NV Energy, Inc. and Subsidiaries

Consolidated Financial Statements (Unaudited)
as of and for the
Quarterly Period Ended March 31, 2015

and

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

NV ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)
(Amounts in millions, except share data)

	As of	
	March 31, 2015	**December 31, 2014**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 94	$ 262
Accounts receivable, net	344	349
Inventories	130	128
Regulatory assets	5	89
Deferred income taxes	212	178
Other current assets	74	52
Total current assets	859	1,058
Property, plant and equipment, net	9,649	9,643
Regulatory assets	1,491	1,510
Other assets	97	103
Total assets	$ 12,096	$ 12,314
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$ 223	$ 294
Accrued interest	62	78
Accrued property and other taxes	37	42
Regulatory liabilities	75	78
Short-term debt	30	—
Current portion of long-term debt	227	265
Customer deposits	74	71
Other current liabilities	83	49
Total current liabilities	811	877
NV Energy long-term debt	315	315
Subsidiary long-term debt	4,298	4,511
Regulatory liabilities	594	589
Deferred income taxes	1,914	1,858
Other long-term liabilities	390	430
Total liabilities	8,322	8,580
Commitments and contingencies (Note 8)		
Shareholder's equity:		
Common stock - 1,000 shares authorized, $0.01 par value, 1 share issued and outstanding	—	—
Other paid-in capital	3,128	3,128
Retained earnings	650	610
Accumulated other comprehensive loss, net	(4)	(4)
Total shareholder's equity	3,774	3,734
Total liabilities and shareholder's equity	$ 12,096	$ 12,314

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

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

	Three-Month Periods Ended March 31, 2015	Three-Month Periods Ended March 31, 2014
Operating revenue:		
Regulated electric	$ 656	$ 594
Regulated natural gas	50	44
Total operating revenue	706	638
Operating costs and expenses:		
Cost of fuel, energy and capacity	322	283
Natural gas purchased for resale	35	29
Operating and maintenance	115	119
Depreciation and amortization	101	92
Property and other taxes	16	17
Total operating costs and expenses	589	540
Operating income	117	98
Other income (expense):		
Interest expense	(66)	(72)
Allowance for borrowed funds	1	—
Allowance for equity funds	1	1
Other, net	9	8
Total other income (expense)	(55)	(63)
Income before income tax expense	62	35
Income tax expense	22	13
Net income	$ 40	$ 22

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

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

	Common Stock		Other Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net	Total Shareholder's Equity
	Shares	Amount				
Balance, December 31, 2013	—	$ —	$ 3,023	$ 619	$ (9)	$ 3,633
Net income	—	—	—	22	—	22
Other	—	—	—	—	1	1
Balance, March 31, 2014	—	$ —	$ 3,023	$ 641	$ (8)	$ 3,656
Balance, December 31, 2014	—	$ —	$ 3,128	$ 610	$ (4)	$ 3,734
Net income	—	—	—	40	—	40
Balance, March 31, 2015	—	$ —	$ 3,128	$ 650	$ (4)	$ 3,774

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

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

	Three-Month Periods Ended March 31,	
	2015	**2014**
Cash flows from operating activities:		
Net income	$ 40	$ 22
Adjustments to reconcile net income to net cash from operating activities:		
Gain on nonrecurring items	(3)	—
Depreciation and amortization	101	92
Allowance for equity funds	(1)	(1)
Deferred income taxes and amortization of investment tax credits	22	13
Amortization of deferred energy	28	15
Deferred energy	65	(24)
Amortization of other regulatory assets	9	23
Other, net	(21)	10
Changes in other operating assets and liabilities:		
Accounts receivable and other assets	(25)	(1)
Inventories	(2)	(2)
Accounts payable and other liabilities	(60)	(32)
Net cash flows from operating activities	153	115
Cash flows from investing activities:		
Capital expenditures	(121)	(114)
Contributions in aid of construction and customer advances	6	12
Proceeds from sale of asset	9	—
Purchases of marketable securities	(7)	—
Proceeds from sale of marketable securities	13	—
Other, net	1	—
Net cash flows from investing activities	(99)	(102)
Cash flows from financing activities:		
Repayments of subsidiary long-term debt	(252)	(11)
Proceeds from issuance of short-term debt	75	—
Repayments of subsidiary short-term debt	(45)	—
Net cash flows from financing activities	(222)	(11)
Net change in cash and cash equivalents	(168)	2
Cash and cash equivalents at beginning of period	262	287
Cash and cash equivalents at end of period	$ 94	$ 289

