

REDACTED VERSION FOR PUBLIC RELEASE

PRIVILEGED INFORMATION CONTAINED IN CONFIDENTIAL ATTACHMENT

May 31, 2012

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Docket No. ER12-____-000**

**Second Revised Rate Schedule No. 40, Interconnected Control
Area Operating Agreement**

Dear Secretary Bose:

The California Independent System Operator Corporation (“ISO”) submits for filing and acceptance Amendment No. 5 to the Interconnected Control Area Operating Agreement (“ICAOA Amendment”) between the ISO and the Nevada Power Company (“NEVP”), doing business as NV Energy.¹ The ICAOA Amendment includes changes in the points of interconnection to transition a portion of the Merchant substation from the NEVP balancing authority area to the ISO balancing authority area and other related changes. The ISO requests that the ICAOA Amendment be made effective the date the Eldorado – Merchant No. 2 230 kV transmission line is placed in service and all generation connected to the Merchant substation and the Merchant 230 kV south bus transition into the ISO’s balancing authority area. This transition is anticipated on June 18, 2012, and this is the requested effective date for the ICAOA Amendment.²

¹ The ISO is sometimes referred to as the CAISO. This filing is submitted pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d, and Part 35 of the Commission’s regulations, 18 C.F.R. Part 35, and in compliance with Order No. 714, *Electronic Tariff Filings*, FERC Stats. & Regs. ¶ 31,276 (2008).

² Yesterday, San Diego Gas and Electric Company submitted a filing to address resource adequacy issues associated with the Desert Star Energy Center in the event of further delay such that the Merchant substation does not transition to the ISO balancing authority area effective June 18, 2012 as requested in this filing. See FERC Docket No. ER12-1872-000.

I. Background of the ICAOA

The ICAOA is designed to assist the ISO and NEVP in coordinating the operation and maintenance of their interconnected balancing authority areas, in a manner consistent with reliability standards adopted by the North American Electric Reliability Corporation and the Western Electricity Coordinating Council and good utility practice. The original ICAOA was filed with the Commission on April 25, 2000, in Docket No. ER00-2292-000 and was designated as ISO Rate Schedule No. 40. The Commission accepted that filing by letter order issued on June 23, 2000 and the agreement became designated as ISO First Revised Rate Schedule No. 40. The ISO has subsequently submitted several amendments to the ICAOA, most recently Amendment No. 4 submitted on November 30, 2009 in FERC Docket No. ER10-340-000. This filing was accepted by Commission letter order issued January 11, 2010. The ICAOA Amendment filed here is the first time the agreement will have been filed in e-tariff and the ISO therefore requests that it be designated as ISO Second Revised Rate Schedule No. 40.

II. Background of the Merchant Substation Transition

The Merchant substation is currently located within the NEVP balancing authority area and is owned jointly by San Diego Gas and Electric Company ("SDG&E") and NEVP. The ISO has been working with NEVP, SDG&E and other interested parties, including Southern California Edison ("SCE") and Sempra Generation, to transition the Merchant substation to the ISO balancing authority area. This transition was commenced in support of an ownership transfer from Sempra Generation to SDG&E of certain generation assets located in NEVP's balancing authority area and interconnected to the Merchant substation (also located in NEVP's balancing authority area), and SDG&E's request to move such generation assets from the NEVP balancing authority area to the ISO balancing authority area.

The expected transition of the Merchant substation was described in detail by the ISO and SDG&E in ER12-988-000 and ER12-989-000.³ At that time it was expected that the south half of the Merchant substation would transition to the ISO balancing authority area in April of 2012. This stage of the transition contemplated an open breaker configuration between the north and south portions of the Merchant substation for a limited period of time. This interim configuration would be followed shortly thereafter by the transition of the northern half of the Merchant substation to the ISO balancing authority area upon completion of a new NEVP interconnection within the Eldorado substation, coupled with NEVP disconnecting its facilities from the Merchant substation.

³ *California Independent System Operator Corporation*, 139 FERC ¶ 61,006 (accepting the filing of a Large Generator Interconnection Agreement between the ISO and SDG&E for the Desert Star Energy Center).

It has since become apparent the work necessary to accomplish the full transition has been delayed and that the interim “open breaker” or “split bus” configuration of the Merchant substation would have remained in place through summer 2012. NEVP appropriately raised concerns about operating through the summer in this configuration and the parties have since worked closely together to address NEVP’s concerns. The resolution agreed among all affected parties required the interim configuration to be reengineered.

The interim configuration now contemplates the three center circuit breakers within the Merchant substation operating normally closed until the final configuration is achieved.⁴ The ISO and NEVP will establish an intertie between their respective balancing authority areas across the breakers within the Merchant substation and on the new Merchant-Eldorado No. 2 230 kV line.⁵ As a result, the north half of the Merchant substation will remain in the NEVP balancing authority area and the south half of the Merchant substation will transition to the ISO balancing authority area, while the breakers remain closed throughout the interim configuration.⁶ A graphic depiction of this interim configuration is included as Attachment F to this filing.

III. The ICAOA Amendment

The ICAOA Amendment includes a change in the points of interconnection between the ISO and NEVP balancing authority areas that make up the intertie at the Merchant substation. Specifically, the current point of interconnection on the existing No. 1 230 kV line from the Eldorado substation to the Merchant substation will be moved to the new No. 2 230 kV line from the Eldorado substation to the Merchant substation.⁷ In addition, a new point of interconnection will be reflected on the south side of the center breakers in the Merchant substation. These points of interconnection will be managed as a single intertie between the ISO and NEVP balancing authority areas.

⁴ The ISO and NEVP will file a further amendment to the ICAOA to reflect the final configuration, which will again change the point of interconnection and completely transition the Merchant substation to the ISO balancing authority area. This final configuration is expected to be achieved in the fall of 2012.

⁵ The ISO market model will reflect a single point of interconnection between the ISO and NEVP at Eldorado.

⁶ SDG&E has included additional detail in a concurrent filing that describes the commercial arrangements, reasons for delay, and other information relevant to this transition.

⁷ The ISO understands SCE and the Eldorado co-owners, including NEVP, will enter into interconnection agreements associated with the changes to the Eldorado substation described in this filing.

The following identifies the changes described above as well as other related changes proposed in the ICAOA Amendment:

- Service Schedule 1: Updates the Mohave-Laughlin 500 kV intertie consistent with the current configuration, and describes the interim configuration of the Eldorado-Merchant 230 kV intertie.
- Service Schedule 4: Identifies who is responsible for operational control of the facilities during the interim configuration.
- Service Schedule 5: Describes the coordinated responsibilities for switching operations during the interim configuration.
- Service Schedule 6: Provides real time operating limits for the intertie.
- Service Schedule 7: Deletes voltage control of the Merchant substation facilities entirely because this is addressed in an agreement between NEVP and SCE as operating agent of the Eldorado substation.

IV. Effective Date and Requested Waiver

The ISO requests that the ICAOA Amendment between the ISO and NEVP be made effective on the date the Eldorado–Merchant No. 2 230 kV transmission line is placed in service and all generation connected to the Merchant substation and the Merchant 230 kV south bus transition into the ISO balancing authority area, which is currently anticipated on June 18, 2012. The ISO requests waiver, pursuant to Section 35.11 of the Commission’s regulations (18 C.F.R. § 35.11), of the 60-day notice requirement set forth in Section 35.3 of the Commission’s regulations (18 C.F.R. § 35.3), and to the extent necessary, the ISO respectfully requests that the Commission grant any other waivers of Part 35 of its regulations that may be required in connection with the requested effective date. June 18 is the effective date that the ISO and NEVP have agreed upon and it is the currently expected date the southern portion of the Merchant substation and associated facilities would transition to the ISO balancing authority area. SDG&E and Sempra Generation also have an interest in this effective date as the owners of generating facilities interconnected to the Merchant substation. Granting the requested effective date and waiver, therefore, is appropriate.

The ISO has submitted the ICAOA Amendment in Attachment A with a requested effective date of June 18, 2012, the expected transition date. However, the actual effective date should coincide with the actual transition date, which may be other than June 18. Consequently, the ISO will submit a compliance filing reflecting the actual effective date of the ICAOA Amendment coincident with the date the transition actually occurs. If the Commission does not order a specific effective date, then the ISO will file to revise the ICAOA Amendment effective date when (1) the Commission has issued its order on this

filing and (2) the southern portion of the Merchant substation facilities described in this filing have transitioned to the ISO balancing authority area.

V. Request for Confidential and Privileged Treatment

Pursuant to Commission Order Nos. 630 and 630-A,⁸ and Order No. 714, the ISO includes, in a confidential attachment to the instant filing, the non-public version of the ICAOA, specifically, the ISO and NEVP contact and operational information included in Schedule 3 and Schedule 12. The ISO is seeking confidential and privileged treatment for this information under 18 C.F.R. § 388.112, as it includes confidential information regarding ISO and NEVP operating personnel contact information and procedures. The ISO submits that public disclosure of this information in the Schedules described above would unnecessarily reveal sensitive information that could result in impairment to system operations and pose significant security problems as to the facilities referenced therein, and therefore these Schedules should be granted confidential and privileged treatment.

VI. Expenses

No expense or cost associated with this filing has been alleged or judged in any judicial or administrative proceeding to be illegal, duplicative, unnecessary, or demonstratively the product of discriminatory employment practices.

VII. Attachments

In addition to this transmittal letter, the following documents support the instant filing:

- Attachment A: Amendment No. 5 to the ICAOA
- Attachment B: Public version of the ICAOA
- Attachment C: Confidential version of the ICAOA
- Attachment D: Black-line public version of the ICAOA
- Attachment E: Black-line confidential version of the ICAOA
- Attachment F: Interim Configuration Diagram

VIII. Service

Copies of this filing have been served upon the Los Angeles Department of Water and Power, the Nevada Power Company, doing business as Nevada Energy, Salt River Project Agricultural Improvement and Power District, SDG&E, SCE, Sempra Generation, the California Public Utilities Commission and the

⁸ *Critical Energy Infrastructure Information*, Order No. 630, FERC Stats. & Regs. ¶ 31,140, *order on reh'g*, Order No. 630-A, FERC Stats. & Regs. ¶ 31,147 (2003).

California Energy Commission. In addition, this filing has been posted on the ISO website.

IX. Correspondence

The ISO requests that all correspondence, pleadings, and other communications concerning this filing be served upon the following:

Nancy Saracino
General Counsel
Sidney M. Davies
Assistant General Counsel
John Anders*
Senior Counsel

California Independent System Operator Corporation

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* Individuals designated for
service pursuant to Rule
203(b)(3),
18 C.F.R. § 385.203(b)(3)

X. Conclusion

The ISO respectfully requests that the Commission accept this filing and permit the ICAOA Amendment to be effective as of the date requested.

