

The Nevada Hydro Company Preliminary Transmission Owner Tariff

February 14, 2007

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DRAFT NEVADA HYDRO COMPANY TRANSMISSION OWNER TARIFF

1. **Preamble.** The Nevada Hydro Company (“TNHC”) hereby sets forth in this Transmission Owner Tariff (“TO Tariff”) the Transmission Revenue Requirements (“TRR”) for its Transmission System Rights (“TSR”) placed under the CAISO’s Operational Control, and certain terms and conditions relating to the operation, expansion of and interconnection with the Project (“Project”).
2. **Effective Date.** This TO tariff is effective on the date on which TNHC becomes a Participating TO and shall continue to be effective on the date as long as TNHC is party to the Transmission Control Agreement.
 - 2.1 **Termination.** This TO tariff may be terminated by TNHC upon such advance notice and such authorization as FERC may require.
3. **Definitions.** Certain capitalized terms used in this TO Tariff that are set out in this Definitions section shall have the meanings set out immediately below. Capitalized terms used in this TO Tariff and not defined below shall have the meanings set out in the CAISO Tariff as it may be amended from time to time.
 - 3.1 **Base Transmission Revenue Requirement (“Base TRR”).** The Transmission Revenue Requirement before deducting the Transmission Revenue Balancing Account Adjustment (“TRBAA”) and Standby Transmission Revenues. The Base TRR is shown in Appendix I to this TO Tariff.
 - 3.2 **CAISO Tariff.** The effective CAISO open access transmission tariff as filed with FERC.
 - 3.3 **California Independent System Operator (“CAISO”).** The California Independent System Operator, a state chartered, nonprofit corporation that controls the transmission facilities of Participating TOs and dispatches certain generating units and loads.
 - 3.4 **Direct Assignment Facilities.** Facilities or portions of facilities that are constructed by the Participating TO for the sole benefit of a particular party requesting Interconnection under this TO Tariff. Direct Assignment Facilities shall be specified in the Interconnection Agreement that governs service to such party.

- 3.5 **Facilities Study.** An engineering study conducted by, or under the direction of, the CAISO to determine required modifications to the Participating TO's transmission system, including the cost and scheduled completion date for such modifications that will be required to provide needed services.
- 3.6 **Facilities Study Agreement.** An agreement between the CAISO and either a Market Participant, Project Sponsor, or identified principal beneficiaries pursuant to which the Market Participants, Project Sponsor, and identified principal beneficiaries agree to reimburse the CAISO for the cost of a Facility Study.
- 3.7 **Market Participant.** An entity, including a Scheduling Coordinator, who participates in the energy market through the buying, selling, transmission, or distribution of energy or ancillary services into, out of, or through the CAISO controlled grid.
- 3.8 **Net Revenue.** The revenue from scheduling and operation of the LEAPS pump storage generation facilities minus any costs associated with scheduling, operation and maintenance of pump storage and generation facility including any and all ISO charges pertaining thereto.
- 3.9 **Participating TO.** A party to the TCA whose application under Section 2.2 of the TCA has been accepted and who has placed its transmission assets and Entitlements, or TSRs under the CAISO's Operational Control in accordance with the TCA. A Participating TO may be an Original Participating TO or a New Participating TO. For purposes of this TO Tariff, the Participating TO is the Nevada Hydro Company ("TNHC").
- 3.10 TE/VS-LEAPS Project ("Project").** The Talega-Escondido/Valley-Serrano (TE/VS) – Lake Elsinore Advanced Pumped Storage (LEAPS) project is the transmission system enhancements consisting of (i) a 500 kV line between the San Diego Gas & Electric Company's Talega-Escondido 230 kV line and the Southern California Edison Company's Valley-Serrano 500 kV line, (ii) two 250 MW advanced pumped storage generation facilities connecting Lake Elsinore with an upper reservoir west of Lake Elsinore, and (iii) other associated facilities.
- 3.11 Project Proponent.** A Market Participant or group of Market Participants that: (i) advocates a transmission addition or upgrade; (ii) is unwilling to pay the full cost of the proposed transmission addition and upgrade, and thus is not a Project Sponsor; and (iii) initiates proceedings under the ISO ADR Procedures to determine the need for the proposed transmission addition or upgrade.
- 3.12 Regulatory Authority.** In the case of the TE/VS-LEAPS project, the Federal Energy Regulatory Commission ("FERC"), or successor agency.