The accompanying notes are an integral part of these 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 Berkshire Hathaway Energy Company ("BHE"). BHE is a holding company based in Des Moines, Iowa that owns subsidiaries principally engaged in energy businesses. BHE is a consolidated subsidiary of Berkshire Hathaway Inc. ("Berkshire Hathaway").

The unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements. Management believes the unaudited Consolidated Financial Statements contain all adjustments (consisting only of normal recurring adjustments) considered necessary for the fair presentation of the unaudited Consolidated Financial Statements as of March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014. The results of operations for the three-month period ended March 31, 2015 are not necessarily indicative of the results to be expected for the full year. The Company has evaluated subsequent events through May 12, 2015, which is the date the unaudited Consolidated Financial Statements were available to be issued.

The preparation of the unaudited Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited Consolidated Financial Statements and the reported amounts of revenue and expenses during the period. Actual results may differ from the estimates used in preparing the unaudited Consolidated Financial Statements. Note 2 of Notes to Consolidated Financial Statements included in the Company's unaudited Consolidated Financial Statements for the year ended December 31, 2014 describes the most significant accounting policies used in the preparation of the unaudited Consolidated Financial Statements. There have been no significant changes in the Company's assumptions regarding significant accounting estimates and policies during the three-month period ended March 31, 2015.

(2) New Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, which amends FASB Accounting Standards Codification ("ASC") Subtopic 835-30, "Interest - Imputation of Interest." The amendments in this guidance require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, instead of as an asset. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. This guidance must be adopted retrospectively, wherein the balance sheet of each period presented should be adjusted to reflect the new guidance. The Company is currently evaluating the impact of adopting this guidance on its Consolidated Financial Statements and disclosures included within Notes to Consolidated Financial Statements.

In May 2014, the FASB issued ASU No. 2014-09, which creates FASB ASC Topic 606, "Revenue from Contracts with Customers" and supersedes ASC Topic 605, "Revenue Recognition." The guidance replaces industry-specific guidance and establishes a single five-step model to identify and recognize revenue. The core principle of the guidance is that an entity should recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires the entity to disclose further quantitative and qualitative information regarding the nature and amount of revenues arising from contracts with customers, as well as other information about the significant judgments and estimates used in recognizing revenues from contracts with customers. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016. Early application is not permitted. This guidance may be adopted retrospectively or under a modified retrospective method where the cumulative effect is recognized at the date of initial application. The Company is currently evaluating the impact of adopting this guidance on its Consolidated Financial Statements and disclosures included within Notes to Consolidated Financial Statements.

(3) Property, Plant and Equipment, Net

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

		As of	
	Depreciable Life	March 31, 2015	December 31, 2014
Utility plant in-service:			
Electric generation	25 - 125 years	$ 5,131	$ 5,070
Electric distribution	20 - 70 years	4,370	4,339
Electric transmission	45 - 70 years	2,488	2,476
Electric intangible plant	5 - 65 years	806	792
Natural gas distribution	40 - 70 years	366	366
Natural gas intangible plant	8 - 10 years	13	13
Common general	5 - 65 years	241	234
Utility plant in-service		13,415	13,290
Accumulated depreciation and amortization		(3,969)	(3,899)
Utility plant in-service, net		9,446	9,391
Other non-regulated, net of accumulated depreciation and amortization	5 - 65 years	4	4
		9,450	9,395
Construction work-in-progress		199	248
Property, plant and equipment, net		$ 9,649	$ 9,643

(4) Regulatory Matters

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 natural gas, fuel and electricity and are subject to annual prudency review by the Public Utilities Commission of Nevada ("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 Consolidated Balance Sheets. 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. 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 and Energy Efficiency Program Rates

In July 2010, regulations were adopted by the PUCN 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 energy efficiency implementation rates ("EEIR"). As a result, the Nevada Utilities file annually in March to adjust energy efficiency program rates and EEIR for over- or under-collected balances, which are effective in October of the same year.