Respectfully submitted,

/s/ John Anders

John Anders

Nancy Saracino

General Counsel

Sidney M. Davies

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Attachment A – Amendment No. 5 to the ICAOA
Interconnection Control Area Operating Agreement
California Independent System Operator and Nevada Power Company
May 31, 2012

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
AND
NEVADA POWER COMPANY**

**AMENDMENT NO. 5
TO THE
INTERCONNECTED CONTROL AREA OPERATING AGREEMENT**

THIS AMENDMENT NO. 5 is effective as of the completion and placing into service of the Eldorado – Merchant No. 2 230 kV transmission line and the transfer of all generation connected to the Merchant Substation and the Merchant 230 kV South Bus into the ISO's control area and is entered into by and between:

(1) **Nevada Power Company (NEVP)**, doing business as NV Energy, having its registered and principal executive office at 6226 West Sahara Avenue, Las Vegas, NV 89146;

and

(2) **California Independent System Operator Corporation (ISO)**, a California nonprofit public benefit corporation having a principal executive office located at 250 Outcropping Way, Folsom, CA 95630.

NEVP and the ISO are hereinafter referred to as the "Parties."

Whereas:

- A.** The Parties are signatories to an Interconnected Control Area Operating Agreement dated March 21, 2000 (the "Agreement"), as amended by Amendment No. 1, Amendment No. 2, Amendment No. 3, and Amendment No. 4.
- B.** The Parties desire to amend the Agreement to reflect: (i) the addition of a second Mohave – Laughlin 500 kV transmission line and inclusion of such second line as part of the Mohave – Laughlin 500 kV Intertie; (ii) the addition of the Eldorado – Merchant No. 2 230 kV transmission line; (iii) a change in an existing control area boundary between NEVP and the ISO from its current location associated with the Eldorado – Merchant No. 1 230 kV transmission line to a new location associated with the added Eldorado – Merchant No. 2 230 kV transmission line; (iv) the designation of a new control area boundary on the south side of the center circuit breakers in the Merchant Substation and inclusion of such center

circuit breakers as part of the Merchant 230 kV Intertie; (v) the removal of the Mohave – Laughlin 69 kV Intertie; and (v) other revisions to certain Service Schedules due to items (i) through (iv) above.

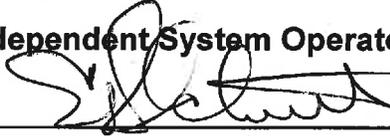
- C.** In all other respects, the Parties intend that the Agreement remain in full force and effect in accordance with its terms.

NOW THEREFORE, **THE PARTIES AGREE** as follows:

- 1. Termination.** This Amendment No. 5 shall remain in full force and effect until the termination of the Agreement.
- 2. Amendment to the Agreement.** The Agreement shall be amended as follows:
 - 2.1** Service Schedule 1 is deleted in its entirety and Service Schedule 1 attached to this Amendment No. 5 is substituted in its place.
 - 2.2** Service Schedule 4 is deleted in its entirety and Service Schedule 4 attached to this Amendment No. 5 is substituted in its place.
 - 2.3** Service Schedule 5 is deleted in its entirety and Service Schedule 5 attached to this Amendment No. 5 is substituted in its place.
 - 2.4** Service Schedule 6 is deleted in its entirety and Service Schedule 6 attached to this Amendment No. 5 is substituted in its place.
 - 2.5** Service Schedule 7 is deleted in its entirety.
- 3.** This Amendment No. 5 constitutes the complete and final agreement of the Parties with respect to the purpose of this Amendment No. 5 as described in the Recitals hereto and supersedes all prior understandings, whether written or oral, with respect to such subject matter.
- 4.** Except as expressly modified in this Amendment No. 5, the Agreement shall remain in full force and effect in accordance with its terms, and the unmodified provisions of the Agreement shall apply to any new rights and/or obligations established by this Amendment No. 5.
- 5.** This Amendment No. 5 may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same agreement.

IN WITNESS WHEREOF, the Parties have caused this Amendment No. 5 to be duly executed by and through their respective authorized representatives as of the date hereinabove written.

California Independent System Operator Corporation

By: 

Name: Eric J. Schmitt
Vice President, Operations

Title: _____

Date: May 29, 2012

Nevada Power Company, d/b/a NV Energy

By: _____

Name: Richard Salgo

Title: Executive, Grid Operations and Reliability

Date: _____

IN WITNESS WHEREOF, the Parties have caused this Amendment No. 5 to be duly executed by and through their respective authorized representatives as of the date hereinabove written.

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Date: _____

Nevada Power Company, d/b/a NV Energy

By: Richard Salgo

Name: Richard Salgo

Title: Executive, Grid Operations and Reliability

Date: 5-30-12

SERVICE SCHEDULE 1
INTERCONNECTION

[Section 2.2.5]

The Mohave – Laughlin 500 kV Intertie is designed to supply the energy needs of NEVP’s isolated load located in the general vicinity of Laughlin, Nevada. The Mohave – Laughlin 500 kV Intertie consists of two (2) very short 500 kV transmission lines between the Mohave 500 kV Switchyard and NEVP’s Laughlin Substation, all located on the site of the former Mohave Generating Station.

The Eldorado – Merchant No. 2 230 kV line connects the Eldorado Substation with the Merchant Substation. Center breakers 2308, 2305 and 2302 in the Merchant Substation connect the Merchant 230 kV North Bus to the Merchant 230 kV South Bus. Collectively the Eldorado – Merchant No. 2 230 kV line and center breakers 2308, 2305 and 2302 form the Merchant 230 kV Intertie.

• **Mohave – Laughlin 500 kV Intertie**

ISO Terminal:	Mohave
PTO:	SCE
NEVP Terminal:	Laughlin
Point of Interconnection:	The East and West bus sides of the disconnect switches for bay positions 5 and 6 in the Mohave Switchyard.

• **Merchant 230 kV Intertie**

ISO Terminal:	Eldorado 230 kV Bus and Merchant 230 kV South Bus
PTO:	SCE and SDG&E
NEVP Terminal:	Merchant 230 kV North Bus
Point of Interconnection:	The North and South bus sides of the disconnect switches for bay position 2 in the Eldorado Substation and the South side of center breakers 2308, 2305 and 2302 in the Merchant Substation.

SERVICE SCHEDULE 4

RESPECTIVE JURISDICTION FOR OPERATIONAL CONTROL

[Section 3.2.1]

- **Mohave - Laughlin 500 kV Intertie**

Jurisdictional Boundary: The connections to the respective A-frame structures located in the applicable bay positions in the Mohave 500 kV Switchyard associated with the two (2) Mohave-Laughlin 500 kV transmission lines.

ISO/SCE Switching Responsibility:

SCE's Eldorado Switching Center, as approved by the ISO, will direct all switching at the Mohave 500 kV Switchyard for the Mohave - Laughlin 500 kV transmission lines in coordination with the NEVP Dispatcher.

NEVP Switching Responsibility:

NEVP Dispatcher will direct all switching at the Laughlin 500/69 kV Substation for the Mohave-Laughlin 500 kV transmission lines, including the transformer 500 kV disconnects, in coordination with SCE's Eldorado Switching Center.

Operational and Maintenance Responsibility:

The NEVP Transmission Operator has jurisdiction of the Mohave – Laughlin 500 kV transmission lines from the connections to the respective A-frame structures in the applicable bay positions in the Mohave 500 kV Switchyard to the Laughlin Substation. The NEVP Transmission Operator has jurisdiction of the Laughlin 500/69 kV Substation, including the transformer 500 kV jack bus and disconnects.

- **Merchant 230 kV Intertie:**

Eldorado – Merchant No. 2 230 kV Line

The Eldorado – Merchant No. 2 230 kV line connects the Eldorado Substation with the Merchant Substation.

Jurisdictional Boundary:

The first transmission pole (Pole 4) outside the Eldorado Substation.

Operational and Maintenance Responsibility:

SCE's Eldorado Switching Center has jurisdiction of the Eldorado Substation 230 kV Bus and of the Eldorado – Merchant No. 2 230 kV line between the Eldorado Substation and Pole 4 (outside the Eldorado Substation fence).

NEVP will have operational jurisdiction of the Eldorado – Merchant No. 2 230 kV line between Pole 4 and the Merchant Substation.

Merchant 230 KV Substation

Center breakers 2308, 2305 and 2302 in the Merchant Substation connect the Merchant 230 kV North Bus to the Merchant 230 kV South Bus.

Jurisdictional Boundary:

The south side of center breakers 2308, 2305 and 2302 in the Merchant Substation.

Operational and Maintenance Responsibility:

NEVP will have operational jurisdiction of the Merchant Substation.

SERVICE SCHEDULE 5
SWITCHING OPERATIONS

[Section 3.2.2]

Switching and clearances that affect the status of the Interconnections will be coordinated between SCE, Sempra Generation, SDG&E, NEVP and the ISO, as required.

- **Mohave - Laughlin 500 kV Intertie**

After switching has been completed, an intercompany clearance will be issued to the party performing maintenance on the following:

- Laughlin - Mohave Nos. 1 and 2 500 kV transmission lines
- Laughlin 500/69 kV Transformer 500 kV disconnects

- **Merchant 230 kV Intertie**

Eldorado – Merchant No. 2 230 kV Line

SCE's Eldorado Switching Center, as approved by the ISO, will direct all switching at the Eldorado 230 kV Switchyard.

NEVP will direct all switching at the Merchant Substation.

The SCE Eldorado Switching Center TSO will establish a telephone communication link with the SCE Grid Control Center Transmission Dispatcher, the ISO Transmission Dispatcher and the NEVP Transmission Operator prior to the start of any switching on either the Eldorado-Merchant No. 1 230 kV transmission line or the Eldorado-Merchant No. 2 230 kV transmission line. The NEVP Transmission Operator will establish a telephone communication link with the operators of the generating facilities connected to the Merchant 230 kV South Bus prior to the start of any switching on the Eldorado-Merchant No. 1 230 kV line. After the aforementioned has been accomplished, the SCE Eldorado Switching Center TSO and the NEVP Transmission Operator will establish a telephone communication link prior to energizing or de-energizing the Eldorado-Merchant No. 1 230 kV line, the Eldorado-Merchant No. 2 230 kV line, or operating any equipment associated with either line.

After switching has been completed for clearances on the intertie, NEVP and SCE will exchange intercompany clearances as necessary. SCE and NEVP will confer on any additional switching orders, such as Hot Line Orders.

Merchant 230 kV Substation

NEVP will direct all switching at the Merchant Substation.

The NEVP Transmission Operator will establish a telephone communication link with the SCE Grid Control Center Transmission Dispatcher and the ISO Transmission Dispatcher prior to the start of any switching in the Merchant 230 kV Substation. The NEVP Transmission Operator will establish a telephone communication link with the operators of the generating facilities connected to the Merchant 230 kV Substation prior to the start of any switching in the Merchant 230 kV Substation. After the aforementioned has been accomplished, the NEVP Transmission Operator and the SCE Eldorado Switching Center TSO will establish a telephone communication link prior to energizing or de-energizing any equipment in the Merchant 230 kV Substation or operating any equipment associated with the Merchant 230 kV Substation.