- 3.13 Transmission Control Agreement (“TCA”).** The Transmission Control Agreement entered into between the CAISO and the Participating TOs within California, as may be amended, or replaced by any successor agreement.
- 3.14 Transmission Revenue Balancing Account Adjustment (“TRBAA”).** A mechanism established by the Participating TO which will ensure that all Transmission Revenue Credits and other credits specified in Sections 6 and 8 of Appendix F, schedule 3 of the CAISO Tariff, flow through to CAISO Tariff and TO Tariff transmission customers.
- 3.15 Transmission Revenue Credit.** The revenues received by the Participating TO from the CAISO for Wheeling service, Usage Charges, FTR and or CRR auction revenue, and Net Revenues (which may be positive or negative) associated with the scheduling and operation of the LEAPS project.
- 3.16 Transmission Revenue Requirement (“TRR”).** The TRR is the total annual authorized revenue requirement associated with the TSRs placed under the Operational Control of the CAISO by the Participating TO. The TRR reflects deductions from the Base TRR of the Transmission Revenue Credits and credits for Standby Transmission Revenue and the transmission revenue expected to be actually received by the Participating TO for the Existing Rights and Converted Rights. The TRR is shown in Appendix I to this TO Tariff.
- 3.17 Transmission System Right (“TSRs”).** TSRs represent TNHC’s exclusive transmission entitlements in the Project. TNHC as the holder of the TSRs, is entitled to all associated rights, including Firm Transmission Rights and or Congestion Revenue Rights (and revenue derived therefrom) as the term is used by the CAISO Tariff and Protocols. The use of this definition does not limit the TNHC from seeking any additional revenues or rights that are authorized by FERC due to a beneficial increase in the CAISO controlled grid capacity resulting from an upgrade of TE/VS-LEAPS Project facilities.
- 4. Eligibility.** Transmission service over TNHC’s Project and Entitlements placed under the ISO’s Operational Control shall be provided only to Eligible Customers as defined by the ISO Tariff. Any dispute as to whether a customer is eligible for service under this TO Tariff shall be resolved by the FERC. At the present time, there are no TNHC End-use Customers eligible for service under this Tariff.
- 5. Access Charges and Transmission Rates.** The applicable Access Charges are provided in the ISO Tariff.
- 5.1 Transmission Revenue Requirement (“TRR”).** As set forth in the ISO tariff, the TRR for each Participating TO shall be used to develop the Access Charge set forth in the ISO Tariff. TNHC’s preliminary estimated Transmission

Revenue Requirement, as proposed to be filed with and approved by the FERC, is set forth in Appendix I.

- 5.2 **Transmission Revenue Balancing Account Adjustment.** The participating TO shall maintain a TRBAA that will ensure that all Transmission Revenue Credits and the refunds, if any, specified in Section 6 and 8 of Appendix F Schedule 3 of the CAISO tariff, flow through to transmission customers. The TRBAA shall be equal to:

$$\text{TRBAA} = \text{TRC}_T + \text{TRC}_F + I,$$

TRC_T = The balance representing the prior period difference between the projected Transmission Revenue Credits and the actual credits.

TRC_F = The forecast of the Transmission Revenue Credits for the following calendar year; and

I = The interest balance for the TRBA, which shall be calculated using the interest rates pursuant to section 35.19(a) of FERC's regulations under the Federal Power Act (18 CFR Section 35.199a). Interest shall be calculated based on the average TRBAA principal balance each month, compounded quarterly.

TNHC TRBAA, calculated in accordance with the ISO tariff and approved by FERC, is stated in Appendix I of this TO tariff.