The PUCN's final order approving the BHE Merger stipulated that the Nevada Utilities would not seek recovery of any lost revenue for calendar year 2014 in an amount that exceeded 50% of the lost revenue that the Nevada Utilities could otherwise request. In February 2014, the Nevada Utilities filed an application with the PUCN to reset the EEIR and energy efficiency program rates. In June 2014, the PUCN accepted a stipulation to adjust the EEIR, as of July 1, 2014, to collect 50% of the estimated lost revenue that the Nevada Utilities would otherwise be allowed to recover for the 2014 calendar year. The EEIR was effective from July through December 2014, set on January 1, 2015 and remains in effect through September 2015. To the extent the Nevada Utilities' earned rate of return exceeds the rate of return used to set base general rates, the Nevada Utilities are required to refund to customers EEIR revenue collected. As a result, the Nevada Utilities have deferred recognition of EEIR revenue collected and have recorded a liability of $13 million, which is included in current regulatory liabilities on the Consolidated Balance Sheets as of March 31, 2015.

General Rate Case

In May 2014, Nevada Power filed a general rate case with the PUCN. In July 2014, Nevada Power made its certification filing, which requested incremental annual revenue relief in the amount of $38 million, or an average price increase of 2%. In October 2014, Nevada Power reached a settlement agreement with certain parties agreeing to a zero increase in the revenue requirement. In October 2014, the PUCN issued an order in the general rate case filing that accepted the settlement. The order provides for increases in the fixed-monthly service charge for customers with a corresponding decrease in the base tariff general rate effective January 1, 2015. As a result of the order, Nevada Power recorded $15 million in asset impairments related to property, plant and equipment and $5 million of regulatory asset impairments, which are included in operating and maintenance on the Consolidated Statements of Operations for the year ended December 31, 2014. Additionally, Nevada Power recorded a $5 million gain in other, net on the Consolidated Statement of Operations for the year ended December 31, 2014 related to the disposition of property. In October 2014, a party filed a petition for reconsideration of the PUCN order. In November 2014, the PUCN granted the petition for reconsideration and reaffirmed the order issued in October 2014.

In connection with Nevada Power's general rate case filing in May 2014, as required by the PUCN, Sierra Pacific made a "companion filing" for the purpose of documenting the costs and benefits of Sierra Pacific's investment in the advanced service delivery program. In October 2014, the PUCN issued an order in the companion filing issued with the general rate case order that, among other things, provided for the implementation of new rates effective January 1, 2015 to begin recovery of costs associated with advance service delivery. The recovery of advanced service delivery costs will increase annual revenue approximately $10 million. As a result of the PUCN order in the companion filing issued with the Nevada Power general rate case order, Sierra Pacific recorded $7 million in asset impairments related to property, plant and equipment and $1 million of regulatory asset impairments, which are included in operating and maintenance on the Consolidated Statements of Operations for the year ended December 31, 2014.

2013 Federal Energy Regulatory Commission ("FERC") Transmission Rate Case

In May 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 $17 million annually to be effective January 1, 2014. In August 2013, the FERC granted the companies' request for a rate effective date of January 1, 2014 subject to refund, and set the case for hearing or settlement discussions. On January 1, 2014, the Nevada Utilities implemented the filed rates in this case subject to refund as set forth in the FERC's order.

In September 2014, the Nevada Utilities filed an unopposed settlement offer with the FERC on behalf of NV Energy and the intervening parties providing rate relief of $4 million. The settlement offer would resolve all outstanding issues related to this case. In addition, a preliminary order from the administrative law judge granting the motion for interim rate relief was issued, which authorizes the Nevada Utilities to institute the interim rates effective September 1, 2014, and begin billing transmission customers under the settlement rates for service provided on and after that date. In January 2015, the FERC approved the settlement and refunds were issued.