After switching has been completed for clearances on the intertie, NEVP and SCE will exchange intercompany clearances as necessary. SCE and NEVP will confer on any additional switching orders, such as Hot Line Orders.

SERVICE SCHEDULE 6
REAL TIME OPERATING LIMITS
[Section 3.2.3.1]

- **Mohave - Laughlin 500 kV Intertie**

The Mohave – Laughlin 500 kV Intertie is rated at 266 MW with both Laughlin 500/69 kV transformers in service and 133 MW with one of the Laughlin 500/69 kV transformers in service.

Laughlin Substation is located in the NEVP control area. As such, NEVP regulates for load changes at Laughlin.

- **Merchant 230 kV Intertie**

The Merchant 230 kV Intertie is rated at 797 MW.

Attachment B – Public Version
Interconnection Control Area Operating Agreement
California Independent System Operator and Nevada Power Company
May 31, 2012

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR**

AND

NEVADA POWER COMPANY

**INTERCONNECTED CONTROL AREA
OPERATING AGREEMENT**

INTERCONNECTED CONTROL AREA

OPERATING AGREEMENT

ICAA 1 STANDARD OPERATING AGREEMENT

Interconnected Control Area Operating Agreement

THIS INTERCONNECTED CONTROL AREA OPERATING AGREEMENT (OPERATING AGREEMENT) is entered into this ____ day of _____, _____ and is accepted by and between:

Nevada Power Company (NEVP), having its registered and principal executive office at 6226 West Sahara Ave, Las Vegas, NV 89146, and

California Independent System Operator Corporation (ISO), a California nonprofit public benefit corporation having a principal executive office located at such place in the State of California as the ISO Governing Board may from time to time designate, initially 250 Outcropping Way, Folsom, California 95630.

NEVP and the ISO are hereinafter referred to as the "Parties".

Whereas:

1. The Parties operate interconnected control areas (connected by the "Interconnection").
2. The Parties wish to coordinate operation and maintenance of the Interconnection to satisfy (i) North American Electric Reliability Council (NERC), or its successor, criteria, (ii) Western Electricity Coordinating Council (WECC), or its successor, Minimum Operating Reliability Criteria (MORC), and (iii) Good Utility Practice.
3. The ISO has certain statutory obligations under California law to maintain power system reliability.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, **THE PARTIES AGREE** as follows:

ICAA 1.2 Purpose and Intent

ICAA 1.2.1 Purpose

The purpose of this Operating Agreement is to establish the rights and obligations of the ISO and NEVP with respect to the operation,

maintenance, and control of the Interconnection. This Operating Agreement is based upon the ISO Tariff, WECC MORC, existing contracts between NEVP and Participating Transmission Owners comprising the ISO, and established operating procedures. This Operating Agreement acknowledges that other Transmission Owners may have concurrent rights and responsibilities.

ICAA 1.2.2 Intent

The intent of this Operating Agreement is to acknowledge requirements, establish procedures, and designate responsibilities for the operation and management of the Interconnection. It is not the intent of this Operating Agreement to abrogate or alter the rights and obligations under existing contracts pertaining to the subject of Interconnection. Further, the Parties intend that the principles embodied in this Operating Agreement shall not be deemed to establish a precedent for purposes of any proceeding or litigation. Each Party reserves the right to advocate in future proceedings principles, positions, and methodologies that may be different from those underlying this Operating Agreement.

ICAA 1.3 Term and Termination

ICAA 1.3.1 Effective Date

This Operating Agreement shall be effective as of the later of the date of execution of this Operating Agreement, or the date this Operating Agreement is accepted for filing and made effective by the Federal Energy Regulatory Commission (FERC), and shall continue in effect until terminated.

ICAA 1.3.2 Termination

This Operating Agreement may be terminated by either Party upon two years written notice to the other Party or upon mutual consent of both Parties. For entities subject to FERC jurisdiction, termination will be effective upon acceptance by FERC of notice of termination. The ISO shall timely file any notice of termination with FERC. The filing of the notice of termination by the ISO will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met, and (2) the ISO files the notice of termination within 30 days of receipt of such request.

ICAA 2 DEFINITIONS

ICAA 2.1 WECC Definitions

Except as defined below, terms and expressions used in this Operating Agreement shall have the same meanings as those contained in the WECC MORC Definitions.

ICAA 2.2 Specific Definitions

- ICAA 2.2.1 Forced Outage:** An Outage for which sufficient notice cannot be given to allow the Outage to be factored into the preschedule processes and the established Outage coordination principles of the control areas.
- ICAA 2.2.2 Good Utility Practice:** Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry in the WECC region during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.
- ICAA 2.2.3 Interconnection:** Transmission facilities that connect one control area to another control area. The Interconnection for this Operating Agreement is described in Service Schedule 1.
- ICAA 2.2.4 ISO (The California Independent System Operator):** The California Independent System Operator Corporation, a state-chartered, nonprofit corporation that controls the transmission facilities of all Participating Transmission Owners and dispatches certain generating units and loads.
- ICAA 2.2.5 ISO Control Area:** The ISO electric power system (initially comprising the electric power systems previously operated as Control Areas by Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E), including, but not limited to, the facilities and entitlements which represent the ISO Controlled Grid), for which the ISO has reliability responsibility pursuant to NERC and WECC requirements.
- ICAA 2.2.6 ISO Controlled Grid:** The system of transmission lines and associated facilities of the Participating Transmission Owners that have been placed under the ISO's operational control.
- ICAA 2.2.7 ISO Operations Date:** The date on which the ISO first assumes operational control of the ISO Control Area.
- ICAA 2.2.8 ISO Tariff:** ISO Operating Agreement, Protocols, and Tariff as amended from time to time, together with any appendices or attachments thereto.
- ICAA 2.2.9 Nomogram:** A set of operating or scheduling rules which are used to ensure that simultaneous operating limits are respected, in order to meet NERC and WECC operating criteria.

- ICAA 2.2.10** **Outage:** Disconnection or separation, planned or forced, of one or more elements of an electric system.
- ICAA 2.2.11** **Participating Transmission Owner (PTO):** An owner of transmission that has placed its transmission assets and entitlements under the ISO's operational control.
- ICAA 2.2.12** **Planned Outage:** An Outage for which sufficient notice has been given to allow the Outage to be factored into the processes and the established Outage coordination principles of the control areas.
- ICAA 2.2.13** **Point of Contact:** A person or entity having the authority to receive and act upon scheduling or dispatch communications from the other control area operator and available through a communications device mutually agreed upon on a 24-hour, 7-day basis.
- ICAA 2.2.14** **Pseudo Tie:** The point at which a generating facility is authorized to operate under the jurisdiction of the ISO Control Area but is electrically interconnected to the NEVP Control Area in which it is physically located, as provided for under this Agreement.”
- ICAA 2.2.15** **Real Time Operating Limits:** The rated transfer capability less reductions during any hour caused by, but not limited to, physical limitations beyond the control of the control area operators, and operational limitations resulting from transmission line Outages, equipment Outages, stability limits and loop flow.
- ICAA 2.2.16** **Scheduling Coordinator:** An entity certified by the ISO for the purposes of undertaking the functions of: submitting schedules for energy, generation, transmission losses, and ancillary services; coordinating generation; tracking, billing, and settling trades with other Scheduling Coordinators; submitting forecast information; paying the ISO's charges; and ensuring compliance with ISO protocols.
- ICAA 2.2.17** **Transmission Owner:** An entity owning transmission facilities or having firm contractual rights to use transmission facilities at the Interconnection.
- ICAA 2.2.18** **WECC Reliability Coordinator:** One of the area control centers assigned by the WECC to proactively anticipate and mitigate potential problems, facilitate notification, and coordinate restoration following a disturbance.

ICAA 3 OPERATIONAL RESPONSIBILITIES**ICAA 3.1 General Requirements****ICAA 3.1.1 Standards to Be Met**

Both the ISO and NEVP shall plan and operate the Interconnection in conformance with NERC standards, WECC MORC, and Good Utility Practice.

ICAA 3.1.2 Existing Contracts

The ISO will assume certain rights and responsibilities of Participating Transmission Owners in existing contracts, operating agreements, or procedures between NEVP and the Participating Transmission Owners regarding the Interconnection where those rights and responsibilities pertain to the coordinated operation of the interconnected control areas. The ISO and NEVP, after consulting with affected Transmission Owners, shall develop the procedures to be used regarding those rights and responsibilities mentioned herein. The specific provisions of the aforementioned agreements which are affected by this Operating Agreement and the procedures for implementing such existing agreements are identified by the ISO and NEVP in Service Schedule 2.

ICAA 3.1.3 Communication

The ISO and NEVP shall each operate and maintain a 24-hour, 7-day control center with real time scheduling and control functions. Appropriate control center staff will be provided by each Party who shall be responsible for operational communications and who shall have sufficient authority to commit and bind that Party.

The ISO and NEVP shall jointly develop communication procedures necessary to support scheduling and dispatch functions. The Points of Contact and the procedures for insuring reliable communication are identified in Service Schedule 3.

ICAA 3.2 Grid Operation**ICAA 3.2.1 Responsibility**

The Parties shall coordinate efforts consistent with Good Utility Practice to mitigate adverse conditions that occur at the Interconnection. The ISO and NEVP are each responsible for exercising operational control over facilities in their respective control areas, and shall not exercise operational control over any part of the Interconnection facilities owned or operated by the other control area operator. The respective jurisdictions for operational control by the ISO and NEVP are identified in Service Schedule 4.”

ICAA 3.2.2 Switching Operations

The ISO and NEVP agree that the Transmission Owners retain possession of and will operate those interconnected facilities in accordance with the existing contracts and agreements in force between the Transmission Owners and NEVP. Operations on the Interconnection shall be coordinated through the ISO and NEVP except as otherwise indicated in Section ICAA 7.4. Specific switching responsibilities are identified in Service Schedule 5.

ICAA 3.2.3 Real Time Operating Limits**ICAA 3.2.3.1 Real Time Operating Limits Established Jointly**

The ISO and NEVP, in consultation with the Transmission Owner(s), shall jointly agree upon the Real Time Operating Limits of the Interconnection. Real Time Operating Limits shall be based on the given real time conditions, current operating criteria, and established Nomograms, graphs, and charts specific to the transfer paths within NEVP and the ISO. These established operating limits are specified in Service Schedule 6.

ICAA 3.2.3.2 Real Time Operating Limits Exceeded

If a Real Time Operating Limit is exceeded or the operation of either the NEVP Control Area or the ISO Control Area is jeopardized, the ISO and NEVP shall communicate and coordinate actions to return the Interconnection and the affected control area(s) to Real Time Operating Limits. In compliance with WECC MORC, the ISO and NEVP will make coordinated adjustments to energy flows between the two control areas such that stability limited facilities are returned to Real Time Operating Limits within 20 minutes after such limit is exceeded and thermally limited facilities are returned to Real Time Operating Limits within 30 minutes after such limit is exceeded, or as otherwise established and mandated by WECC.