6. **Ancillary Services.** If ancillary services are required by a transmission customer, TNHC will not provide such services, but the transmission customer, will be required to meet any such requirement in accordance with the CAISO Tariff.

7. **Billing and Payment.**

7.1 (intentionally left blank)

7.2 The CAISO, accordance with the CAISO Tariff, shall pay the participating TO, among other things Wheeling, Usage, Access Charge Revenues, FTR and or CRR auction proceeds (excluding Usage charge revenues payable to FTR Holders or CRR holders), and Net Revenue in accordance with the ISO tariff.

7.3 Users of TNHC's TSRs that are placed under the ISO's Operational Control shall pay to the ISO all applicable charges in accordance with the CAISO Tariff.

8. **Requests to Interconnect or Construct Transmission Expansion and Facility Upgrades.** All requests for interconnection with the project should be directed to the CAISO according to the FERC order regarding Large and Small Generator

Interconnection Agreements and Protocols with notice of the request provided to TNHC.

8a. Obligation to Interconnect or Construct Transmission Expansion and Facility Upgrades. Sections 8a and 9a, and their subparts are provided for consistency with other PTOs' TO Tariffs.

8a.1 Participating TO Obligation to Interconnect. Interconnection under this TO Tariff shall be available to entities eligible to request interconnection consistent with the provisions of Section 210(a) of the FPA.

8a.1.1 Interconnection to Transmission System. Interconnection must be consistent with Good Utility Practice, in conformance with all applicable statutes, regulations, and the CAISO reliability criteria for the CAISO controlled Grid. The participating TO will not accommodate the Interconnection if doing so would impair system reliability, or would otherwise impair the ability of the Participating TO to honor its Encumbrances existing as of the time an entity submits its Interconnection Application. The Participating TO shall identify any such adverse effects on its Encumbrances in advance. To the extent the participating TO determine that the interconnection will have an adverse effect on Encumbrances, the party requesting interconnection shall mitigate such adverse effect.

8a.1.2 Costs Associated with Interconnection. Each party requesting interconnection shall pay the costs of planning, installing, owning, operating, and maintaining any Direct Assignment Facilities and, if applicable, any reliability Upgrades required to provide the requested Interconnection. In addition, such party shall implement all existing operating procedures, necessary to safely and reliably interconnect such parties' generation or wholesale load to the facilities of the Participating TO and to ensure the CAISO Controlled Grid's conformance with the CAISO Grid Planning Criteria, and shall bear all costs of implementing such operating procedures. A New facility Operator shall be responsible for the costs of Reliability and Delivery upgrades according to the cost responsibility set forth in the CAISO tariff for transmission expansions or upgrades, and LGIA and LGIP conformance filings consistent with the FERC orders.

Any disputes regarding such cost allocation shall be resolved in accordance with the CAISO ADR procedures. If a Market Participant fails to raise through the CAISO ADR procedures a dispute as to whether a proposed transmission addition or upgrade is needed, or as to the identify, if any, of the beneficiary, then the Market Participant shall be deemed to have waived its right to raise such dispute at a later date. The determination under the CAISO ADR procedure as to whether the transmission addition or upgrade is needed and the identity, if any, of the beneficiaries, including any determination by

FERC or on appeal of a FERC determination in accordance with that process, shall be final.

8a.1.3 Interconnection Agreement. Prior to the construction of any Interconnection facilities pursuant to this TO tariff, the party requesting an interconnection shall request and execute an Interconnection Agreement that will be filed with FERC, or the Local Regulatory Authority, in the case of a Local Publicly Owned Electric Utility. The interconnection Agreement will include, without limitation, all cost responsibilities for any engineering, equipment, and construction, ownership, operation and maintenance costs for any Direct Assignment Facilities, any Reliability and Delivery Upgrades, if applicable and or any other mitigation measures.

8a.1.4 Coordination with the CAISO on Interconnection Requests. The participating TO shall coordinate with the CAISO, pursuant to the provisions of TCA, in developing Interconnections standards and guidelines for processing Interconnection requests under this TO tariff.