(5) Employee Benefit Plans

Net periodic benefit cost for the pension and other postretirement benefit plans included the following components (in millions):

	Three-Month Periods Ended March 31,	
	2015	2014
Pension:		
Service cost	$ 4	$ 4
Interest cost	9	10
Expected return on plan assets	(12)	(11)
Net amortization	3	2
Net periodic benefit cost	$ 4	$ 5
Other postretirement:		
Service cost	$ 1	$ 1
Interest cost	1	2
Expected return on plan assets	(2)	(2)
Net amortization	(1)	(1)
Net periodic benefit cost	$ (1)	$ —

Employer contributions to the pension and other postretirement benefit plans are expected to be $22 million and $- million, respectively, during 2015. As of March 31, 2015, no contributions have been made to the pension and other postretirement plans.

(6) Risk Management and Hedging Activities

The Company is exposed to the impact of market fluctuations in commodity prices and interest rates. The Company is principally exposed to electricity, natural gas and coal commodity price risk primarily through the Nevada Utilities' obligation to serve retail customer load in their regulated service territory. 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 is 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, futures, options, swaps and other agreements, to effectively secure future supply or sell future production generally at fixed prices. 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.

There have been no significant changes in the Company's accounting policies related to derivatives. Refer to Note 7 for additional information on derivative contracts.

The following table, which excludes contracts that have been designated as normal under the normal purchases or normal sales exception afforded by GAAP, summarizes the fair value of the Company's derivative contracts, on a gross basis, and reconciles those amounts to the amounts presented on a net basis on the Consolidated Balance Sheets (in millions):

	Other Current Liabilities	Other Long-term Liabilities	Total
As of March 31, 2015			
Commodity liabilities(1)	$ (11)	$ (22)	$ (33)
As of December 31, 2014			
Commodity liabilities(1)	$ (10)	$ (21)	$ (31)

(1) The Company's commodity derivatives not designated as hedging contracts are included in regulated rates and as of March 31, 2015 and December 31, 2014, a regulatory asset of $33 million and $31 million, respectively, was recorded related to the derivative liability of $33 million and $31 million, respectively.

Derivative Contract Volumes

The following table summarizes the net notional amounts of outstanding derivative contracts with indexed and fixed price terms that comprise the mark-to-market values as of (in millions):

	Unit of Measure	March 31, 2015	December 31, 2014
Electricity sales	Megawatt hours	(3)	(3)
Natural gas purchases	Decatherms	217	161

Credit Risk

The Company is exposed to counterparty credit risk associated with wholesale energy supply and marketing activities with other utilities, energy marketing companies, financial institutions and other market participants. Credit risk may be concentrated to the extent the Company's counterparties have similar economic, industry or other characteristics and due to direct or indirect relationships among the counterparties. Before entering into a transaction, the Company analyzes the financial condition of each significant wholesale counterparty, establish limits on the amount of unsecured credit to be extended to each counterparty and evaluate the appropriateness of unsecured credit limits on an ongoing basis. To further mitigate wholesale counterparty credit risk, the Company enters into netting and collateral arrangements that may include margining and cross-product netting agreements and obtain third-party guarantees, letters of credit and cash deposits. If required, the Company exercises rights under these arrangements, including calling on the counterparty's credit support arrangement.

Collateral and Contingent Features

In accordance with industry practice, certain wholesale derivative contracts contain credit support provisions that in part base certain collateral requirements on credit ratings for unsecured debt as reported by one or more of the three recognized credit rating agencies. These derivative contracts may either specifically provide rights to demand cash or other security in the event of a credit rating downgrade ("credit-risk-related contingent features") or provide the right for counterparties to demand "adequate assurance," in the event of a material adverse change in creditworthiness. These rights can vary by contract and by counterparty. As of March 31, 2015, 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 was $7 million and $4 million as of March 31, 2015 and December 31, 2014, respectively, which represents the amount of collateral to be posted if all credit risk related contingent features for derivative contracts in liability positions had been triggered. 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) Fair Value Measurements

The carrying value of the Company's cash, certain cash equivalents, receivables, 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 that are measured at fair value on the Consolidated Financial Statements 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.

