative instruments. As such, the Company considers its derivative contracts to be valued using Level 3 inputs.

The Company's long-term debt, is carried at cost on the Consolidated Balance Sheets. The fair value of the Company's long-term debt is a Level 2 fair value measurement and has been estimated based upon quoted market prices, where available, or at the present value of future cash flows discounted at rates consistent with comparable maturities with similar credit risks. The carrying value of the Company's variable-rate long-term debt approximates fair value because of the frequent repricing of these instruments at market rates. The following table presents the carrying value and estimated fair value of the Company's long-term debt as of December 31 (in millions):

	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	\$ 4,757	\$ 5,430	\$ 4,982	\$ 5,942

**(11) Other, Net**

Other, net as shown on the Consolidated Statements of Operations, for the years ending December 31 consists of the following (in millions):

	2013	2012
Interest and dividend income	\$ 6	\$ 5
Donations	(16)	(3)
Interest expense on regulatory items	(3)	(8)
Other	8	—
Total other, net	\$ (5)	\$ (6)

**(12) Income Taxes**

Income tax expense consists of the following for the years ended December 31 (in millions):

	2013	2012
Current – Federal	\$ (4)	\$ (20)
Deferred:		
Federal	115	189
State	(2)	—
Total deferred	113	189
Investment tax credits	(2)	(2)
Total income tax expense	\$ 107	\$ 167

A reconciliation of the federal statutory income rate to the effective income tax rate applicable to income before income tax expense is as follows for the years ended December 31:

	2013	2012
Federal statutory income tax rate	35%	35%
Effects of ratemaking	2	1
Non-deductible MEHC Merger related expenses	4	—
Other	(1)	(2)
Effective income tax rate	40%	34%

The net deferred income tax liability consists of the following as of December 31 (in millions):

	<u>2013</u>	<u>2012</u>
Deferred tax assets:		
Net operating loss and credit carryforwards	\$ 422	\$ 385
Employee benefit plans	26	92
Capital and financial lease liabilities	186	15
Regulatory liabilities	13	15
Other	132	92
Total deferred income tax assets	<u>779</u>	<u>599</u>
Valuation allowance	<u>(2)</u>	<u>(2)</u>
Total deferred income tax assets, net	<u>777</u>	<u>597</u>
Deferred tax liabilities:		
Property related items	(1,582)	(1,482)
Regulatory assets	(399)	(438)
Capital and financial leases	(197)	(14)
Other	(116)	(73)
Total deferred income tax liabilities	<u>(2,294)</u>	<u>(2,007)</u>
Net deferred income tax liability	<u>\$ (1,517)</u>	<u>\$ (1,410)</u>
Reflected as:		
Deferred income taxes - current	\$ 189	\$ 61
Deferred income taxes - long-term	<u>(1,706)</u>	<u>(1,471)</u>
Net deferred income tax liability	<u>\$ (1,517)</u>	<u>\$ (1,410)</u>

The following table provides the Company's net operating loss and tax credit carryforwards and expiration dates as of December 31, 2013 (in millions):

Net operating loss carryforwards	\$ 1,160
Deferred income taxes on net operating loss carryforwards	\$ 406
Expiration dates	2029-2033
Other tax credits	\$ 16
Expiration dates	2014-2033

The United States federal jurisdiction is the only significant income tax jurisdiction for NV Energy. In July 2012, the United States Internal Revenue Service and the Joint Committee on Taxation concluded their examination of NV Energy with respect to its United States federal income tax returns for December 31, 2005 through December 31, 2008.

### (13) Related Party Transactions

Kern River Gas Transmission Company, an indirect subsidiary of MEHC, provided gas transportation and other services to Nevada Power of \$68 million and \$66 million for the years ended December 31, 2013 and 2012, respectively. Included in accounts payable on the Consolidated Balance Sheets as of December 31, 2013 and 2012 was \$5 million for services.

As of December 31, 2013, included in accounts receivable on the Consolidated Balance Sheets was \$2 million in amounts due from MEHC for merger related reimbursements.

The Company provided electricity and other services to PacifiCorp, an indirect subsidiary of MEHC, of \$4 million and \$10 million for the years ended December 31, 2013 and 2012, respectively. PacifiCorp provided electricity and the sale of renewable energy credits to the Company of \$3 million and \$62 million for the years ended December 31, 2013 and 2012, respectively.

**(14) Retirement Plan and Postretirement Benefits**

NV Energy has a single employer defined benefit pension plan covering substantially all employees of NV Energy and the Nevada Utilities. Certain grandfathered and union employees are covered under a benefit formula based on years of service and the employee's highest compensation for a period prior to retirement, while most employees are covered under a cash balance formula with vesting after three years of service. NV Energy also has other postretirement plans, including a defined contribution plan which provides medical and life insurance benefits for certain retired employees, a non-qualified supplemental executive retirement plan and a non-qualified restoration plan for certain executives.

