



STATE OF NEVADA  
STATE BOARD OF EQUALIZATION

Joe Lombardo  
*Governor*

1550 College Parkway, Suite 115  
Carson City, Nevada 89706-7921  
Telephone (775) 684-2160  
Fax (775) 684-2020

Shellie Hughes  
*Secretary*

**IN THE MATTER OF:**

**RUBY PIPELINE, LLC,**

**Petitioner,**

**vs.**

**NEVADA DEPARTMENT OF TAXATION,**

**Respondent.**

**Case No. 22-102**

**NOTICE OF DECISION**

**APPEARANCES**

David Crapo, Brandon Grier, and Nathan Herrscher appeared on behalf of Petitioner Ruby Pipeline, LLC (Taxpayer).

Sorin Popa and John Schillo appeared on behalf of the Nevada Department of Taxation (Department).

**SUMMARY**

The matter of the Taxpayer's direct appeal of the value of centrally assessed property on the 2022-23 Secured Tax Roll came before the State Board of Equalization (State Board) for hearing on October 11, 2022, and again on March 27, 2023, in Carson City and via Zoom. Taxpayer timely filed its direct appeal with the State Board on January 14, 2022. The subject property is a natural gas pipeline that runs through Wyoming, Utah, Nevada, and Oregon and valued unitarily. The State Board having considered all the documents, evidence, and testimony pertaining to the subject property hereby makes the following findings of fact and conclusions of law.

**FINDINGS OF FACT**

1. The State Board is an administrative body created pursuant to NRS 361.375.
2. The State Board is mandated to hear direct appeals pursuant to NRS 361.403.

3. Taxpayer has the burden of proof pursuant to NAC 361.735.
4. Based on a unitary method of valuation, the Department assigned a taxable value for the entire system totaling \$1,935,000,000.
5. The Department allocated 47.3183% of the taxable value for the portion of the subject property located in Nevada totaling \$915,609,105. Taxpayer did not challenge the percent allocated to Nevada.
6. The Taxpayer asserted that the taxable value for the entire system was around \$544,400,000 which would make Nevada's allocated value total \$257,387,072.
7. Taxpayer presented the State Board with an appraisal report for the subject property prepared by Nathan Herrscher to support its system value.
8. Taxpayer presented evidence that its take-or-pay contracts which guaranteed payment were expiring and not being renewed due to market changes leaving the subject property in a vulnerable location.
9. Taxpayer explained that the subject property only makes money on shipping, but that major discoveries in other areas of the country where natural gas can be produced cheaper moved production away from the subject property in Wyoming.
10. The expiration of the contracts and the discovery of other gas fields could be anticipated prior to the tax year in question.
11. Taxpayer provided publicly available information that acknowledges and discloses the impairment in a timely fashion.
12. Any finding of fact above construed to constitute a conclusion of law is adopted as such to the same extent as if originally so denominated.

### **CONCLUSIONS OF LAW**

1. Taxpayer and Department are subject to the jurisdiction of the State Board.
2. The State Board has the authority to determine the taxable values in the State.
3. Taxpayer presented sufficient evidence to support a finding that the taxable value determined by the Department exceeded the full cash value of the subject property.

4. To determine the taxable value as of December 2020, it is necessary to account for extra net income as "bonus income," which is the difference between the 2020 income of \$150,242,919 and the 2021 income estimate of \$89,644,469, that difference being \$60,598,450.
5. The bonus income of \$60,598,450 should be added to the income indicator totaling \$786,582,686. This gives a taxable value for the entire system of \$847,181,136.
6. Nevada's allocation totals \$400,871,711.
7. Any conclusion of law above construed to constitute a finding of fact is adopted as such to the same extent as if originally so denominated.

### DECISION

Based on the above Findings of Fact and Conclusions of Law and a preponderance of evidence, the State Board decided by a unanimous vote to modify the Department's value of the subject property as allocated in Nevada from \$915,609,105 to \$400,871,711.

This 8<sup>th</sup> day of June, 2023.

BY THE STATE BOARD OF EQUALIZATION

  
Shelle Hughes, Secretary