8a.2 Participating TO Obligation to Construct Transmission Expansion or Facility Upgrades. The CAISO shall be obligated to perform System Impact or Facility Studies where the Project Sponsor agrees to pay study cost and specifies the project objectives to be achieved. The PTO shall be obligated to build transmission additions and facility upgrades where the participating TO is obligated to construct or expand facilities in accordance with and subject to the limitations of the CAISO tariff and this TO tariff.

8a.2.1 Obligation to Construct. A participating TO shall not be obligated to construct or expand Interconnection facilities or system upgrades unless and until the conditions stated in Section 9a.2.1 hereof have been satisfied.

9. Expansion Process for TNHC's TSRs in the Project. The expansion process for the TNHC's TSRs is as stated in Section 8 (excluding Section 8a and its subparts) above. Section 9a and its subparts do not apply to those TSRs.

9a. Expansion Process.

9a.1 Determination of Facilities. The CAISO shall perform a Facilities Study in accordance with this Section where: (1) the Participating TO is obligated to construct or expand facilities in accordance with the CAISO Tariff and this TO Tariff; (2) a Market Participant agrees to pay the costs of the Facilities Study and specifies the project objectives to be achieved in terms of increased capacity or reduced congestion; or (3) the CAISO is required to perform a Facilities Study pursuant to the CAISO Tariff.

9a.1.1 Payment of Facilities Study's Cost

9a.1.1.1 Market Participant to Pay for Facilities Study. Where a Market Participant requests a Facilities Study and the need for the transmission addition or upgrade has not yet been established in accordance with the procedures established herein and the CAISO Tariff, the Market Participant shall pay the cost of the Facilities Study.

9a.1.1.2 Project Sponsor or Project Proponent to Pay for Facilities Study. Where the facilities to be added or upgraded have been determined to be needed in accordance with the procedures established herein and the CAISO Tariff, the Project Sponsor or Project Proponent requesting the study shall pay the reasonable cost of the Facilities Study. When the Participating TO is the Project Sponsor in accordance with the CAISO Tariff, the costs of the Facilities Study shall be recovered through the Access Charges and transmission rates.

9a.1.1.3 Principal Beneficiaries to Pay for Facilities Study. Where the facilities to be added or upgraded have been determined to be needed and the principal beneficiaries have been identified by the CAISO or the CAISO ADR Procedures in accordance with the CAISO Tariff, the Project Sponsor and the identified principal beneficiaries shall pay the reasonable cost of the Facilities Study, in such proportions as may be agreed, or, failing agreement, as determined in accordance with the CAISO ADR procedures.

9a.1.2 Payment Procedure. Where a Facilities Study is being conducted pursuant to this TO Tariff, the CAISO shall, as soon as practicable, tender to the Market Participant, Project Sponsor, Project Proponent, or identified principal beneficiaries, as the case may be, a Facilities Study Agreement that defines the scope, content, assumptions, and terms of reference for such study, the estimated time required to complete it, and such other provisions as the parties reasonably require and pursuant to which such Market Participant, Project Sponsor, Project Proponent, or identified principal beneficiaries agree to reimburse the CAISO the reasonable cost of performing the required Facilities Study. If the Market Participant, Project Sponsor, Project Proponent, or identified principal beneficiaries, as the case may be, agree to the terms of the Facilities Study Agreement, they shall execute the Facilities Study Agreement and return it to the CAISO within ten

Business Days. If such Market Participant, Project Sponsor, Project Proponent, or identified principal beneficiary elects not to execute a Facilities Study Agreement, the CAISO shall have no obligation to complete a Facilities Study.

9a.1.3 Facilities Study Procedures. Upon receipt of an executed Facilities Study Agreement, a copy of which has been provided to the Participating TO by the party requesting the Facilities Study, the CAISO will use due diligence to complete the required Facilities Study in accordance with the terms of the Facilities Study Agreement.

9.a.2 Obligation to Build.