*Recent Plan Changes*

During 2013, NV Energy amended the other postretirement benefit plan for Local 1245 of the International Brotherhood of Electrical Workers to provide a Health Reimbursement Account to participants upon retirement. The Nevada Utilities contribution to the Health Reimbursement Account will be based on years of service at retirement up to a maximum contribution of \$2,500 per employee. In addition, any frozen sick leave the employee has at retirement will be converted into additional Health Reimbursement Account dollars based on total sick leave hours and base pay at retirement. This amendment increased the benefit obligation by \$3 million in 2013, which is shown in the table below as plan amendments.

In 2013 and 2012, NV Energy offered voluntary lump sum pension payouts to former employees not currently of retirement age but eligible for future benefits and certain retiree participants already receiving benefits under NV Energy's pension plan in an effort to reduce NV Energy's future pension obligation. The 2013 and 2012 payouts of \$22 million and \$29 million, respectively, were paid from plan assets, and, included as benefits paid in the change in benefit obligation table below. No additional voluntary lump sum payouts are expected to be offered in 2014.

Plan Obligations, Plan Assets and Funded Status

The following tables provide a reconciliation of benefit obligations, plan assets and the funded status of the plans. These reconciliations are based on a December 31 measurement date (in millions):

	<b>Pension</b>		<b>Other Postretirement</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Change in Benefit Obligations:				
<b>Benefit obligation, beginning of year</b>	\$ 936	\$ 842	\$ 166	\$ 152
Service cost	21	18	3	2
Interest cost	37	41	7	8
Plan participants' contributions	—	—	2	2
Actuarial loss (gain)	(98)	108	(16)	13
Benefits paid <sup>(1)</sup>	(79)	(73)	(11)	(11)
Plan amendments	—	—	3	—
Curtailments	1	—	—	—
Special termination benefits	5	—	—	—
<b>Benefit obligation, end of year</b>	<b>823</b>	<b>936</b>	<b>154</b>	<b>166</b>
Change in Plan Assets:				
<b>Plan assets at fair value, beginning of year</b>	841	811	102	93
Actual return on plan assets	29	86	12	11
Employer contributions	22	17	5	7
Plan participants' contributions	—	—	2	2
Benefits paid <sup>(1)</sup>	(74)	(73)	(11)	(11)
<b>Plan assets at fair value, end of year</b>	<b>818</b>	<b>841</b>	<b>110</b>	<b>102</b>
Funded Status	<u>\$ (5)</u>	<u>\$ (95)</u>	<u>\$ (44)</u>	<u>\$ (64)</u>
Amounts recognized on the Consolidated Balance Sheets:				
Other non-current assets	\$ 33	—	—	—
Other current liabilities	(7)	—	—	—
Other non-current liabilities	(31)	(95)	(44)	(64)
Amounts recognized	<u>\$ (5)</u>	<u>\$ (95)</u>	<u>\$ (44)</u>	<u>\$ (64)</u>

(1) The 2013 difference between benefits paid in the table of changes in pension obligations and the table of changes in plan assets is due to the \$5 million of special termination benefits being paid out of NV Energy's rabbi trust instead of the plan assets. This increased the benefits paid in table of changes in pension obligations but did not affect the benefits paid in the table of changes in plan assets.

The expected long-term rate of return for both the pension and other postretirement benefit plan assets is 6.15% and 6.15-7.10%, respectively, for both 2013 and 2012.

The portion of the funded status of the plans not yet recognized in net periodic benefit cost as of December 31 is as follows (in millions):

	<b>Pension</b>		<b>Other Postretirement</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net actuarial loss	\$ (187)	\$ (283)	\$ (34)	\$ (58)
Prior service credit	15	18	22	29
Total not yet recognized in net periodic benefit cost	<u>\$ (172)</u>	<u>\$ (265)</u>	<u>\$ (12)</u>	<u>\$ (29)</u>
Regulatory asset for defined benefit plans	\$ 161	\$ 252	\$ 12	\$ 29
Accumulated other comprehensive loss, pre-tax, at December 31	11	13	—	—
Total not yet recognized in net periodic benefit cost	<u>\$ 172</u>	<u>\$ 265</u>	<u>\$ 12</u>	<u>\$ 29</u>

A reconciliation of the amounts not yet recognized as components of net periodic benefit costs for the years ended December 31, 2013 and 2012 is as follows (in millions):

	<b>Regulatory Asset</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Total</b>
<b><u>Pension</u></b>			
<b>Balance, December 31, 2011</b>	\$ 195	\$ 9	\$ 204
Net loss arising during the year	67	5	72
Net amortization	(10)	(1)	(11)
Total	57	4	61
<b>Balance, December 31, 2012</b>	252	13	265
Net gain arising during the year	(76)	—	(76)
Net amortization	(15)	(2)	(17)
Total	(91)	(2)	(93)
<b>Balance, December 31, 2013</b>	<u>\$ 161</u>	<u>\$ 11</u>	<u>\$ 172</u>

	<b>Regulatory Asset</b>
<b><u>Other Postretirement</u></b>	
<b>Balance, December 31, 2011</b>	\$ 20
Net loss arising during the year	8
Net amortization	1
Total	9
<b>Balance, December 31, 2012</b>	29
Net gain arising during the year	(17)
<b>Balance, December 31, 2013</b>	<u>\$ 12</u>