The following table presents the Company's assets and liabilities recognized on the Consolidated Balance Sheets and measured at fair value on a recurring basis (in millions):

	Input Levels for Fair Value Measurements			
	Level 1	**Level 2**	**Level 3**	**Total**
As of March 31, 2015				
Assets:				
Money market mutual funds[(1)]	$ 1	$ —	$ —	$ 1
Investment funds	19	—	—	19
	$ 20	$ —	$ —	$ 20
Liabilities - commodity derivatives	$ —	$ —	$ (33)	$ (33)
As of December 31, 2014				
Assets:				
Money market mutual funds[(1)]	$ 2	$ —	$ —	$ 2
Investment funds	24	—	—	24
	$ 26	$ —	$ —	$ 26
Liabilities - commodity derivatives	$ —	$ —	$ (31)	$ (31)

(1) Amounts are included in other assets on the Consolidated Balance Sheets. The fair value of these money market mutual funds approximates cost.

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. When available, the fair value of derivative contracts is estimated using unadjusted quoted prices for identical contracts in the market in which the Company transacts. When quoted prices for identical contracts are not available, the Company uses forward price curves. Forward price curves represent the Company's estimates of the prices at which a buyer or seller could contract today for delivery or settlement at future dates. The Company bases its forward price curves upon market price quotations, when available, or internally developed and commercial models, with internal and external fundamental data inputs. Market price quotations are obtained from independent brokers, exchanges, direct communication with market participants and actual transactions executed by the Company. Market price quotations are generally readily obtainable for the applicable term of the Company's outstanding derivative contracts; therefore, the Company's forward price curves reflect observable market quotes. Market price quotations for certain electricity and natural gas trading hubs are not as readily obtainable due to the length of the contract. Given that limited market data exists for these contracts, as well as for those contracts that are not actively traded, the Company uses forward price curves derived from internal models based on perceived pricing relationships to major trading hubs that are based on unobservable inputs. The estimated fair value of these derivative contracts is a function of underlying forward commodity prices, related volatility, counterparty creditworthiness and duration of contracts. The model 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. The determination of the fair value for derivative contracts not only includes counterparty risk, but also the impact of the Company's nonperformance risk on its liabilities, which as of March 31, 2015 and December 31, 2014, had an immaterial impact to the fair value of its derivative contracts. As such, the Company considers its derivative contracts to be valued using Level 3 inputs. Refer to Note 6 for further discussion regarding the Company's risk management and hedging activities.

The Company's investments in money market mutual funds are accounted for as available-for-sale securities and are stated at fair value. Investment funds are accounted for as trading securities and are stated at fair value. When available, a readily observable quoted market price or net asset value of an identical security in an active market is used to record the fair value.

The following table reconciles the beginning and ending balances of the Company's commodity derivative liabilities measured at fair value on a recurring basis using significant Level 3 inputs (in millions):

	Three-Month Periods Ended March 31, 2015	Three-Month Periods Ended March 31, 2014
Beginning balance	$ (31)	$ (47)
Changes in fair value recognized in regulatory assets	(4)	12
Settlements	2	—
Ending balance	$ (33)	$ (35)

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 (in millions):

	As of March 31, 2015		As of December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	$ 4,307	$ 5,155	$ 4,555	$ 5,915

(8) Commitments and Contingencies

Environmental Laws and Regulations

The Company is subject to federal, state and local 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.

In May 2014, Nevada Power filed its Emissions Reduction Capacity Replacement Plan ("ERCR Plan") in compliance with SB 123 enacted by the 2013 Nevada Legislature. The filing proposed, among other items, the retirement of Reid Gardner Generating Station units 1, 2 and 3 in 2014 and unit 4 in 2017; the elimination of Nevada Power's ownership interest in Navajo Generating Station in 2019; and a plan to replace the generating capacity being retired, as required by SB 123. The ERCR Plan includes the issuance of requests for proposals for 300 MW of renewable energy to be issued between 2014 and 2016; the acquisition of a 272-MW natural gas co-generating facility in 2014; the acquisition of a 210-MW natural gas peaking facility in 2014; the construction of a 15-MW solar photovoltaic facility expected to be placed in-service in 2015; and the construction of a 200-MW solar photovoltaic facility expected to be placed in-service in 2016. In the second quarter of 2014, Nevada Power executed various contractual agreements to fulfill the proposed ERCR Plan, which are subject to the PUCN approval. The PUCN issued an order dated October 28, 2014 removing the 200-MW solar photovoltaic facility proposed by Nevada Power from the ERCR Plan but accepting the remaining requests. In November 2014, Nevada Power filed a petition for reconsideration, but in December 2014, the PUCN upheld the original order from October 2014 with respect to material matters. In December 2014, Nevada Power filed its acceptance of the modifications to the ERCR Plan.