9a.2.1 Due Diligence to Construct. Subject to Section 9a.3 of this TO Tariff, the Participating TO shall use due diligence to construct, within a reasonable time, additions or upgrades to its transmission system that it is obligated to construct pursuant to the CAISO Tariff and this TO Tariff. The Participating TO's obligation to build will be subject to: 1) its ability, after making a good faith effort, to obtain the necessary approvals and property rights under applicable federal, state, and local laws; 2) the presence of a cost recovery mechanism with cost responsibility assigned in accordance with the CAISO Tariff; and 3) a signed Participation Agreement. The Participating TO will not construct or expand its existing or planned transmission system, if doing so would impair system reliability as determined through systems analysis based on the Applicable Reliability Criteria.

9a.2.2 Delay in Construction or Expansion. If any event occurs that will materially affect the time for completion of new facilities, or the ability to complete them, the Participating TO shall promptly notify: (1) the Project Sponsor with regard to facilities determined to be needed; (2) the Parties to the Participation Agreement with regard to the facilities determined to be needed pursuant to the CAISO Tariff where principal beneficiaries were identified; and (3) the CAISO. In such circumstances, the Participating TO shall, within thirty days of notifying such Project Sponsor, Parties to the Participation Agreement, and the CAISO of such delays, convene a technical meeting with such Project Sponsor, Parties to the Participation Agreement, and the CAISO to discuss the circumstances which have arisen and evaluate any options available. The Participating TO also shall make available to such Project Sponsor, Parties to the Participation Agreement, and the CAISO, as the case may be, studies and work papers related to the cause and extent of the delay and the Participating TO's ability to complete the new facilities, including all information that is in the possession of the Participating TO that is reasonably needed to evaluate the alternatives.

9a.2.2.1 Alternatives to the Original Facility Additions. If the review process of Section 9a.2.2 determines that one or more alternatives exist to the originally planned construction project, the Participating TO shall present such alternatives for consideration to the Project Sponsor, Parties to the Participation Agreement, and the CAISO, as the case may be. If upon review of any alternatives, such Project Sponsor, the CAISO, or Parties to the Participation Agreement wish to evaluate or to proceed with one of the alternative additions or upgrades, such Project Sponsor, the CAISO or the Parties to the Participation Agreement may request that the Participating TO prepare a revised Facility Study pursuant to Sections 9a.1.1, 9a.1.2, and 9a.1.3 of this TO Tariff. In the event the Participating TO concludes that no reasonable alternative exists to the originally planned addition or upgrade and the Project Sponsor or Parties to the Participation Agreement or the CAISO disagree, the dispute shall be resolved pursuant to the CAISO ADR Procedure.

9a.2.2.2 Refund Obligation for Unfinished Facility Additions. If the Participating TO and the Project Sponsor, the CAISO, or Parties to the Participation Agreement, as the case may be, mutually agree that no other reasonable alternatives exist, the obligation to construct the requested additions or upgrades shall terminate and any deposit not yet applied toward the expended project costs shall be returned with interest pursuant to FERC Regulation 35.19(a)(2)(iii). However, the Project Sponsor and any identified principal beneficiaries, as the case may be, shall be responsible for all costs prudently incurred by the Participating TO through the time the construction was suspended.

9a.3 Provisions Relating to Transmission Construction on the Systems of Other TOs.

9a.3.1 Responsibility for Third Party Additions. A Participating TO shall not be responsible for making arrangements for any engineering, permitting, and construction of any necessary facilities additions on the system(s) of any other entity or for obtaining any regulatory approval for such facilities. The Participating TO will undertake reasonable efforts through the coordinated planning process to assist in making such arrangements, including, without limitation, providing any

information or data required by such other electric system pursuant to Good Utility Practice.