The estimated amounts that will be amortized from the regulatory assets for pension plans and AOCI into net periodic cost in 2014 are as follows (in millions):

	<b>Pension</b>	<b>Other Post- retirement</b>
Actuarial loss	\$ 10	\$ 2
Prior service cost	\$ (3)	\$ (4)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan net assets for pension plans with a projected benefit obligation in excess of plan net assets, and pension plans with an accumulated benefit obligation in excess of plan assets were as follows as of December 31 (in millions):

	<b>2013<sup>(1)</sup></b>	<b>2012</b>
Projected benefit obligation, end of year	\$ 37	\$ 936
Accumulated benefit obligation, end of year	\$ 36	\$ 897
Fair value of plan net assets, end of year	\$ —	\$ 841

(1) The projected benefit obligation, accumulated benefit obligation, and fair value of plan net assets for 2013 did not include amounts related to the over funded qualified pension plan since the projected benefit obligation and accumulated benefit obligation did not exceed the plans assets for 2013.

#### *Plan Assets*

NV Energy's investment policy for its pension and other postretirement benefit plans is to balance risk and return through a diversified portfolio of debt securities, equity securities and other alternative investments. NV Energy also considers the ability of the plan to pay all benefit and expense obligations when due, and to control the costs of administering and managing the plan. NV Energy is committed to prudent investments with ample diversification in terms of asset types, fund strategies, and investment managers. As such, NV Energy has elected to include an appropriate mix of indexed and actively managed investments to accomplish its strategy. The allocation for pension plan net assets at December 31, 2013 is 57% fixed income, 25% United States equity, 8%

international equity and 10% cash. The allocation for pension plan net assets at December 31, 2012 is 61% fixed income, 26% United States equity, 7% international equity and 6% cash. The long-term target allocation for pension plan net assets is 65% fixed income, 20% United States equity, and 15% international equity. The fixed income investments are benchmarked against government and corporate credit bond indices. United States equity investments include large cap, mid-cap, and small-cap companies with an emphasis towards small and mid-cap investments relative to the Russell 3000 Index. International equity is currently actively managed and includes investments in both established and emerging markets.

The allocation for the other postretirement benefit plan net assets at December 31, 2013 is 52% United States equity, 2% international equity, 41% fixed income and 5% cash. The allocation for the other postretirement benefit plan net assets at December 31, 2012 is 49% equity securities, 48% fixed income and 3% cash. The long-term strategy for the other postretirement benefit plan net assets is similar to the pension plan net assets strategy as described above. The target allocation for other postretirement benefit assets is 60% equity and 40% fixed income. The equity is invested in indexed securities that track the S&P 500 Index. The fixed income is indexed and benchmarked against government and corporate credit bond indices.

The following table presents the fair value of plan assets, by major category, for the Company's defined benefit pension plans (in millions):

	Input Levels for Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
<b>As of December 31, 2013</b>				
Cash and cash equivalents	\$ 2	\$ 88	\$ —	\$ 90
Equity:				
United States equity securities	57	157	—	214
International equity securities	65	—	—	65
Fixed income:				
International preferred securities	2	—	—	2
United States fixed income securities	106	347	—	453
International fixed income securities	—	31	—	31
Other	(37)	—	—	(37)
Total pension plan assets	<u>\$ 195</u>	<u>\$ 623</u>	<u>\$ —</u>	<u>\$ 818</u>
<b>As of December 31, 2012</b>				
Cash and cash equivalents	\$ —	\$ 50	\$ —	\$ 50
Equity:				
United States equity securities	64	167	—	231
International equity securities	64	—	—	64
Fixed income:				
International preferred securities	1	—	—	1
United States fixed income securities	125	372	—	497
International fixed income securities	5	37	—	42
Other	(44)	—	—	(44)
Total pension plan assets	<u>\$ 215</u>	<u>\$ 626</u>	<u>\$ —</u>	<u>\$ 841</u>

The following table presents the fair value of plan assets, by major category, for the Company's defined benefit other postretirement plans (in millions):

	Input Levels for Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
<b>As of December 31, 2013</b>				
Cash and cash equivalents	\$ 2	\$ 3	\$ —	\$ 5
Equity:				
United States equity securities	53	5	—	58
International Equity Securities	2	—	—	2
Fixed income:				
United States fixed income securities	11	34	—	45
International fixed income securities	—	1	—	1
Other	(1)	—	—	(1)
Total other postretirement plan assets	\$ 67	\$ 43	\$ —	\$ 110

	Input Levels for Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
<b>As of December 31, 2012</b>				
Cash and cash equivalents	\$ 2	\$ 1	\$ —	\$ 3
Equity:				
United States equity securities	44	5	—	49
International equity securities	2	—	—	2
Fixed income:				
United States fixed income securities	12	36	—	48
International fixed income securities	—	1	—	1
Other	(1)	—	—	(1)
Total other postretirement plan assets	\$ 59	\$ 43	\$ —	\$ 102

The actuarial assumptions used to determine benefit obligations and net periodic benefit costs were as follows for December 31:

	Benefit Obligations		Net Periodic Benefit Costs	
	2013	2012	2013	2012
Discount rate-pension	4.88%	4.01%	4.01%	4.91%
Discount rate-other benefits	5.00%	4.09%	4.09%	5.09%
Rate of compensation increase	3.00%	4.00%	4.00%	4.00%
Expected long-term return on plan assets-pension	N/A	N/A	6.15%	6.15%
Expected long-term return on plan assets-other benefits	N/A	N/A	6.15-7.10%	6.15-7.10%
Initial health care cost trend rate	7.25%	7.75%	7.75%	8.00%
Ultimate health care cost trend rate	4.75%	4.75%	4.75%	4.75%
Number of years to ultimate trend rate	15	6	6	7

The discount rates for 2013 and 2012 related to the benefit obligations and the net periodic benefit costs were determined by identifying a theoretical settlement portfolio of high quality corporate bonds sufficient to provide for the plans projected benefit payments.

A one percentage-point change in assumed health care cost trend rates would have the following effect (in millions):

	One Percentage-Point	
	Increase	Decrease
Effect on the postretirement benefit obligation	\$ 6	\$ (5)
Effect on total of service and interest cost components	\$ 1	\$ —

There were no significant transactions between the plan and the employer or related parties during 2013 and 2012.

### Net Periodic Cost

The components of net periodic pension and other postretirement benefit costs are as follows for the years ended December 31 (in millions):

	Pension		Other Postretirement	
	2013	2012	2013	2012
Service cost	\$ 21	\$ 18	\$ 3	\$ 2
Interest cost	37	41	7	8
Expected return on plan assets	(51)	(50)	(7)	(6)
Amortization of:				
Prior service credit	(3)	(3)	(4)	(4)
Actuarial loss	19	14	3	3
Curtailment loss	1	—	—	—
Total net benefit cost	<u>\$ 24</u>	<u>\$ 20</u>	<u>\$ 2</u>	<u>\$ 3</u>

The average percentage of NV Energy net periodic costs capitalized during 2013 and 2012 was 33.5% and 34.6%, respectively.

### Contributions and Benefit Payments

During 2013 and 2012, the Company funded a total of \$25 million and \$22 million, respectively, to the trusts established for the qualified pension and other postretirement benefit plans. Employer contributions to the pension and other postretirement benefit plans are expected to be \$30 million and \$-, respectively, during 2014.

The expected benefit payments to participants of the plans, including trust accounts, are as follows (in millions):

	Pension	Other Post-retirement
2014	\$ 60	\$ 10
2015	70	10
2016	57	10
2017	56	10
2018	61	10
2019-2023	303	51

The above benefit payments are obligations of the indicated plan, and reflect payments which do not include employee contributions. The expected benefit payment information that reflects the employee obligation is almost exclusively paid from plan assets.

### (15) Asset Retirement Obligations

The Company estimates its ARO liabilities based upon detailed engineering calculations of the amount and timing of the future cash spending for a third party to perform the required work. Spending estimates are escalated for inflation and then discounted at a credit-adjusted, risk-free rate. Changes in estimates could occur for a number of reasons, including plan revisions, inflation and changes in the amount and timing of the expected work.

The Company does not recognize liabilities for AROs for which the fair value cannot be reasonably estimated. Due to the indeterminate removal date, the fair value of the associated liabilities on certain transmission, distribution and other assets cannot currently be estimated, and no amounts are recognized on the Consolidated Financial Statements other than those included in the cost of removal regulatory liability established via approved depreciation rates in accordance with accepted regulatory practices. These cost of removal accruals totaled \$492 million and \$457 million as of December 31, 2013 and 2012, respectively.

The majority of the Company's ARO liabilities are related to the Nevada Utilities' electric generation fleet. The following table presents the Company's ARO liabilities by asset type as of December 31, (in millions):

	<u>2013</u>	<u>2012</u>
Evaporative ponds and dry ash landfills	\$ 91	\$ 53
Asbestos	10	8
Other	15	14
Total asset retirement obligations	<u>\$ 116</u>	<u>\$ 75</u>

The following table reconciles the beginning and ending balances of the Company's ARO liabilities for the years ended December 31, (in millions):

	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 75	\$ 71
Accretion expense	4	4
Revision in estimated cash flows	37	—
Ending balance	<u>\$ 116</u>	<u>\$ 75</u>

In 2008, Nevada Power signed an administrative order of consent as owner and operator of Reid Gardner generating station units 1, 2 and 3 and as co-owner and operating agent of unit 4. Based on the administrative order of consent, in 2008, Nevada Power recorded estimated ARO and capital remediation costs. However, actual costs of work under the administrative order of consent may vary significantly once the scope of work is defined and additional site characterization has been completed. In connection with the termination of the co-ownership arrangement, effective October 22, 2013, between Nevada Power and California Department of Water Resources ("CDWR") for unit 4 of the Reid Gardner generating station, Nevada Power and CDWR entered into a cost-sharing agreement that sets forth how the parties will jointly share in costs associated with all investigation, characterization and, if necessary, remedial activities as required under the administrative order of consent. The 2013 increase in revision in estimated cash flows was primarily related to additional expected ground water remediation costs at Reid Gardner generating station.

