

Decision on Valley Electric Association Transition

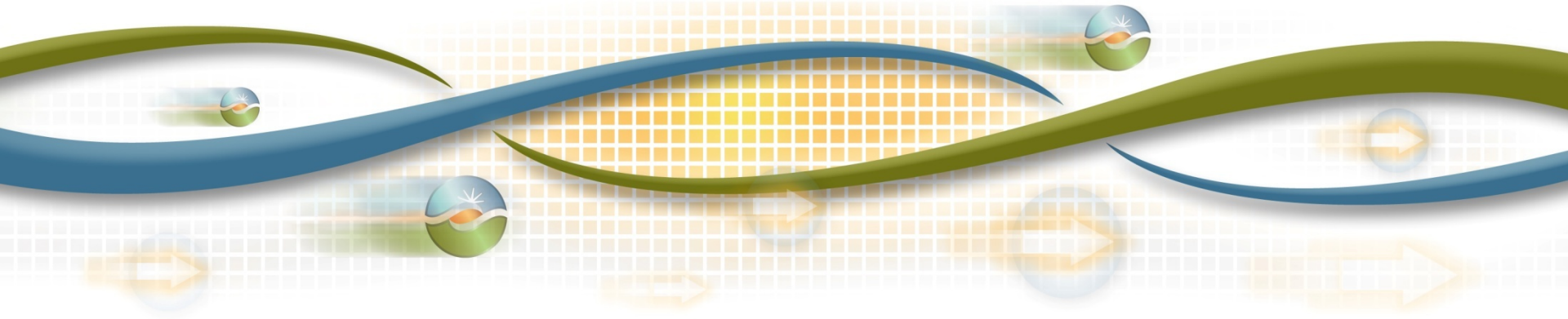
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Director Customer Services & Industry Affairs

Board of Governors Meeting

General Session

August 25-26, 2011



About Valley Electric Association

- A member-owned cooperative, operating within NV Energy Area
- 120 MW load -- mostly in Nevada, some in CA
- 400 MW transmission rights at Mead substation
- Owns and operates 288 miles of 230 KV and 138 KV
- 58 miles of 230KV under construction, new connection into NV Energy, operational December 2011
- Solar projects in development – some in CA, some in NV
- Interconnection request to loop 230KV at Eldorado Substation



The MOU and transition agreement prepare Valley Electric to join the ISO.

- On the transition date, January 1, 2013, Valley Electric becomes:
 - Participating Transmission Owner, subject to Transmission Control Agreement
 - ISO Load Serving Entity and Utility Distribution Company, subject to ISO tariff and applicable contracts
- Scope of the MOU and transition agreement
 - Merger of the generator interconnection queues
 - Preparation for resource adequacy and congestion revenue rights activities that begin in 2012

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

- 2980 MW in Valley Electric 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 Valley Electric's cluster study in 2011 (for delivery upgrades to Valley Electric grid)
 - Satisfy ISO requirements for study deposits, financial postings and other basic requirements
 - Participate in Cluster 4 Phase II studies (Q1/2012)
 - Pay proportionate cost share for network upgrades to ISO grid

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

- Shift approximately 400 MW of existing transmission rights at Mead to ISO operational control on 1/1/13
 - Added import capability when Eldorado 230kv interconnection complete
- Establish a “pre-RA commitment” of Mead rights to serve Valley Electric's load
 - No adverse impact on resource adequacy import allocations for other ISO load serving entities
- Develop mutually acceptable load forecasting method
 - Needed for both resource adequacy import allocation and congestion revenue rights allocation

The ISO will allocate Valley Electric congestion revenue rights.

- Tier 1 allocation (priority renewal) – ISO will enable Valley Electric to participate in Tier 1 allocation for 2013
 - Specify a hypothetical congestion revenue rights portfolio based on historical data that Valley Electric can nominate for renewal
 - Similar to process used for congestion revenue rights year 1
- ISO modeling of Valley Electric's system and transmission rights
 - Congestion revenue rights network model complete in summer 2012 to support 2013 congestion revenue rights allocation process

The nature and timing of the MOU drove a shortened stakeholder engagement.

- MOU executed on August 2 and posted on August 5
- Stakeholder call on Aug 12 included 53 participants, explained MOU and answered questions
- Written comments received following the call:
 - Solar Express Aug 18 letter
- ISO has posted a Q&A based on the Aug 12 call and also responses to Solar Express letter

Management seeks ISO Board approval and necessary authorizations from FERC.

Schedule to meet January 1, 2013 Transition Date

- Aug 25, 2011 ISO Governing Board meeting
- Oct 14, 2011 Transition agreement filing at FERC seeking Dec 2011 authorization
- Jan 2012 Initiate ISO Generator Interconnection Procedures Cluster 3&4 Phase II studies
- Feb 2012 Begin preparations for congestion revenue rights allocation
- July 2012 Congestion revenue rights allocation for 2013 and resource adequacy import allocation for 2013
- Jan 1, 2013 Transition Date