9a.3.2 Coordination of Third-Party System Additions. Where transmission additions or upgrades being built pursuant to the CAISO Tariff require additions or upgrades on other systems, to the extent consistent with Section 9a.3.3 of this TO Tariff, the Participating TO shall coordinate construction on its own system with the construction required by others. The Participating TO, after consultation with the CAISO, the Project Sponsor, and Parties to the Participation Agreement, as the case may be, may defer construction if the new transmission facilities on another system cannot be completed in a timely manner. The Participating TO shall notify such Project Sponsor, Parties to the Participation Agreement, and the CAISO, in writing of the basis for any decision to defer construction and the specific problems which must be resolved before it will initiate or resume construction of the new facilities. Within forty Business Days of receiving written notification by the Participating TO of its intent to defer construction pursuant to this section, such Project Sponsor, Parties to the Participation Agreement, or the CAISO may challenge the decision in accordance with the CAISO ADR Procedure.

10. Uncontrollable Forces and Indemnification.

10.1 Procedures to Follow If Uncontrollable Force Occurs. In the event of the occurrence of an Uncontrollable Force which prevents the Participating TO or a Market Participant from performing any of its obligations under this TO Tariff, the affected entity shall: (i) if it is the Participating TO, immediately give notice to the Market Participants of the occurrence of such Uncontrollable Force and, if it is a Market Participant, immediately give notice to the Participating TO of the occurrence of such Uncontrollable Force; (ii) use its best efforts to mitigate the effects of such Uncontrollable Force, remedy its inability to perform, and resume full performance of its obligations hereunder; (iii) be entitled to suspend performance of its obligations under this TO Tariff to the extent required by the scope and duration of the Uncontrollable Force as mitigated; (iv) in the case of the Participating TO, keep the Market Participants apprised of such efforts, and in the case of the Market Participants, keep the Participating TO apprised of mitigation efforts, in each case on a continual basis; and (v) provide notice of the resumption of performance hereunder. Notwithstanding any of the foregoing, the requirement that an entity must use its best efforts to mitigate the effects of the Uncontrollable Force and/or remedy its inability to perform and resume full performance of its obligations hereunder shall not apply to

strikes, lockouts, or labor disputes. The settlement of any strike, lockout, or labor dispute constituting an Uncontrollable Force shall be within the sole discretion of the entity affected thereby.

10.2 Indemnification. A Market Participant shall at all times indemnify, defend, and save the Participating TO harmless from any and all damages, losses, claims, demands, suits, recoveries, costs and expenses, court costs, and attorney fees, as well as all other obligations by or to third parties, (including injury or death of any person, or damage to property), arising out of or resulting from the Participating TO's performance of its obligations under this TO Tariff on behalf of a Market Participant, except in cases of, and then solely to the extent of, negligence or intentional wrongdoing by the Participating TO.

11. Regulatory Filings. Nothing contained herein shall be construed as affecting, in any way, the right of the TNHC to unilaterally make application to the FERC as it deems necessary and appropriate to recover its TRR, or for a change in its terms and conditions, including changes in rate methodology, or for a change in designation of TSRs to be placed under the CAISO's control, pursuant to the applicable FERC rules, regulations, policies, and governing statutes.

12. Miscellaneous.

12.1 Notices. Any notices, demand, or request in accordance with this TO Tariff, unless otherwise provided in this TO Tariff, shall be in writing and shall be deemed properly served, given, or made: (i) upon delivery if delivered in person; (ii) five days after deposit in the mail if sent by first class United States mail, postage prepaid; (iii) upon receipt of confirmation by return electronic facsimile if sent by facsimile; or (iv) upon delivery if delivered by prepaid commercial courier service, in each case addressed to the designated representatives and alternate representatives at the addresses set forth in Appendix II. Any entity listed in Appendix II may change the designation or address of the persons specified in Appendix II to receive notice on its behalf. Any notice of a routine character in connection with service under this TO Tariff shall be given in such a manner as the TNHC may determine from time to time, unless otherwise provided in this TO Tariff.

12.2 Waiver. Any waiver by any entity of any rights under this TO Tariff shall not constitute or be deemed a waiver of such entity's entitlement to assert such rights in connection with subsequent matters under this TO Tariff. Any delay short of the statutory period of limitations in asserting or enforcing any right hereunder shall not constitute or be deemed a waiver, or result in laches or other equitable defense.