Certain of the Company's decommissioning and reclamation obligations relate to jointly-owned facilities and mine sites, and as such, the Nevada Utilities are committed to pay a proportionate share of the decommissioning or reclamation costs. In the event of a default by any of the other joint participants, the respective subsidiary may be obligated to absorb, directly or by paying additional sums to the entity, a proportionate share of the defaulting party's liability. The Company's estimated share of the decommissioning and reclamation obligations are primarily recorded as ARO liabilities in other non-current liabilities on the Consolidated Balance Sheets.

## (16) Commitments and Contingencies

### *Commitments*

The Company enters into several purchase commitments for electric power, coal, natural gas and transportation, as well as, long-term service agreements, capital project commitments and operating leases. Detailed below are estimates of future commitments under these arrangements (in millions):

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Thereafter</u>	<u>Total</u>
Purchased power	\$ 510	\$ 516	\$ 518	\$ 520	\$ 442	\$ 4,120	\$ 6,626
Purchased power - not commercially operable	64	72	98	112	113	2,578	3,037
Coal and natural gas	549	228	48	44	46	47	962
Transportation	148	139	99	96	80	691	1,253
Long-term service agreements	20	20	19	17	14	39	129
Capital projects	—	3	3	3	3	48	60
Operating leases	13	12	7	6	5	126	169
Total commitments	<u>\$ 1,304</u>	<u>\$ 990</u>	<u>\$ 792</u>	<u>\$ 798</u>	<u>\$ 703</u>	<u>\$ 7,649</u>	<u>\$12,236</u>

### *Purchased Power*

NV Energy has several contracts for long-term purchase of electric energy which have been approved by the PUCN; the expiration of these contracts range from 2014 to 2039. While NV Energy is not required to make payment if power is not delivered under these contracts, estimated future payments are included in the tables above. Purchased power includes contracts which meet the definition of a lease. NV Energy's rent expense for purchase power contracts which met the lease criteria for 2013 and 2012 were \$463 million and \$413 million, respectively, which will be recovered through deferred energy.

### *Purchased Power - Not Commercially Operable*

NV Energy enters into several contracts for long-term purchase of electric energy in which the facility remains under development. This represents the estimated payments under renewable energy power purchase contracts, which have been approved by the PUCN and are contingent upon the developers obtaining commercial operation and their ability to deliver power.

### *Coal and Natural Gas*

NV Energy has several long-term contracts for the purchase of coal and natural gas. The expiration of these contracts range from 2014 to 2019.

### *Transportation*

NV Energy has several long-term contracts for the transport of coal and natural gas. The expiration of these transportation contracts range from 2014 to 2031.

### *Long-Term Service Agreements*

NV Energy has long term service agreements for the performance of maintenance on generation units. Obligation amounts are based on estimated usage.

### *Capital Projects*

NV Energy entered into a capital lease agreement which begins in 2015 and is contingent upon final construction and commercial operation.

### *Operating Leases*

NV Energy has entered into various non-cancelable operating leases primarily for building, land and equipment. Contract expiration dates range from 2014 to 2103. NV Energy's rent payments meeting the above described criteria for 2013 and 2012 were \$16 million and \$18 million, respectively.

### *Environmental Laws and Regulations*

The Company is subject to federal, state, local and foreign laws and regulations regarding air and water quality, renewable portfolio standards, emissions performance standards, climate change, coal combustion byproduct disposal, hazardous and solid waste disposal, protected species and other environmental matters that have the potential to impact the Company's current and future operations. The Company believes it is in material compliance with all applicable laws and regulations.

In June 2013, the Nevada State Legislature passed Senate Bill No. 123 ("SB 123"), which included, in significant part:

- Accelerating the plan to retire 800 MWs of coal plants, starting as soon as December 31, 2014;
- Replacement of such coal plants by issuing requests for proposals for the procurement of 300 MWs from renewable facilities;
- Construction or acquisition and ownership of 50 MWs of electric generating capacity from renewable facilities;
- Construction or acquisition and ownership of 550 MWs of additional electric generating capacity; and
- Assuring regulatory procedures that protect reliability and supply and address financial impacts on customer and utility.

On February 14, 2014, the PUCN issued a final order approving draft regulations, subject to review by a Nevada Legislative commission and which must be filed with the Secretary of State before the regulations become effective. The new regulations require NV Energy to file its initial emissions reduction and capacity replacement plan on or before May 1, 2014.

#### *Nevada Power - Reid Gardner Generation Station*

On October 4, 2011, Nevada Power received a request for information from the Environmental Protection Agency ("EPA")-Region 9 under Section 114 of the Clean Air Act requesting current and historical operations and capital project information for Nevada Power's Reid Gardner generating station located near Moapa, Nevada. The EPA's Section 114 information request does not allege any incidents of non-compliance at the plant. Nevada Power completed its responses to EPA during the first quarter of 2012 and will continue to monitor developments relating to this Section 114 request. At this time, Nevada Power cannot predict the impact, if any, associated with this information request.