ICAA 3.2.4 Relay Action

The ISO and NEVP shall provide pertinent relay data and related equipment condition and operational information concerning the Interconnection to each other as soon as practicable after the occurrence of any relay action on Interconnection equipment, including, as it becomes available, additional information regarding cause, condition, effects, and estimated corrective action. Notwithstanding the foregoing, the ISO and NEVP shall agree upon corrective action and the procedure for returning to normal or adjusted operation.

ICAA 3.2.5 Voltage Control

The ISO and NEVP shall coordinate the use of voltage control equipment to maintain transmission voltages and reactive flows at

mutually agreed upon levels to ensure system stability within the operating range of electrical equipment and in accordance with WECC MORC. The ISO and NEVP shall operate the facilities at the Interconnection at reactive reserve margins that are adequate to maintain minimum acceptable voltage limits under facility Outage conditions. Agreed upon voltage schedule limits and reactive flows are specified in Service Schedule 7.

ICAA 3.2.6 Information Exchange

The ISO and NEVP shall coordinate directly the exchange of any information concerning the reliable operation of the Interconnection facilities and the status of the control areas. Such information shall be communicated through mutually acceptable methods. Procedures and forms for the exchange of emergency information shall be jointly developed and are contained in Service Schedule 8.

ICAA 3.2.6.1 Information Required to be Provided

Details regarding the information necessary to the reliable operation of the Interconnection are included in Service Schedule 9.

ICAA 3.2.7 Joint Operating Procedures

Procedures for coordinating the reliable operation of the Interconnection will be jointly implemented by the ISO, NEVP, and the Transmission Owners. Such procedures are described in more detail in Service Schedule 10.

ICAA 4 RELIABILITY COORDINATION

The ISO has been designated WECC Security Coordinator for the California-Mexico Subregion.

ICAA 5 SCHEDULING AND DISPATCH

ICAA 5.1 Coordination and Exchange of Information

The ISO and NEVP shall coordinate and exchange information on schedules and control area checkouts at the Interconnection. All schedules at the Interconnection shall match. In accordance with WECC MORC, the ISO and NEVP shall verify, at mutually acceptable times, the actual and scheduled interchange numbers for past hours as well as scheduled interchange numbers for current and future hours. The ISO and NEVP shall jointly develop methods and details for coordinating scheduling procedures, information exchange, and notifications in normal, emergency, and curtailment conditions. These methods and details are included in Service Schedule 11.

ICAA 5.2 Notifications

The ISO and NEVP shall jointly develop methods for coordinating the notification of all affected scheduling entities within their respective control areas regarding schedule changes in emergency or curtailment conditions.

ICAA.5.3 Import of Regulation Service by ISO

The ISO and NEVP shall allow for the import of regulation service from the NEVP Control Area to the ISO Control Area in accordance with the provisions of Service Schedule 16. NEVP shall be under no obligation to supplement the import of regulation service contracted by third parties to be delivered to the ISO Control Area from resources in the NEVP Control Area and shall have the right to terminate Service Schedule 16 without prior approval of the ISO, subject to NEVP providing the ISO a copy of the termination letter pursuant to the agreement(s) NEVP has entered into with third parties to facilitate the import of regulation service into the ISO Control Area. NEVP shall notify the ISO and provided to the ISO a copy of such termination letter a minimum of thirty (30) days prior to such termination.

ICAA 5.4 Import of Dynamically Scheduled Energy and Non-Regulation Ancillary Services by ISO

The ISO and NEVP shall allow for the import of dynamically scheduled energy and non-regulation ancillary services from the NEVP Control Area to the ISO Control Area in accordance with the provisions of Service Schedule 17. NEVP shall be under no obligation to supplement the import of dynamically scheduled energy and non-regulation ancillary services contracted by third parties to be delivered to the ISO Control Area from resources in the NEVP Control Area and shall have the right to terminate Service Schedule 17 without prior approval of the ISO, subject to NEVP providing the ISO a copy of the termination letter pursuant to the agreement(s) NEVP has entered into with third parties to facilitate the import of dynamically scheduled energy and non-regulation ancillary services into the ISO Control Area. NEVP shall notify the ISO and provide to the ISO a copy of such termination letter a minimum of thirty (30) days prior to such termination."

ICAA 5.5 Pilot for Pseudo Tie to the ISO Control Area

The ISO and NEVP shall develop procedures for a pilot Pseudo Tie of the Copper Mountain Solar I photovoltaic project being developed by El Dorado Energy, LLC in the NEVP Control Area to the ISO Control Area. NEVP's agreement to develop procedures for a pilot Pseudo Tie of the Copper Mountain Solar I photovoltaic project does not obligate

NEVP to any further Pseudo Tie arrangements for other projects in its Control Area. Either Party may, for any reason whatsoever, withdraw its participation in the above pilot Pseudo Tie arrangement upon sixty (60) days written notice to the other Party.

ICAA 6 OUTAGE COORDINATION

ICAA 6.1 Maintenance Coordination

Outages of facilities affecting the Interconnection shall be jointly coordinated by the ISO, NEVP, and the Transmission Owner(s) to minimize a reduction and the duration of such reduction to the operating limits of the Interconnection. The ISO and NEVP shall provide each other reasonable notice of Planned Outages and scheduled maintenance affecting the Interconnection in advance.

The ISO and NEVP shall review Planned Outages and scheduled maintenance to determine the feasibility of initiating the switching process. If, given the current or anticipated system conditions at the time, the ISO and NEVP jointly determine that system reliability may be impaired, the Outage may be canceled.

Outage coordination procedures will be jointly developed by the ISO and NEVP and included in Service Schedule 12.

ICAA 6.2 Forced Outages

The ISO and NEVP shall coordinate and implement operational changes necessary to accommodate Forced Outages, emergencies, or curtailments. All notifications of Forced Outages, emergencies, or curtailments shall be communicated between the ISO and NEVP control centers as soon as possible. If notice prior to a Forced Outage, emergency, or curtailment cannot be given, the ISO or NEVP shall notify the other Party of the event immediately after it occurs.

All Forced Outage notifications shall be communicated by both control centers to other control area operators likely to be affected by the Forced Outage.

ICAA 7 EMERGENCY OPERATION

ICAA 7.1 Emergency Assistance Arrangements

Service Schedule 13 details emergency assistance arrangements.

ICAA 7.2 Unscheduled Flow Mitigation (Loop Flow)

The ISO shall be the administrator for Unscheduled Flow Mitigation Procedures for the California-Mexico Subregion, consistent with WECC procedures.

ICAA 7.3 Emergency Action

In the event of a system emergency, the ISO and NEVP shall take coordinated action, as they consider necessary, to preserve or restore stable operation of the interconnected grid and to preserve or restore reliable, safe, and efficient service as quickly as reasonably practicable. The ISO and NEVP shall, where practicable, keep operators in affected control areas and the appropriate WECC Reliability Coordinators informed as to the nature and extent of the system emergency.

ICAA 7.4 Operations Exercised Independently

Emergency operation in response to unforeseen system occurrences that may jeopardize the safety of personnel and the general public and/or system stability may be performed independently by NEVP, the ISO, and the Transmission Owner. NEVP shall forward the outcomes to the ISO Control Center as soon as practicable after the occurrence. The ISO Control Center shall forward the outcomes of emergency operation to which it is a party to the NEVP Control Center as soon as it is practicable after the occurrence. The duties and responsibilities for the ISO Control Center, the NEVP Control Center, and the Transmission Owner(s) under the foregoing circumstances are described in more detail in Service Schedule 14.

ICAA 7.5 Restoration Coordination

The ISO and NEVP shall coordinate restoration of the facilities affecting the Interconnection, and shall take necessary restoration measures on facilities affecting the Interconnection in their respective control areas following an interruption, including coordinating the restarting of either or both systems from a black start, if requested. The ISO and NEVP shall develop Interconnection restoration procedures, which shall be included in Service Schedule 15.

ICAA 7.6 Voltage Collapse

The ISO and NEVP shall take measures in their respective control areas to arrest collapsing voltage that affects the Interconnection.

ICAA 8 LIABILITY**ICAA 8.1 Uncontrollable Forces**

An Uncontrollable Force means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm, flood, earthquake, explosion, any curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities, or any other cause beyond the reasonable control of a

control area operator which could not be avoided through the exercise of Good Utility Practice.

Neither the ISO nor NEVP will be considered in default of any obligation under this Operating Agreement or liable to the other for direct, indirect, consequential, exemplary or punitive damages if prevented from fulfilling that obligation due to the occurrence of an Uncontrollable Force.

In the event of the occurrence of an Uncontrollable Force, which prevents either the ISO or NEVP from performing any obligations under this Operating Agreement, the affected entity shall not be entitled to suspend performance of its obligations in any greater scope or for any longer duration than is required by the Uncontrollable Force. The ISO and NEVP shall each 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.

ICAA 8.2 Liability To Third Parties

Except as otherwise expressly provided herein, nothing in this Operating Agreement shall be construed or deemed to confer any right or benefit on, or to create any duty to, or standard of care with reference to any third party, or any liability or obligation, contractual or otherwise, on the part of ISO or NEVP.

ICAA 8.3 Liability Between the Parties

The Parties' duties and standard of care with respect to each other, and the benefits and rights conferred on each other, shall be no greater than as explicitly stated herein. Neither Party, its directors, officers, employees, or agents, shall be liable to the other Party for any loss, damage, claim, cost, charge, or expense, whether direct, indirect, consequential, exemplary or punitive arising from the Party's performance or nonperformance under this Operating Agreement, except for a Party's gross negligence, or willful misconduct.

ICAA 8.4 Liability For Electric Disturbance and Interruptions

The ISO and NEVP shall plan, operate, and maintain their respective systems, consistent with Good Utility Practice, to minimize or avoid electric disturbances that may interfere with the system of the other Party. The limits of responsibility for the ISO and NEVP shall each be for protecting its respective system from possible damage by reason of electric disturbance or faults caused by the operation, faulty operation, or non-operation of its facilities.

Neither Party shall be liable to the other Party for any claim, demand, liability, loss, or damage, whether direct, indirect, consequential, exemplary or punitive incurred by the Parties or their respective

customers, which results from the separation of the systems in an emergency or interruption.

If a customer within the control area of a Party makes a claim or brings an action against the other Party for any death, injury, loss, or damage arising out of or in connection with electric service to such customer and caused by the operation or failure of operation of the other Party's control area or any portion thereof, the first Party shall indemnify and hold harmless the other Party, its directors, officers, and employees from and against any liability for such injury, loss, or damage.

ICAA 9 SERVICE SCHEDULES

The ISO and NEVP shall establish with each other and where appropriate with the Transmission Owner(s) specific procedures for the reliable operation and scheduling of the Interconnection facilities. The details of these particular operating procedures will be set forth in the applicable Service Schedules.