Nevada Power - Reid Gardner Generation Station

In October 2011, Nevada Power received a request for information from the Environmental Protection Agency 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 Environmental Protection Agency'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 Environmental Protection Agency relating to the plant. Nevada Power completed its responses to the Environmental Protection Agency during the first quarter of 2012 and will continue to monitor developments relating to this Section 114 request. At this time, the Company cannot predict the impact, if any, associated with this information request.

Sierra Pacific - Valmy Generation Station

In June 2009, Sierra Pacific received a request for information from the Environmental Protection Agency 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-fueled generating facility. Idaho Power Company owns the remaining 50%. The Environmental Protection Agency'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 Environmental Protection Agency relating to the plant. Sierra Pacific completed its responses to the Environmental Protection Agency in December 2009 and will continue to monitor developments relating to this Section 114 request. At this time, the Company 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 ("kV") 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 District Court, Clark County, Nevada ("Eighth District Court"). In September 2013, the Eighth District Court awarded NLI $1 million for unpaid rent and $5 million for inverse condemnation, plus interest and attorneys' fees, bringing the total judgment to $12 million. The Eighth District 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 posted the required bond of $12 million and has appealed to the Nevada Supreme Court.

Nevada Power - Park Highlands

Nevada Power has six other rights-of-way located on the same 2,675 acres of land located in North Las Vegas, Nevada, commonly referred to as the Park Highlands properties. NLI purportedly also terminated the other six rights-of-way. On January 2, 2015 KBS SOR Park Highlands, LLC ("KBS") filed a complaint in the Eighth District Court relating to one of the six rights-of-way, specifically the right-of-way that relates to a 230-kV line that traverses the property. In the complaint, KBS raised the same claims previously raised by NLI in the litigation relating to the 500-kV line. On January 9, 2015, Nevada Power filed an action in the Eighth District Court relating to the six rights-of-way on the Park Highlands properties. This action sought a declaratory order quieting Nevada Power's title to the rights-of-way or in the alternative condemning an easement interest in the property.

Nevada Power - Skye Canyon

In 2005, the Bureau of Land Management sold at auction a parcel of land commonly known as the Skye Canyon properties. The property was sold subject to preexisting rights-of-way held by Nevada Power for the placement of electric transmission and distribution facilities. On January 9, 2015, Nevada Power filed an action in the Eighth District Court relating to 14 rights-of-way located within the Skye Canyon properties. The action sought a declaratory order from the court that the rights-of-way held by Nevada Power are still valid, establish the proper rent, if any, payable by Nevada Power and to identify the proper party to whom rent is due.

Nevada Power - Sierra Club and Moapa Band of Paiute Indians

In August 2013, the Sierra Club and Moapa Band of Paiute Indians filed a complaint in federal district court in Nevada against Nevada Power and the California Department of Water Resources ("CDWR"), 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. The CDWR was named as a co-defendant in the litigation due to its prior co-ownership in Reid Gardner Generating Station Unit 4. The complaint seeks various injunctive remedies, assessment of civil penalties, and reimbursement of plaintiffs' attorney and legal fees and costs. In August 2014, the court dismissed without prejudice the plaintiff's amended complaint which sought civil penalties. Nevada Power answered the complaint and has recently engaged in discussions with the plaintiffs to determine if a settlement can be reached that avoids the costs and burden of litigation. The Company cannot assess or predict the outcome of the case at this time.

Sierra Pacific - 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.

Subrogation lawsuits and 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). The individual lawsuits mostly alleged similar causes of action as outlined in the subrogation claims. Sierra Pacific reached settlement of all the subrogation lawsuits in July 2014, which did not have a material impact to Sierra Pacific.

In February 2015, all but one of the remaining individual plaintiffs entered into a settlement agreement. This settlement agreement did not have a material impact on Sierra Pacific. Sierra Pacific plans to vigorously defend the remaining lawsuit. The Company cannot assess or predict the outcome of the remaining lawsuit or if any other litigation may be brought on this matter.