#### *Sierra Pacific - Valmy Generation Station*

On June 22, 2009, Sierra Pacific received a request for information from the EPA-Region 9 under Section 114 of the Clean Air Act requesting current and historical operations and capital project information for Sierra Pacific's Valmy generating station located in Valmy, Nevada. Sierra Pacific co-owns and operates this coal-fired plant. Idaho Power Company owns the remaining 50%. The EPA's Section 114 information request does not allege any incidents of non-compliance at the plant, and there have been no other new enforcement-related proceedings that have been initiated by the EPA relating to the plant. Sierra Pacific completed its response to the EPA in December 2009 and will continue to monitor developments relating to this Section 114 request. At this time, Sierra Pacific cannot predict the impact, if any, associated with this information request.

#### *Legal Matters*

The Company is party to a variety of legal actions arising out of the normal course of business. Plaintiffs occasionally seek punitive or exemplary damages. The Company does not believe that such normal and routine litigation will have a material impact on its consolidated financial results. The Company is also involved in other kinds of legal actions, some of which assert or may assert claims or seek to impose fines, penalties and other costs in substantial amounts and are described below.

#### *Nevada Power*

##### November 2005 Land Investors

In 2006, November 2005 Land Investors, LLC ("NLI") purchased from the United States through the Bureau of Land Management 2,675 acres of land located in North Las Vegas, Nevada. A small portion of the land is traversed by a 500 kilovolt transmission line owned by Nevada Power and sited pursuant to a pre-existing right-of-way grant from the Bureau of Land Management. Subsequent to NLI's purchase, a dispute arose as to whether Nevada Power owed rent and, if it did, the amount owed to NLI under the right-of-way grant. NLI eventually "terminated" the right-of-way grant and brought claims against Nevada Power for breach of contract, inverse condemnation and trespass. Nevada Power counterclaimed for express condemnation of a perpetual easement over the right-of-way corridor. The matter proceeded to trial in the Eighth Judicial District Court, Clark County, Nevada. In September 2013, the court awarded NLI approximately \$1.0 million for unpaid rent and \$5.1 million for inverse condemnation, plus interest and attorneys' fees, bringing the total judgment to \$12.1 million which Nevada Power recognized as of December 31, 2013. The court also found Nevada Power was entitled to judgment in its favor on its counterclaim for condemnation of the right-of-way corridor. Nevada Power has appealed to the Nevada Supreme Court and opening briefs are due March 18, 2014. Management cannot assess or predict the outcome of the case at this time.

##### Sierra Club and Moapa Band of Paiute Indians

On August 8, 2013, the Sierra Club and Moapa Band of Paiute Indians filed a complaint in federal district court in Nevada against Nevada Power and CWDR, alleging that activities at the Reid Gardner generating station are causing imminent and substantial harm to the environment and that placement of coal combustion residuals at the on-site landfill constitute "open dumping" in violation of the Resource Conservation and Recovery Act. The complaint also alleges that the Reid Gardner generating station is engaged in the unlawful discharge of pollutants in violation of the Clean Water Act. The notice was issued pursuant to the citizen suit provisions of the Resource Conservation and Recovery Act and the Clean Water Act. CDWR was named as a co-defendant in the litigation due to its prior co-ownership in Unit 4 of the Reid Gardner generating station. The complaint seeks various injunctive remedies, assessment of civil penalties, and reimbursement of plaintiffs' attorney and legal fees and costs. Nevada Power answered the complaint and intends to vigorously defend the suit. Given the stage of the proceeding, Nevada Power cannot predict the impact to the Company, or estimate the range of loss.

Newmont Nevada Energy Investment - TS Power Plant

Newmont Nevada Energy Investment, LLC (“Newmont”) owns a 203 megawatt coal-fired power plant facility located in Eureka County, NV (the “TS Power Plant”) that is interconnected to Sierra Pacific’s transmission system. As a result of system modifications required for the ON Line, Newmont will need to install certain protection equipment at its TS Power Plant. Newmont brought suit against Sierra Pacific in the Second Judicial District of Nevada (Washoe County) seeking declaratory relief and to enjoin the operation at full capacity of certain equipment (series capacitors) to be installed by Sierra Pacific for the ON Line project, until such time as Newmont completes the design, fabrication and installation of protection equipment at its power plant to protect its generator from potential adverse effects caused by the operation of Sierra Pacific's equipment at full capacity. In addition, Newmont’s complaint asserted a claim under the parties' interconnection agreement seeking to recover the cost of making the necessary modifications to the TS Power Plant, estimated by Newmont to be approximately \$11.2 million.