ICAA 10 MISCELLANEOUS

ICAA 10.1 Assignments

Either Party to this Operating Agreement may assign its obligations under this Operating Agreement, with the other Party's prior written consent. Such consent shall not be unreasonably withheld.

To accommodate the merger of NEVP with Sierra Pacific Resources (SPR) as well as the restructuring of the electric power industry in the state of Nevada, the Parties agree that NEVP may assign this Agreement to SPR, or a subsidiary, or to the Mountain West Independent System Administrator, if such entity becomes the relevant Control Area operator.

Obligations and liabilities under this Operating Agreement shall be binding on the successors and assigns of the Parties. No assignment of this Operating Agreement shall relieve the assigning Party from any obligation or liability under this Operating Agreement arising or accruing prior to the date of assignment.

ICAA 10.2 Notices

Any notice, demand, or request which may be given to or made upon either Party regarding this Operating Agreement shall be made in writing and shall be deemed properly served, given, or made: (a) upon delivery if delivered in person, (b) five (5) days after deposit in the mail if sent by first class United States mail, postage prepaid, (c) upon receipt of confirmation by return facsimile if sent by facsimile, or (d) upon delivery if delivered by prepaid commercial courier service. A Party must update the information in Service Schedule 3 relating to its

address as that information changes. Such changes shall not constitute an amendment to this Operating Agreement.

ICAA 10.3 **Waivers**

Any waiver at any time by either Party of its rights with respect to any default under this Operating Agreement, or with respect to any other matter arising in connection with this Operating Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or matter arising in connection with this Operating Agreement. Any delay short of the statutory period of limitations, in asserting or enforcing any right under this Operating Agreement, shall not constitute or be deemed a waiver of such right.

ICAA 10.4 **Governing Law and Forum**

Subject to ICAA 10.5, this Operating Agreement shall be deemed to be a contract made under and for all purposes shall be governed by and construed in accordance with the laws of the State of California, except that if a dispute concerns the operation of transmission lines or facilities, the law of the state where the transmission lines or facilities are located will control. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Operating Agreement shall be brought in any of the following forums, as appropriate: a court of the state whose law governs or controls the matter pursuant to this Section 10.4, including the State of California or State of Nevada or any federal court of the United States of America located in the State of California or State of Nevada, or, where subject to its jurisdiction, before the Federal Energy Regulatory Commission. No provision of this Operating Agreement shall be deemed to waive the right of any Party to protest, or challenge in any manner, whether this Operating Agreement, or any action or proceeding arising under or relating to this Operating Agreement, is subject to the jurisdiction of the Federal Energy Regulatory Commission.

ICAA 10.5 **Consistency with Federal Laws and Regulations**

(a) Nothing in this Operating Agreement shall compel any Party hereto or person or federal entity to: (1) violate federal statutes or regulations; or (2) in the case of a federal agency, to exceed its statutory authority, as defined by any applicable federal statutes, regulations, or orders lawfully promulgated thereunder. If any provision of this Operating Agreement is inconsistent with any obligation imposed on any Party hereto, person or federal entity by federal law or regulation to that extent, it shall be inapplicable to that Party, person or federal entity. No Party hereto, person or federal entity shall incur any liability by failing to comply with any provision of this Operating Agreement that is inapplicable to it by reason of being inconsistent with any federal

statutes, regulations, or orders lawfully promulgated thereunder; provided, however, that such Party hereto, person or federal entity shall use its best efforts to comply with the ISO Tariff to the extent that applicable federal laws, regulations, and orders lawfully promulgated thereunder permit it to do so.

(b) If any provision of this Operating Agreement requiring any person or federal entity to give an indemnity or impose a sanction on any person is unenforceable against a federal entity, the ISO shall submit to the Secretary of Energy or other appropriate Departmental Secretary a report of any circumstances that would, but for this provision, have rendered a federal entity liable to indemnify any person or incur a sanction and may request the Secretary of Energy or other appropriate Departmental Secretary to take such steps as are necessary to give effect to any provisions of this Operating Agreement that are not enforceable against the federal entity.

ICAA 10.6 Severability

If any term, covenant, or condition of this Operating Agreement 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 Operating Agreement and their application shall not be affected thereby, but shall remain in force and effect and the parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Operating Agreement.

ICAA 10.7 Section Headings

Section headings provided in this Operating Agreement are for ease of reading and are not meant to interpret the text in each Section.

ICAA 10.8 Amendments

This Operating Agreement and the Schedules and Attachments attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that are subject to FERC approval shall not take effect until FERC has accepted such amendments for filing and has made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for information.

ICAA 10.9 Counterparts

This Operating Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Operating Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Operating Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date written in Section ICAA 1.

California Independent System Operator Corporation

By: _____
Name: _____
Title: _____
Date: _____

Nevada Power Company

By: _____
Name: _____
Title: _____
Date: _____

SERVICE SCHEDULE 1
INTERCONNECTION

[Section 2.2.5]

The Mohave – Laughlin 500 kV Intertie is designed to supply the energy needs of NEVP’s isolated load located in the general vicinity of Laughlin, Nevada. The Mohave – Laughlin 500 kV Intertie consists of two (2) very short 500 kV transmission lines between the Mohave 500 kV Switchyard and NEVP’s Laughlin Substation, all located on the site of the former Mohave Generating Station.

The Eldorado – Merchant No. 2 230 kV line connects the Eldorado Substation with the Merchant Substation. Center breakers 2308, 2305 and 2302 in the Merchant Substation connect the Merchant 230 kV North Bus to the Merchant 230 kV South Bus. Collectively the Eldorado – Merchant No. 2 230 kV line and center breakers 2308, 2305 and 2302 form the Merchant 230 kV Intertie.

• **Mohave – Laughlin 500 kV Intertie**

ISO Terminal:	Mohave
PTO:	SCE
NEVP Terminal:	Laughlin
Point of Interconnection:	The East and West bus sides of the disconnect switches for bay positions 5 and 6 in the Mohave Switchyard.

• **Merchant 230 kV Intertie**

ISO Terminal:	Eldorado 230 kV Bus and Merchant 230 kV South Bus
PTO:	SCE and SDG&E
NEVP Terminal:	Merchant 230 kV North Bus
Point of Interconnection:	The North and South bus sides of the disconnect switches for bay position 2 in the Eldorado Substation and the South side of center breakers 2308, 2305 and 2302 in the Merchant Substation.

SERVICE SCHEDULE 2

EXISTING CONTRACT PROVISIONS AND PROCEDURES

[Section 3.1.2]

SCE, as the Participating Transmission Owner, is responsible for providing the ISO with this Service Schedule, outlining the instructions for NEVP's existing contract(s). SCE has provided instructions concerning the following agreements:

AGREEMENT FOR ADDITIONAL NEVADA POWER COMPANY
CONNECTION TO MOHAVE 500 KV SWITCHYARD

ELDORADO SYSTEM CONVEYANCE AND CO-TENANCY AGREEMENT

ELDORADO SYSTEM OPERATING AGREEMENT

SERVICE SCHEDULE 3

[REDACTED PRIVELEGED MATERIAL]

SERVICE SCHEDULE 4**RESPECTIVE JURISDICTION FOR OPERATIONAL CONTROL
[Section 3.2.1]**

- **Mohave - Laughlin 500 kV Intertie**

Jurisdictional Boundary: The connections to the respective A-frame structures located in the applicable bay positions in the Mohave 500 kV Switchyard associated with the two (2) Mohave-Laughlin 500 kV transmission lines.

ISO/SCE Switching Responsibility:

SCE's Eldorado Switching Center, as approved by the ISO, will direct all switching at the Mohave 500 kV Switchyard for the Mohave - Laughlin 500 kV transmission lines in coordination with the NEVP Dispatcher.

NEVP Switching Responsibility:

NEVP Dispatcher will direct all switching at the Laughlin 500/69 kV Substation for the Mohave-Laughlin 500 kV transmission lines, including the transformer 500 kV disconnects, in coordination with SCE's Eldorado Switching Center.

Operational and Maintenance Responsibility:

The NEVP Transmission Operator has jurisdiction of the Mohave – Laughlin 500 kV transmission lines from the connections to the respective A-frame structures in the applicable bay positions in the Mohave 500 kV Switchyard to the Laughlin Substation. The NEVP Transmission Operator has jurisdiction of the Laughlin 500/69 kV Substation, including the transformer 500 kV jack bus and disconnects.

- **Merchant 230 kV Intertie:**

Eldorado – Merchant No. 2 230 kV Line

The Eldorado – Merchant No. 2 230 kV line connects the Eldorado Substation with the Merchant Substation.

Jurisdictional Boundary:

The first transmission pole (Pole 4) outside the Eldorado Substation.

Operational and Maintenance Responsibility:

SCE's Eldorado Switching Center has jurisdiction of the Eldorado Substation 230 kV Bus and of the Eldorado – Merchant No. 2 230 kV line between the Eldorado Substation and Pole 4 (outside the Eldorado Substation fence).

NEVP will have operational jurisdiction of the Eldorado – Merchant No. 2 230 kV line between Pole 4 and the Merchant Substation.

Merchant 230 KV Substation

Center breakers 2308, 2305 and 2302 in the Merchant Substation connect the Merchant 230 kV North Bus to the Merchant 230 kV South Bus.

Jurisdictional Boundary:

The south side of center breakers 2308, 2305 and 2302 in the Merchant Substation.

Operational and Maintenance Responsibility:

NEVP will have operational jurisdiction of the Merchant Substation.

SERVICE SCHEDULE 5

SWITCHING OPERATIONS [Section 3.2.2]

Switching and clearances that affect the status of the Interconnections will be coordinated between SCE, Sempra Generation, SDG&E, NEVP and the ISO, as required.

- **Mohave - Laughlin 500 kV Intertie**

After switching has been completed, an intercompany clearance will be issued to the party performing maintenance on the following:

- Laughlin - Mohave Nos. 1 and 2 500 kV transmission lines
- Laughlin 500/69 kV Transformer 500 kV disconnects

- **Merchant 230 kV Intertie**

Eldorado – Merchant No. 2 230 kV Line

SCE's Eldorado Switching Center, as approved by the ISO, will direct all switching at the Eldorado 230 kV Switchyard.

NEVP will direct all switching at the Merchant Substation.

The SCE Eldorado Switching Center TSO will establish a telephone communication link with the SCE Grid Control Center Transmission Dispatcher, the ISO Transmission Dispatcher and the NEVP Transmission Operator prior to the start of any switching on either the Eldorado-Merchant No. 1 230 kV transmission line or the Eldorado-Merchant No. 2 230 kV transmission line. The NEVP Transmission Operator will establish a telephone communication link with the operators of the generating facilities connected to the Merchant 230 kV South Bus prior to the start of any switching on the Eldorado-Merchant No. 1 230 kV line. After the aforementioned has been accomplished, the SCE Eldorado Switching Center TSO and the NEVP Transmission Operator will establish a telephone communication link prior to energizing or de-energizing the Eldorado-Merchant No. 1 230 kV line, the Eldorado-Merchant No. 2 230 kV line, or operating any equipment associated with either line.