12.3 Confidentiality.

12.3.1 Maintaining Confidentiality If Not for Public Disclosure. The Participating TO shall maintain the confidentiality of all of the documents, data, and information provided to it by any other Market Participant that such Market Participant may designate as confidential, provided, however, that the information will not be held confidential by the Participating TO if: (i) the Participating TO or Market Participant is required to provide such information for public disclosure pursuant to this TO Tariff or applicable regulatory requirements; or (ii) the information becomes available to the Public on a non-confidential basis (other than from the Participating TO).

12.3.2 Disclosure of Confidential Information. Notwithstanding anything in Section 12.3 to the contrary, if the Participating TO or any other Market Participant is required by applicable laws or regulations, or in the course of administrative or judicial proceedings, to disclose information that is otherwise required to be maintained in confidence pursuant to Section 12.3, the Participating TO or Market Participant may disclose such information; provided, however, that as soon as such Participating TO or Market Participant learns of the disclosure requirement and prior to making such disclosure, such Participating TO or Market Participant shall notify the affected Participating TO or Market Participants of the requirement and the terms thereof. The affected Participating TO or Market Participants may, at their sole discretion and own costs, direct any challenge to or defense against the disclosure requirement. The disclosing Participating TO or Market Participant shall cooperate with such affected Participating TO or Market Participants to the maximum extent practicable to minimize the disclosure of the information consistent with applicable law. The disclosing Participating TO or Market Participant shall cooperate with the affected Participating TO or Market Participants to obtain proprietary or confidential treatment of confidential information by the person to whom such information is disclosed prior to any such disclosure.

12.4 Titles. The captions and headings in this TO Tariff are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the rates, terms, and conditions of this TO Tariff.

12.5 Severability. If any term, covenant, or condition of this TO Tariff or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be

unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest, by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this TO Tariff and their application shall not be affected thereby but shall remain in force and effect. The TNHC and affected entities shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination, unless a court or government agency of competent jurisdiction holds that such provisions are not severable from all other provisions of this TO Tariff.

- 12.6 Preservation of Obligations.** Upon termination of this TO Tariff, all unsatisfied obligations of any entity shall be preserved until satisfied.
- 12.7 Governing Law.** This TO Tariff shall be interpreted, governed by, and construed under the laws of the State of California—without regard to the principles of conflict of laws thereof, or the laws of the United States, as applicable—as if executed and to be performed wholly within the State of California.
- 12.8 Appendices Incorporated.** The appendices to this TO Tariff are attached to this TO Tariff and are incorporated by reference as if fully set forth herein.
- 12.9 Consistency with CAISO Tariff.** This TO Tariff is intended to be consistent with the CAISO Tariff, and, if necessary, shall be amended to conform with any changes authorized or required in any final order in a FERC proceeding mandating such changes in the CAISO Tariff.
- 12.10 Disputes.** Except as limited by law, the CAISO ADR Procedures shall apply to all disputes between parties which arise under this TO Tariff. The CAISO ADR Procedures set forth in Section 13 of the CAISO Tariff shall not apply to disputes as to whether rates and charges set forth in this TO Tariff are just and reasonable under the Federal Power Act.

Appendix I

APPENDIX I

Transmission Revenue Requirement and TRBAA

The TE/VIS-LEAPS annual base TRRs is estimated for \$66.1 million/year for the TE/VIS portion of the project in 2009 and \$194.6 million/year for the TE/VIS-LEAPS project for the 2010-2011 time frame.

The TRBAA is estimated as a negative \$50,000 per year for the twelve month period effective January 1, 2009, and is estimated between \$75 - \$150 million per year for September 2010 to the end of August, 2011 as computed in accordance with the CAISO Tariff and the Nevada Hydro proposed TO tariff.

All of the Nevada Hydro's TSRs Entitlements placed under the CAISO's Operational Control are associated with High Voltage Facilities as defined by the CAISO Tariff. The TRBAA will be recalculated annually consistent with the CAISO Tariff, approved by the FERC, and provided to the CAISO.