A hearing on Newmont’s motion for a preliminary injunction was held during the week of August 12, 2013, after which the trial court concluded that it would enter an order enjoining Sierra Pacific from operating its equipment (series capacitors) at full capacity from January 1, 2014 until approximately April 8, 2014, and from approximately June 1, 2014 to June 30, 2014 (or the time Newmont has completed the installation of its protection equipment), so as to allow installation and testing of protection equipment at the TS Power Plant. The district court issued the order on December 17, 2013, conditioned upon Newmont posting a \$1 million bond and undertaking efforts under the Dispute Resolution provisions of the interconnection agreement. The issue of who is to pay for the protection equipment and its installation was not decided by the district court, and is pending before the FERC in Docket No. EL14-16-000. Management cannot predict the outcome of this matter at this time.

Caughlin Fire

On November 18, 2011, a fire was reported in the hills near Reno, Nevada (the “Caughlin Fire”). In January 2012, the Reno Fire Department issued a report in which they opined that “this fire was most likely the result of an electrical event in the area,” and that “something such as a tree branch hitting the power-line” was a likely cause of the fire. Sierra Pacific is continuing its investigation in the matter.

To date, five subrogation lawsuits and two individual claimant lawsuits have been filed against Sierra Pacific in relation to the Caughlin Fire. The subrogation lawsuits have been brought by various insurance companies, and involve similar causes of action (negligence, inverse condemnation, trespass, nuisance, subrogation and strict liability). One of the individual claimant lawsuits identifies six plaintiffs, while the other individual claimant lawsuit purports to be brought on behalf of a class of similarly affected individuals within the fire perimeter who suffered damage or loss of use of their property as a result of the Caughlin Fire and the evacuation order associated with it.

All of the cases have been consolidated before a single judge in Washoe County, Nevada. The court has not yet entered a scheduling order in this case. At this time, management cannot assess or predict what the impact or outcome of this litigation may be, or what, if any, other litigation may be brought on this matter.

**(17) Stock Compensation Plans**

Pursuant to the Merger Agreement, at the close of the merger, each share of outstanding common stock of NV Energy was converted into a right to receive cash in the amount of \$23.75 per share. All of the common stock shares were canceled and ceased to exist as of the merger date. NV Energy’s change in control provisions accelerated the vesting and settlement of stock compensation awards to executives and employees. Immediately prior to the consummation of the MEHC Merger outstanding restricted stock units, performance awards, and deferred stock units were fully vested and canceled in exchange for the right to receive \$23.75 per unit award. In addition, each outstanding option to purchase shares granted under NV Energy's stock plan was fully vested and canceled in exchange for a payment in cash equal to the excess, if any, of \$23.75 per share over the exercise price per share subject to cancellation. At the consummation of the MEHC Merger all common stock plans were terminated and no further NV Energy options, restricted stock units, performance awards or deferred stock units may be issued. As a result, all discussion below related to stock compensation plans relates to activities prior to the MEHC Merger.

NV Energy’s executive LTIP for key management employees, which was approved by shareholders in May 2004 and amended and restated in 2011, provided for the issuance of up to 7,750,000 of NV Energy's common shares to key employees through December 19, 2013. The plan permitted the following types of grants, separately or in combination: nonqualified and qualified stock options, stock appreciation rights, restricted stock units, performance units, performance shares, and bonus stock.

Under the LTIP and employee stock purchase plan, NV Energy settled awards by either new issuances of shares, open market purchases, or issuance of treasury shares. See Note 18, *Common Stock and Other Paid-In Capital*, for further discussion on treasury stock.

Total stock-based compensation expense was as follows for the years ended December 31 (in millions):

	<u>2013</u>	<u>2012</u>
Performance Units and Performance Shares	\$ 34	\$ 21
Restricted Stock Units	8	4
Total Stock Compensation Expense	<u>\$ 42</u>	<u>\$ 25</u>

As a result of the announcement and consummation of the MEHC Merger, stock compensation costs increased significantly from prior years due to the increase in the per share stock price of NV Energy, Inc. common stock, the conversion of equity awards to liability awards upon completion of the merger, and the accelerated vesting of all outstanding awards on the date of the merger.

#### *Non-Qualified Stock Options*

Options outstanding at December 19, 2013 were cashed out for the difference between MEHC's acquisition price of \$23.75 per share and the strike price of the grants.

There have been no grants of non-qualified stock options made to employees since 2007.

The following table summarizes the status of NV Energy's nonqualified stock option plan and changes for the years ended December 31 (dollars in millions, except per share data):

	<u>2013</u>		<u>2012</u>	
	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>
Outstanding at beginning of year	356,437	\$ 17.90	539,450	\$ 16.56
Granted	—	\$ —	—	\$ —
Exercised	(73,547)	\$ 15.95	(134,601)	\$ 12.80
Settled for Cash upon Merger	(282,890)	\$ 18.41	—	\$ —
Forfeited	—	\$ —	(48,412)	\$ 14.99
Outstanding at end of year	<u>—</u>		<u>356,437</u>	\$ 17.90
Options exercisable at year-end	—	\$ —	356,437	\$ 17.90
Intrinsic value of options exercised	\$ —	\$ —	\$ 1	\$ —
Intrinsic value of cash settled options	\$ 2	\$ —	\$ —	\$ —

Cash received from options exercised was \$1 million and \$2 million in 2013 and 2012, respectively. The tax benefit realized for the tax deductions from option exercises was immaterial for all years. The fair value of options vested was zero for all years presented.