After switching has been completed for clearances on the intertie, NEVP and SCE will exchange intercompany clearances as necessary. SCE and NEVP will confer on any additional switching orders, such as Hot Line Orders.

Merchant 230 kV Substation

NEVP will direct all switching at the Merchant Substation.

The NEVP Transmission Operator will establish a telephone communication link with the SCE Grid Control Center Transmission Dispatcher and the ISO Transmission Dispatcher prior to the start of any switching in the Merchant 230 kV Substation. The NEVP Transmission Operator will establish a telephone communication link with the operators of the generating facilities connected to the Merchant 230 kV Substation prior to the start of any switching in the Merchant 230 kV Substation. After the aforementioned has been accomplished, the NEVP Transmission Operator and the SCE Eldorado Switching Center TSO will establish a telephone communication link prior to energizing or de-energizing any equipment in the Merchant 230 kV Substation or operating any equipment associated with the Merchant 230 kV Substation.

After switching has been completed for clearances on the intertie, NEVP and SCE will exchange intercompany clearances as necessary. SCE and NEVP will confer on any additional switching orders, such as Hot Line Orders.

SERVICE SCHEDULE 6
REAL TIME OPERATING LIMITS
[Section 3.2.3.1]

- **Mohave - Laughlin 500 kV Intertie**

The Mohave – Laughlin 500 kV Intertie is rated at 266 MW with both Laughlin 500/69 kV transformers in service and 133 MW with one of the Laughlin 500/69 kV transformers in service.

Laughlin Substation is located in the NEVP control area. As such, NEVP regulates for load changes at Laughlin.

- **Merchant 230 kV Intertie**

The Merchant 230 kV Intertie is rated at 797 MW.

SERVICE SCHEDULE 7

[NOT USED]

SERVICE SCHEDULE 8
INFORMATION EXCHANGE PROCEDURES FOR
GRID OPERATIONS
[Section 3.2.6]

Information Exchange

The ISO and NEVP shall coordinate the exchange of any information specified in Section 3.2.6 concerning the Interconnection facilities and the status of the control areas that may affect the operation of the Interconnection or either of the interconnected control areas. Real time information shall be communicated in the most efficient method possible through any shared electronic, voice, or facsimile. Service Schedule 9 lists information necessary for the reliable operation of the ISO, NEVP, and the WECC.

SERVICE SCHEDULE 9
INTERCONNECTION INFORMATION
[Section 3.2.6.1]

Information necessary for the reliable operation of the ISO, NEVP, and the WECC shall include, but not be limited to, the following operational data:

- 1) Major transmission Outages, planned or unplanned, as they occur or are effected;
- 2) Restoration of major transmission facilities after planned or unplanned Outages;
- 3) Loss or impairment of certain reactive equipment;
- 4) Loss of load or resources resulting in detectable frequency variation;
- 5) Detectable significant weather data and/or atmospheric conditions;
- 6) Significant conditions such as fires, floods, and earthquakes;
- 7) Activation or deactivation of RAS equipment;
- 8) Any planned or unplanned operation that can or will impair the availability or transfer capability of resources; and
- 9) Activation of Emergency Command Centers.

SERVICE SCHEDULE 10
JOINT OPERATING PROCEDURES
[Section 3.2.7]

Parallel operation between Laughlin Substation 69 kV and NEVP Mohave Substation 69 kV will be allowed only for the time necessary to transfer load from one source to another and then only after the phase angle difference has been verified to be 10 degrees or less.

Except as noted above, parallel operation between Laughlin Substation and any other 69 kV source in the area will not be allowed. Load transfers will only be made by drop and pick up.

The ISO, NEVP Dispatcher, and SCE Grid Control Center will establish a telephone communication link prior to switching on the Laughlin-Mohave 500 kV transmission line or Laughlin 500/69 kV transformers.

The ISO, NEVP Dispatcher, and SCE Grid Control Center will establish a telephone communication link prior to switching on the Eldorado– Merchant 230 kV line.

NEVP shall provide the ISO with instructions concerning the Parties' participation and cooperation in mitigation of excessive fault duty of certain 500 kV circuit breakers at McCullough Substation. Said instructions are to be based on an operating procedure, which operating procedure will not be binding on the ISO until approved, in writing, by operations departments of both Parties hereto and SCE's grid operations department. The ISO, NEVP Dispatcher, and SCE Grid Control Center will cooperate in mitigation of excessive fault duty at McCullough Substation pursuant to the above operating procedure.

SERVICE SCHEDULE 11
INFORMATION EXCHANGE AND COORDINATION
FOR SCHEDULING AND DISPATCH
[Section 5.1]

A. PRESCHEDULE CHECKOUT PROCEDURES

Day-Ahead Process: The ISO will confirm net interchange schedules with adjacent control areas based on schedules submitted by Scheduling Coordinators within the parameters of the ISO's Day-Ahead Market after the ISO issues Final Day Ahead schedules.

Hour-Ahead Process: The ISO will confirm hourly net interchange schedules with adjacent control areas based on schedules submitted by Scheduling Coordinators within the parameters of the ISO's Hour-Ahead Market. Interchange schedules submitted by Scheduling Coordinators for existing contract rights-holders that retain rights to submit schedules after the close of the ISO's Hour-Ahead Market parameters will be accepted and the ISO will confirm net interchange schedules with the adjacent control area when the schedule is submitted.

B. REAL TIME CHECKOUT PROCEDURES

The ISO will confirm net interchange schedules with adjacent control areas on a real time basis as required to meet NERC and WECC criteria.

C. AFTER THE FACT CHECKOUT PROCEDURES

The ISO will confirm actual interchange values with adjacent control areas after the close of each settlement period (the scheduling hour, "Hour Ending") as required to meet the obligations of inadvertent interchange energy accounting of prevailing NERC or WECC policy.

SERVICE SCHEDULE 12

[REDACTED PRIVELEGED MATERIAL]

SERVICE SCHEDULE 13
EMERGENCY ASSISTANCE ARRANGEMENTS
[Section 7.1]

To the extent possible, the Parties will assist each other in an emergency by scheduling energy and/or capacity. Such emergency assistance will be available at the sole discretion of the Party supplying it and will be recallable without advance notice as required to meet reliability requirements. ISO and NEVP operators will agree upon and log MW values, start and end times, ramp rates and times, and integrated MWH values for any emergency assistance provided.

The price paid for ISO emergency assistance will be at the ISO market price for energy and/or capacity, plus all applicable charges, as specified in the ISO Tariff and Protocols. Such price may be estimated prior to delivery and finalized in the settlement process. The ISO will establish a Scheduling Coordinator account for NEVP for the sole purpose of facilitating the settlement of such emergency assistance. Payment to the ISO for such emergency assistance will be made in accordance with the settlement process, billing cycle, and payment timeline set forth in the ISO Tariff and Protocols.

The price paid for NEVP emergency assistance will be at a price agreed upon by the Parties or a price established by NEVP for such emergency assistance in advance, as may be applicable. Payment by the ISO for such emergency assistance will be made in accordance with the settlement process, billing cycle, and payment timeline set forth in the ISO Tariff and Protocols.

SERVICE SCHEDULE 14

INDEPENDENT OPERATION DUTIES AND RESPONSIBILITIES

[Section 7.4]

Beyond that included in the body of the agreement, no additional independent operation duties and responsibilities currently exist.

SERVICE SCHEDULE 15
RESTORATION COORDINATION
[Section 7.5]

NEVP and the ISO will work in close cooperation to maximize the reliability of interconnected operations. The WECC MORC and off-nominal frequency procedures will be utilized as applicable. As appropriate, priority will be placed by both Parties on restoration of the Interconnection. The Interconnection will be closed only on orders from the ISO and NEVP.

SERVICE SCHEDULE 16
INTER-CONTROL AREA REQUIREMENTS
FOR
SCHEDULING AND DELIVERING REGULATION SERVICE TO THE ISO

[Section 5.3]

1. General

- 1.1 Purpose. This Service Schedule 16 sets forth the requirements that must be satisfied by the NEVP Control Area (referred to herein as the “Host Control Area”) should it elect to support Scheduling Coordinators’ requests for the certification, scheduling and delivery of regulation service into the ISO Control Area. The requirements encompass technical (energy management system (“EMS”)/automatic generation control (“AGC”) and communications), interchange scheduling, telemetry and control aspects of interconnected Control Area operations.
- 1.2 NERC/WECC Operating Standards Observed. Nothing in this Service Schedule 16 is intended to change, supercede, or alter either Party’s obligations to abide by NERC standards and WECC criteria.
- 1.3 Applicable Standards. This Service Schedule 16 incorporates, by reference, the ISO’s “Standards for Imports of Regulation” (“Standards”) document. The Standards document is available for viewing and can be downloaded from the ISO internet home page: www.caiso.com.
- 1.4 Meaning of “System Resource.” “System Resource” is defined in the ISO Tariff and, in the context of this Service Schedule 16, may include combinations of resources as described in the Standards.

2. Telecommunications Requirements

The ISO and Host Control Area shall establish and maintain real time, redundant diversely routed, bi-directional, communications links between the ISO EMS and the Host Control Area EMS, utilizing the standard inter-control center communications protocol (“ICCP”). Further details regarding telecommunications requirements may be found in the Standards document.

3. Telemetry and Control

- 3.1 Telemetry. For each operating hour for which a System Resource is scheduled to deliver regulation service to the ISO Control Area, the Host Control Area shall provide, via the ICCP communications links to the ISO

EMS, the data for each System Resource as set forth in the Standards document.

- 3.2 Control. The Host Control Area EMS shall be able to receive control signals, in real time, from the ISO EMS, via the ICCP communications links, causing the System Resource to vary its energy production or allocation level from the prescheduled preferred operating point by the specified amount. Further detailed information regarding control requirements may be found in the Standards document.
- 3.3 Delivery of Megawatts (“MW”). The Host Control Area shall only deliver to the ISO the amount of MW being generated by the System Resource. The Host Control Area shall not be obligated to make up any difference between the ISO’s set-point and the MW being generated by the System Resource.

4. Interchange Scheduling Requirements

- 4.1 Dynamic Scheduling. The Host Control Area shall support Scheduling Coordinators’ requests to arrange dynamic interchange schedules for the delivery of regulation service to the ISO Control Area, reflecting the System Resource’s instantaneous energy production or allocation level as caused by real time control signals issued by the ISO EMS/AGC and taking into account available transmission capacity.
- 4.2 Treatment of Area Control Error (“ACE”). The Host Control Area shall instantaneously compensate its AGC for the System Resource’s variable energy output level such that the System Resource energy production or allocation changes, caused by the ISO EMS/AGC control signals, have an equal in magnitude and opposite in sign effect on the Host Control Area’s ACE.
- 4.3 Integration of Dynamic Scheduling. For each operating hour during which regulation service was dynamically scheduled for delivery to the ISO Control Area, the Host Control Area shall compute an integrated amount of interchange based on the System Resource’s integrated energy production by integrating the instantaneous System Resource production levels. Such integrated MHW value shall be agreed to hourly by the real time schedulers.
- 4.4 Access to Information. The Parties agree to exchange information related to control signals issued and telemetry received with respect to the delivery of regulation service (i) at the request of the other Party for purposes of after-the-fact interchange accounting or (ii) on demand for any other purpose.

