

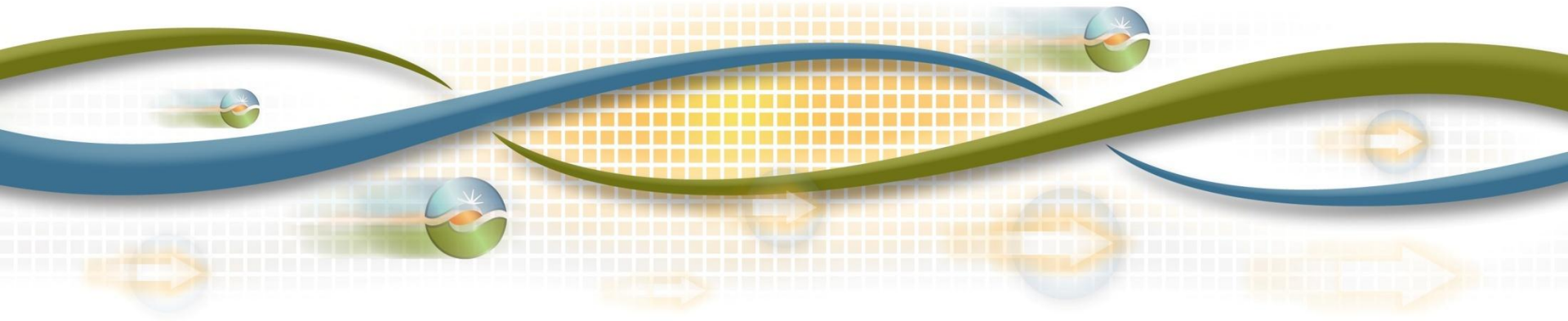


California ISO
Shaping a Renewed Future

Proposed Incorporation of Valley Electric Association into ISO Balancing Authority Area

Stakeholder Webconference

August 12, 2011





Valley Electric Association Facts

- Valley Electric Association (VEA) is a member-owned non-generating distribution cooperative providing electricity to retail members within its service area located in Nevada and in a small portion of California
- VEAs peak load is approximately 120 MW with 2010 annual energy sales of 460,000 MWH
- VEA presently operates within the NV Energy Balancing Authority Area
- VEA transmission system
 - Owns and operates 288 miles of 230 KV and 138 KV
 - 58 miles of 230 KV under construction, scheduled to interconnect at the NV Energy Northwest Substation in Dec 2011.
 - VEA interconnected at Mead, with approximately 400 MW rights
- VEA has submitted a transmission interconnection request with SCE to interconnect at the Eldorado substation.

The ISO and VEA have entered into an MOU that will form the basis of a transition agreement.

- VEA approached the ISO early in 2011
- VEA will become a PTO, UDC, and load-serving entity on January 1, 2013 (the “Transition Date”)
 - Initially via existing rights at Mead substation
 - Interconnection request with Edison at El Dorado
- MOU addresses 3 primary areas:
 - Merger of the generator interconnection queues
 - Recognition of import rights for resource adequacy
 - Allocation of congestion revenue rights

The ISO will merge VEA's queue into the ISO generator interconnection procedures.

- 2980 MW in VEA queue
- 1620 MW has also applied to ISO Cluster 4, Phase I (2 projects)
- Remaining 1360 MW will be eligible to obtain full capacity deliverability status on the ISO controlled grid
 - Participate in VEA's cluster study in 2011 (for delivery upgrades to VEA grid)
 - Satisfy ISO requirements for study deposit and other basic requirements
 - Participate in Cluster 4 Phase II studies (Q1/2012)
 - Pay proportionate cost share for network upgrades to present ISO grid

The ISO will recognize the historic use of Valley Electric's import rights at Mead for resource adequacy.

- Valley Electric will turn over approximately 400 MW of existing import rights at Mead to ISO operational control on 1/1/13
- Establish a methodology to count Valley Electric's use of Mead imports to serve load as "Pre-RA Commitments"
 - Provide a sufficient share of Mead intertie RA import capacity for Valley Electric to meet their RA requirements
 - Existing rights will be turned over to ISO operational control for scheduling through the market
- Will not reduce or increase RA import allocation to other ISO load serving entities
- Develop mutually acceptable load forecasting method
 - Needed for both RA import allocation and CRR allocation

The ISO will allocate Valley Electric congestion revenue rights to hedge its exposure to congestion.

- Tier 1 allocation (priority renewal) – ISO will enable Valley Electric to participate in Tier 1 allocation for 2013
 - Specify a hypothetical CRR portfolio based on historical data that Valley Electric can nominate for renewal
 - Similar to process used for CRR year 1
- ISO will include Valley Electric's Mead import rights in CRR network model for 2013 annual CRR allocation, to be performed in summer 2012

Process to seek ISO Board approval and necessary authorizations from FERC.

Schedule to meet Jan 2013 Transition Date

- Aug 25 ISO Governing Board meeting
- Oct 2011 Transition agreement filing at FERC seeking Dec 2011 authorization
- Jan 2012 Initiate ISO GIP Cluster 3&4
Phase II studies
- Feb 2012 Preparations for CRR allocation
- July 2012 CRR Allocation for 2013 and RA
Import Allocation for 2013
- Jan 2013 Transition Date