The following table summarizes performance units, performance shares and performance based restricted stock units activity for the years ended December 31 (dollars in millions, except per share data):

	2013		2012	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Nonvested performance awards at beginning of year	852,238	\$ 15.90	652,184	\$ 13.64
Shares granted	428,596	\$ 18.93	1,380,621	\$ 17.37
Shares vested prior to merger	(599,329)	\$ 15.98	(1,126,932)	\$ 15.91
Shares with accelerated vesting upon merger	(613,143)	\$ 18.51	—	\$ —
Shares forfeited	(68,362)	\$ 18.64	(53,635)	\$ 13.99
Nonvested performance awards at end of year	<u>—</u>		<u>852,238</u>	\$ 15.90
Weighted average grant date fair value of shares granted	\$ 8		\$ 24	
Fair value of shares issued prior to merger	\$ 18		\$ 17	
Fair value of shares settled for cash upon merger	\$ 49		\$ —	
Unrecognized compensation expense at end of year	\$ —		\$ 15	
Weighted average remaining vesting period (years)	—		1.67	

Compensation expense for performance awards granted prior to 2013 was recognized ratably over the three year vesting period. As a result of the MEHC Merger, all vesting of performance awards were accelerated and 2,055,006 shares of performance awards were converted to cash and paid to the respective employees at \$23.75 per share.

#### *Restricted Stock Units*

Elected officers and key employees specifically designated by a committee of the board of directors were eligible to be awarded restricted stock units based on the guidelines in the plan. These grants vested over different periods as stated within the terms of each grant. The issuance of these shares was conditional upon the employee retaining employment with NV Energy throughout the entire vesting period. None of the units granted in 2013 are eligible for dividend equivalents. As a result of the MEHC Merger, all vesting of restricted stock units were accelerated and 436,214 shares of restricted stock units were converted to cash and paid to the respective employees at \$23.75 per share.

The following table summarizes restricted stock units activity for the years ended December 31 (dollars in millions, except per share data):

	2013		2012	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Nonvested shares at beginning of year	275,701	\$ 15.43	289,210	\$ 13.77
Shares granted	70,464	\$ 21.52	169,000	\$ 17.05
Shares vested prior to merger	(142,267)	\$ 15.35	(175,009)	\$ 14.31
Shares with accelerated vesting upon merger	(159,426)	\$ 16.29	—	\$ —
Shares forfeited	(44,472)	\$ 17.45	(7,500)	\$ 14.32
Nonvested shares at end of year	<u>—</u>		<u>275,701</u>	\$ 15.43
Weighted average grant date fair value of shares granted	\$ 2		\$ 3	
Fair value of shares issued prior to merger	\$ 4		\$ 1	
Fair value of shares settled for cash upon merger	\$ 10		\$ —	
Unrecognized compensation expense at end of year	\$ —		\$ 5	
Weighted average remaining vesting period (years)	—		1.96	

Compensation expense for restricted stock units granted prior to 2013 was recognized ratably over the vesting period of each grant.

#### *Employee Stock Purchase Plan*

The employee stock purchase plan was available to all employees who met minimum service requirements. In 2010, shareholders approved an additional 1,000,000 shares for distribution under the plan, bringing the total authorized up to an aggregate of 1,900,162 shares of common stock. The employee stock purchase plan was eliminated upon completion of the merger with MEHC.

NV Energy recognized compensation expense in 2013 and 2012 related to the employee stock purchase plan. The expense for 2013 was estimated for the employees' purchase rights on the date of grant, using the Black-Scholes option-pricing model. The following assumptions were used with an option life of six months:

	Average Dividend Yield	Average Expected Volatility	Average Risk-Free Rate of Return	Weighted-Average Fair Value
2013	3.23%	8.44%	0.13%	\$ 4.00

As a result of the merger with MEHC, shares previously purchased through this plan and still outstanding at December 19, 2013 were converted to cash and paid to the respective employees at \$23.75 per share.

#### **(18) Common Stock and Other Paid-in Capital**

Upon completion of the MEHC Merger on December 19, 2013, all of the \$1 par value common stock shares were canceled and ceased to exist as of the merger date. Merger Sub was merged into NV Energy and NV Energy became an indirect wholly owned subsidiary of MEHC which owns one share of \$0.01 par value common stock. The Company had 1,000 shares authorized and one share issued and outstanding of \$0.01 par value as of December 31, 2013. The Company had 350 million shares authorized and 236 million issued and outstanding of \$1.00 par value shares at December 31, 2012.

**(19) Supplemental Cash Flow Disclosures**

The summary of supplemental cash flow disclosures as of and for the years ending December 31 is as follows (in millions):

	<u>2013</u>	<u>2012</u>
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$ 294	\$ 293
Income taxes	<u>\$ —</u>	<u>\$ —</u>
Supplemental disclosure of non-cash investing and financing transactions:		
Accruals related to property, plant and equipment additions	\$ 63	\$ 177
ON Line transmission use financial lease obligation	<u>\$ 441</u>	<u>\$ —</u>