5. Other

- 5.1 Losses. The ISO shall not be responsible for transmission losses caused by transmitting regulation service within or across the Host Control Area for delivery to the ISO.
- 5.2 Certification. Only ISO-certified System Resource/Host Control Area arrangements will be allowed to bid or self-provide regulation service in the ISO's ancillary services market through an ISO-certified Scheduling Coordinator.
- 5.3 No Guarantee of Award. Certification of a System Resource/Host Control Area arrangement allows for bidding of regulation service into the ISO market; it does not, however, guarantee selection of such bid.
- 5.4 Performance Assessment. The ISO will monitor and measure imported regulation service, whether bid or self-provided, against the performance benchmarks described in the Standards document.

SERVICE SCHEDULE 17**INTER-CONTROL AREA REQUIREMENTS
FOR SCHEDULING AND DYNAMIC DELIVERY OF ENERGY, SUPPLEMENTAL
ENERGY, AND ENERGY ASSOCIATED WITH NON-REGULATION ANCILLARY
SERVICES TO THE ISO****1. General**

- 1.1 Purpose. This Service Schedule 17 sets forth the requirements that must be satisfied by Nevada Power Company (referred to herein as the "Host Control Area") should it elect to support Scheduling Coordinators' requests for implementation of a dynamic scheduling functionality and delivery of energy, supplemental energy, and energy associated with ancillary services (except regulation service) into the ISO Control Area. The requirements encompass technical (energy management system ("EMS")/automatic generation control ("AGC") and communications), interchange scheduling, telemetry, and aspects of interconnected Control Area operations.
- 1.2 NERC/WECC Operating Standards Observed. Nothing in this Service Schedule 17 is intended to change, supercede, or alter either Party's obligations to abide by NERC standards and policies and WECC criteria.
- 1.3 Applicable Standards. This Service Schedule 17 incorporates, by reference, the ISO's *Dynamic Scheduling Protocol* ("DSP") posted on the ISO internet home page: "www.caIso.com".
- 1.4 Meaning of "System Resource". "System Resource" is defined in the ISO Tariff and, in the context of this Service Schedule 17, may include combinations of resources as described in the DSP.

2. Telecommunications Requirements

The ISO and Host Control Area shall establish and maintain real time, redundant, diversely routed, communications links between the ISO EMS and the Host Control Area EMS, with the primary link utilizing the standard inter-control center communications protocol ("ICCP") in accordance with the DSP.

3. Telemetry

For each operating hour for which a System Resource is scheduled to deliver energy, supplemental energy, and/or energy associated with any of the non-regulating ancillary services to the ISO Control Area, the Host Control Area shall provide, via the ICCP communication links to the ISO EMS, the data for each System Resource as set forth in the DSP.

4. Interchange Scheduling Requirements

- 4.1 Dynamic Scheduling. The Host Control Area shall support Scheduling Coordinators' requests to arrange dynamic interchange schedules for the delivery of energy to the ISO Control Area, reflecting the System Resource's instantaneous energy production or allocation level and taking into account available transmission capacity.
- 4.2 Treatment of Area Control Error ("ACE"). The Host Control Area shall instantaneously compensate its AGC for the System Resource's energy output that is generated or allocated for establishing the dynamic schedule to the ISO such that the System Resource energy production or allocation changes have an equal in magnitude and opposite in sign effect on the Host Control Area's ACE.
- 4.3 Integration of Dynamic Scheduling. For each operating hour during which energy was dynamically scheduled for delivery to the ISO Control Area, the Host Control Area shall compute an integrated amount of interchange based on the System Resource's integrated energy production, by integrating the instantaneous System Resource production levels. Such integrated MWH value shall be agreed to hourly by the real time schedulers.
- 4.4 Delivery of Megawatts ("MW"). The Host Control Area shall not be obligated to make up any difference between the dynamic energy schedule and the MW being generated or allocated by the System Resource.
- 4.5 Access to Information. The Parties agree to exchange information related to telemetry sent and received with respect to the delivery of energy (i) at the request of the other Party for purposes of after-the-fact interchange accounting or (ii) on demand for any other purpose.

5. Other Host Control Area Responsibilities

- 5.1 Operational Jurisdiction. The Host Control Area will have, at a minimum, the level of operational jurisdiction over the System Resource and the associated dynamic schedule that NERC and WECC vest in Host Control Areas.

- 5.2 E-Tagging. The Host Control Area must support associated e-tagging as described in the DSP to the extent such e-tagging is deemed not to be inconsistent with NERC and/or WECC requirements.
- 5.3 Real-Time Adjustments. The Host Control Area must have a means to manually override and/or otherwise adjust the dynamic signal in real time, if needed.
- 5.4 Coordination with Other Control Areas. The Host Control Area must provide in real time the instantaneous value of each dynamic schedule to every intermediary Control Area through whose systems such dynamic schedule may be implemented to the ISO.
- 6. Other**
- 6.1 Losses. The ISO shall not be responsible for transmission losses caused by transmitting energy dynamically within or across the Host Control Area for delivery to the ISO.
- 6.2 Certification. Only ISO-certified System Resource/Host Control Area arrangements will be allowed to bid or self provide ancillary services in the ISO's ancillary services market through an ISO-certified Scheduling Coordinator.
- 6.3 No Guarantee of Award. Certification of a System Resource/Host Control Area arrangement allows for bidding of supplemental energy and/or certain ancillary services into the ISO market; it does not, however, guarantee selection of such bid.
- 6.4 Performance Assessment. The ISO will monitor and measure dynamically imported ancillary services, whether bid or self-provided, against the performance benchmarks described in the DSP.
- 7. CONSENT TO IMPLEMENTATION OF DYNAMIC SYSTEM RESOURCES**

Each dynamically scheduled System Resource shall be permitted pursuant to this Service Schedule 17 only upon the written consent of both the Host Control Area and the ISO, which written consent may be communicated by e-mail, and only if the System Resource is subject to a Dynamic Scheduling Agreement for Scheduling Coordinators with the ISO.

Attachment C – Confidential Version

Interconnection Control Area Operating Agreement

California Independent System Operator and Nevada Power Company

May 31, 2012

**CONTAINS REDACTED PRIVELEGED MATERIALS – ATTACHMENT HAS
BEEN REDACTED**

Attachment D – Public Version - Blackline
Interconnection Control Area Operating Agreement
California Independent System Operator and Nevada Power Company
May 31, 2012

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR**

AND

NEVADA POWER COMPANY

**INTERCONNECTED CONTROL AREA
OPERATING AGREEMENT**

INTERCONNECTED CONTROL AREA

OPERATING AGREEMENT

ICAA 1

STANDARD OPERATING AGREEMENT

Interconnected Control Area Operating Agreement

THIS INTERCONNECTED CONTROL AREA OPERATING AGREEMENT (OPERATING AGREEMENT) is entered into this ____ day of _____, _____ and is accepted by and between:

Nevada Power Company (NEVP), having its registered and principal executive office at 6226 West Sahara Ave, Las Vegas, NV 89146,
and

California Independent System Operator Corporation (ISO), a California nonprofit public benefit corporation having a principal executive office located at such place in the State of California as the ISO Governing Board may from time to time designate, initially 451 ~~Blue Ravine Road~~ 250 Outcropping Way, Folsom, California 95630.

NEVP and the ISO are hereinafter referred to as the "Parties".

Whereas:

1. The Parties operate interconnected control areas (connected by the "Interconnection").
2. The Parties wish to coordinate operation and maintenance of the Interconnection to satisfy (i) North American Electric Reliability Council (NERC), or its successor, criteria, (ii) Western Electricity Coordinating Council (WECC), or its successor, Minimum Operating Reliability Criteria (MORC), and (iii) Good Utility Practice.
3. The ISO has certain statutory obligations under California law to maintain power system reliability.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, **THE PARTIES AGREE** as follows:

ICAA 1.2

Purpose and Intent

ICAA 1.2.1

Purpose

The purpose of this Operating Agreement is to establish the rights and obligations of the ISO and NEVP with respect to the operation,

maintenance, and control of the Interconnection. This Operating Agreement is based upon the ISO Tariff, WECC MORC, existing contracts between NEVP and Participating Transmission Owners comprising the ISO, and established operating procedures. This Operating Agreement acknowledges that other Transmission Owners may have concurrent rights and responsibilities.

ICAA 1.2.2

Intent

The intent of this Operating Agreement is to acknowledge requirements, establish procedures, and designate responsibilities for the operation and management of the Interconnection. It is not the intent of this Operating Agreement to abrogate or alter the rights and obligations under existing contracts pertaining to the subject of Interconnection. Further, the Parties intend that the principles embodied in this Operating Agreement shall not be deemed to establish a precedent for purposes of any proceeding or litigation. Each Party reserves the right to advocate in future proceedings principles, positions, and methodologies that may be different from those underlying this Operating Agreement.

ICAA 1.3

Term and Termination

ICAA 1.3.1

Effective Date

This Operating Agreement shall be effective as of the later of the date of execution of this Operating Agreement, or the date this Operating Agreement is accepted for filing and made effective by the Federal Energy Regulatory Commission (FERC), and shall continue in effect until terminated.

ICAA 1.3.2

Termination

This Operating Agreement may be terminated by either Party upon two years written notice to the other Party or upon mutual consent of both Parties. For entities subject to FERC jurisdiction, termination will be effective upon acceptance by FERC of notice of termination. The ISO shall timely file any notice of termination with FERC. The filing of the notice of termination by the ISO will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met, and (2) the ISO files the notice of termination within 30 days of receipt of such request.

ICAA 2

DEFINITIONS

ICAA 2.1

WECC Definitions

Except as defined below, terms and expressions used in this Operating Agreement shall have the same meanings as those contained in the WECC MORC Definitions.