Sierra Pacific - Touch America Holdings

In January 2015, Brent Williams as Trustee of Touch America Holdings ("Touch America") filed a complaint in the United States Bankruptcy Court for the District of Delaware against Sierra Pacific alleging Touch America owns certain underground communications conduit located at various places in the western United States that Sierra Pacific also claims to own. The conduit at issue is believed to be located between Reno, Nevada and Spanish Fork, Utah as part of a larger duct bank system. In March 2015, Sierra Pacific filed a response to the complaint and asserted a counterclaim to the conduit. Sierra Pacific plans to vigorously defend the matter. The Company cannot assess or predict the outcome of the case at this time.

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. This discussion should be read in conjunction with the Company's historical unaudited Consolidated Financial Statements and Notes to Consolidated Financial Statements included elsewhere in this Quarterly Report. The Company's actual results in the future could differ significantly from the historical results.

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 for the First Quarter of 2015 and 2014

Net income for the quarter ended March 31, 2015 was $40 million, an increase of $18 million, or 82% compared to 2014. Net income increased primarily due to higher margins from increased customer usage, growth and a rate design change from the 2014 rate case effective January 2015; changes in contingent liabilities; lower debt interest costs; and a gain on sale of an equity investment. These increases were partially offset by ON Line lease expenses, which were deferred in 2014 but expensed in 2015, higher depreciation and amortization costs and an increase in regulatory amortizations.

Operating revenue, cost of fuel, energy and capacity and natural gas purchased for resale are key drivers of the Company's results of operations as they encompass retail and wholesale electricity and natural gas revenue and the direct costs associated with providing electricity and natural gas to customers. The Company believes that a discussion of gross margin, representing operating revenue less cost of fuel, energy and capacity and natural gas purchased for resale is therefore meaningful. A comparison of the Company's key operating results is as follows (dollars in millions):

	First Quarter			
	2015	2014	Change	
Operating revenue:				
Electric	$ 656	$ 594	$ 62	10%
Gas	50	44	6	14
Total operating revenue	706	638	68	11
Cost of fuel, energy and capacity	322	283	39	14
Natural gas purchased for resale	35	29	6	21
Gross margin	$ 349	$ 326	$ 23	7

Gross margin increased $23 million, or 7% for the first quarter of 2015 compared to 2014 primarily due to:

- $7 million in higher energy efficiency program rate revenue, which is offset in operating and maintenance expense;
- $7 million due to a rate design change and recoveries from the 2014 general rate case effective January 1, 2015;
- $4 million in higher customer usage in 2015;
- $3 million in transmission revenue primarily due to increased ON Line usage; and
- $2 million due to customer growth.

The increase in gross margin was partially offset by:

- $2 million in lower revenue due to a FERC rate change effective September 1, 2014 and improved energy efficiency measures.

Operating and maintenance decreased $4 million, or 3% for the first quarter of 2015 compared to 2014 primarily due to decreased amortizations of demand side management program costs, changes in contingent liabilities and lower compensation costs. The decrease is partially offset by ON Line lease expense; increased energy efficiency program costs, which are fully recovered in operating revenue; planned maintenance costs and outside service fees.

Depreciation and amortization increased $9 million, or 10% for the first quarter of 2015 compared to 2014 primarily due to the acquisition of the remaining interest in Reid Gardner Unit 4 in 2014 and increased regulatory amortizations as a result of the 2014 general rate case effective January 1, 2015.

Interest expense decreased $6 million, or 8% for the first quarter of 2015 compared to 2014 due to redemption of $250 million Series L, 5.875% General and Refunding Mortgage Notes in January 2015.

Other, net increased $1 million, or 13%, for the first quarter of 2015 compared to 2014 primarily due to a gain on the sale of an equity investment in March 2015, partially offset by lower interest income on deferred charges.

Income tax expense increased $9 million, or 69% for the first quarter of 2015 compared to 2014 and the effective tax rates were 35% for 2015 and 37% for 2014. The increase in income tax expense and change in effective tax rate is primarily due to higher income before income tax expense.