ICAA 2.2 **Specific Definitions**

- ICAA 2.2.1** **Forced Outage:** An Outage for which sufficient notice cannot be given to allow the Outage to be factored into the preschedule processes and the established Outage coordination principles of the control areas.
- ICAA 2.2.2** **Good Utility Practice:** Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry in the WECC region during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.
- ICAA 2.2.3** **Interconnection:** Transmission facilities that connect one control area to another control area. The Interconnection for this Operating Agreement is described in Service Schedule 1.
- ICAA 2.2.4** **ISO (The California Independent System Operator):** The California Independent System Operator Corporation, a state-chartered, nonprofit corporation that controls the transmission facilities of all Participating Transmission Owners and dispatches certain generating units and loads.
- ICAA 2.2.5** **ISO Control Area:** The ISO electric power system (initially comprising the electric power systems previously operated as Control Areas by Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E), including, but not limited to, the facilities and entitlements which represent the ISO Controlled Grid), for which the ISO has reliability responsibility pursuant to NERC and WECC requirements.
- ICAA 2.2.6** **ISO Controlled Grid:** The system of transmission lines and associated facilities of the Participating Transmission Owners that have been placed under the ISO's operational control.
- ICAA 2.2.7** **ISO Operations Date:** The date on which the ISO first assumes operational control of the ISO Control Area.
- ICAA 2.2.8** **ISO Tariff:** ISO Operating Agreement, Protocols, and Tariff as amended from time to time, together with any appendices or attachments thereto.
- ICAA 2.2.9** **Nomogram:** A set of operating or scheduling rules which are used to ensure that simultaneous operating limits are respected, in order to meet NERC and WECC operating criteria.

- ICAA 2.2.10** **Outage:** Disconnection or separation, planned or forced, of one or more elements of an electric system.
- ICAA 2.2.11** **Participating Transmission Owner (PTO):** An owner of transmission that has placed its transmission assets and entitlements under the ISO's operational control.
- ICAA 2.2.12** **Planned Outage:** An Outage for which sufficient notice has been given to allow the Outage to be factored into the processes and the established Outage coordination principles of the control areas.
- ICAA 2.2.13** **Point of Contact:** A person or entity having the authority to receive and act upon scheduling or dispatch communications from the other control area operator and available through a communications device mutually agreed upon on a 24-hour, 7-day basis.
- ICAA 2.2.14** **Pseudo Tie:** The point at which a generating facility is authorized to operate under the jurisdiction of the ISO Control Area but is electrically interconnected to the NEVP Control Area in which it is physically located, as provided for under this Agreement.”
- ICAA 2.2.15** **Real Time Operating Limits:** The rated transfer capability less reductions during any hour caused by, but not limited to, physical limitations beyond the control of the control area operators, and operational limitations resulting from transmission line Outages, equipment Outages, stability limits and loop flow.
- ICAA 2.2.16** **Scheduling Coordinator:** An entity certified by the ISO for the purposes of undertaking the functions of: submitting schedules for energy, generation, transmission losses, and ancillary services; coordinating generation; tracking, billing, and settling trades with other Scheduling Coordinators; submitting forecast information; paying the ISO's charges; and ensuring compliance with ISO protocols.
- ICAA 2.2.17** **Transmission Owner:** An entity owning transmission facilities or having firm contractual rights to use transmission facilities at the Interconnection.
- ICAA 2.2.18** **WECC Reliability Coordinator:** One of the area control centers assigned by the WECC to proactively anticipate and mitigate potential problems, facilitate notification, and coordinate restoration following a disturbance.

ICAA 3 OPERATIONAL RESPONSIBILITIES

ICAA 3.1 General Requirements

ICAA 3.1.1 Standards to Be Met

Both the ISO and NEVP shall plan and operate the Interconnection in conformance with NERC standards, WECC MORC, and Good Utility Practice.

ICAA 3.1.2 Existing Contracts

The ISO will assume certain rights and responsibilities of Participating Transmission Owners in existing contracts, operating agreements, or procedures between NEVP and the Participating Transmission Owners regarding the Interconnection where those rights and responsibilities pertain to the coordinated operation of the interconnected control areas. The ISO and NEVP, after consulting with affected Transmission Owners, shall develop the procedures to be used regarding those rights and responsibilities mentioned herein. The specific provisions of the aforementioned agreements which are affected by this Operating Agreement and the procedures for implementing such existing agreements are identified by the ISO and NEVP in Service Schedule 2.

ICAA 3.1.3 Communication

The ISO and NEVP shall each operate and maintain a 24-hour, 7-day control center with real time scheduling and control functions. Appropriate control center staff will be provided by each Party who shall be responsible for operational communications and who shall have sufficient authority to commit and bind that Party.

The ISO and NEVP shall jointly develop communication procedures necessary to support scheduling and dispatch functions. The Points of Contact and the procedures for insuring reliable communication are identified in Service Schedule 3.

ICAA 3.2 Grid Operation

ICAA 3.2.1 Responsibility

The Parties shall coordinate efforts consistent with Good Utility Practice to mitigate adverse conditions that occur at the Interconnection. The ISO and NEVP are each responsible for exercising operational control over facilities in their respective control areas, and shall not exercise operational control over any part of the Interconnection facilities owned or operated by the other control area operator. The respective jurisdictions for operational control by the ISO and NEVP are identified in Service Schedule 4.”

ICAA 3.2.2 Switching Operations

The ISO and NEVP agree that the Transmission Owners retain possession of and will operate those interconnected facilities in accordance with the existing contracts and agreements in force between the Transmission Owners and NEVP. Operations on the Interconnection shall be coordinated through the ISO and NEVP except as otherwise indicated in Section ICAA 7.4. Specific switching responsibilities are identified in Service Schedule 5.

ICAA 3.2.3 Real Time Operating Limits

ICAA 3.2.3.1 Real Time Operating Limits Established Jointly

The ISO and NEVP, in consultation with the Transmission Owner(s), shall jointly agree upon the Real Time Operating Limits of the Interconnection. Real Time Operating Limits shall be based on the given real time conditions, current operating criteria, and established Nomograms, graphs, and charts specific to the transfer paths within NEVP and the ISO. These established operating limits are specified in Service Schedule 6.

ICAA 3.2.3.2 Real Time Operating Limits Exceeded

If a Real Time Operating Limit is exceeded or the operation of either the NEVP Control Area or the ISO Control Area is jeopardized, the ISO and NEVP shall communicate and coordinate actions to return the Interconnection and the affected control area(s) to Real Time Operating Limits. In compliance with WECC MORC, the ISO and NEVP will make coordinated adjustments to energy flows between the two control areas such that stability limited facilities are returned to Real Time Operating Limits within 20 minutes after such limit is exceeded and thermally limited facilities are returned to Real Time Operating Limits within 30 minutes after such limit is exceeded, or as otherwise established and mandated by WECC.

ICAA 3.2.4 Relay Action

The ISO and NEVP shall provide pertinent relay data and related equipment condition and operational information concerning the Interconnection to each other as soon as practicable after the occurrence of any relay action on Interconnection equipment, including, as it becomes available, additional information regarding cause, condition, effects, and estimated corrective action. Notwithstanding the foregoing, the ISO and NEVP shall agree upon corrective action and the procedure for returning to normal or adjusted operation.

ICAA 3.2.5 Voltage Control

The ISO and NEVP shall coordinate the use of voltage control equipment to maintain transmission voltages and reactive flows at

mutually agreed upon levels to ensure system stability within the operating range of electrical equipment and in accordance with WECC MORC. The ISO and NEVP shall operate the facilities at the Interconnection at reactive reserve margins that are adequate to maintain minimum acceptable voltage limits under facility Outage conditions. Agreed upon voltage schedule limits and reactive flows are specified in Service Schedule 7.

ICAA 3.2.6 Information Exchange

The ISO and NEVP shall coordinate directly the exchange of any information concerning the reliable operation of the Interconnection facilities and the status of the control areas. Such information shall be communicated through mutually acceptable methods. Procedures and forms for the exchange of emergency information shall be jointly developed and are contained in Service Schedule 8.

ICAA 3.2.6.1 Information Required to be Provided

Details regarding the information necessary to the reliable operation of the Interconnection are included in Service Schedule 9.

ICAA 3.2.7 Joint Operating Procedures

Procedures for coordinating the reliable operation of the Interconnection will be jointly implemented by the ISO, NEVP, and the Transmission Owners. Such procedures are described in more detail in Service Schedule 10.

ICAA 4 RELIABILITY COORDINATION

The ISO has been designated WECC Security Coordinator for the California-Mexico Subregion.

ICAA 5 SCHEDULING AND DISPATCH

ICAA 5.1 Coordination and Exchange of Information

The ISO and NEVP shall coordinate and exchange information on schedules and control area checkouts at the Interconnection. All schedules at the Interconnection shall match. In accordance with WECC MORC, the ISO and NEVP shall verify, at mutually acceptable times, the actual and scheduled interchange numbers for past hours as well as scheduled interchange numbers for current and future hours. The ISO and NEVP shall jointly develop methods and details for coordinating scheduling procedures, information exchange, and notifications in normal, emergency, and curtailment conditions. These methods and details are included in Service Schedule 11.

ICAA 5.2 Notifications

The ISO and NEVP shall jointly develop methods for coordinating the notification of all affected scheduling entities within their respective control areas regarding schedule changes in emergency or curtailment conditions.

ICAA.5.3 Import of Regulation Service by ISO

The ISO and NEVP shall allow for the import of regulation service from the NEVP Control Area to the ISO Control Area in accordance with the provisions of Service Schedule 16. NEVP shall be under no obligation to supplement the import of regulation service contracted by third parties to be delivered to the ISO Control Area from resources in the NEVP Control Area and shall have the right to terminate Service Schedule 16 without prior approval of the ISO, subject to NEVP providing the ISO a copy of the termination letter pursuant to the agreement(s) NEVP has entered into with third parties to facilitate the import of regulation service into the ISO Control Area. NEVP shall notify the ISO and provided to the ISO a copy of such termination letter a minimum of thirty (30) days prior to such termination.

ICAA 5.4 Import of Dynamically Scheduled Energy and Non-Regulation Ancillary Services by ISO

The ISO and NEVP shall allow for the import of dynamically scheduled energy and non-regulation ancillary services from the NEVP Control Area to the ISO Control Area in accordance with the provisions of Service Schedule 17. NEVP shall be under no obligation to supplement the import of dynamically scheduled energy and non-regulation ancillary services contracted by third parties to be delivered to the ISO Control Area from resources in the NEVP Control Area and shall have the right to terminate Service Schedule 17 without prior approval of the ISO, subject to NEVP providing the ISO a copy of the termination letter pursuant to the agreement(s) NEVP has entered into with third parties to facilitate the import of dynamically scheduled energy and non-regulation ancillary services into the ISO Control Area. NEVP shall notify the ISO and provide to the ISO a copy of such termination letter a minimum of thirty (30) days prior to such termination."

ICAA 5.5 Pilot for Pseudo Tie to the ISO Control Area

The ISO and NEVP shall develop procedures for a pilot Pseudo Tie of the Copper Mountain Solar I photovoltaic project being developed by El Dorado Energy, LLC in the NEVP Control Area to the ISO Control Area. NEVP's agreement to develop procedures for a pilot Pseudo Tie of the Copper Mountain Solar I photovoltaic project does not obligate

NEVP to any further Pseudo Tie arrangements for other projects in its Control Area. Either Party may, for any reason whatsoever, withdraw its participation in the above pilot Pseudo Tie arrangement upon sixty (60) days written notice to the other Party.

ICAA 6 OUTAGE COORDINATION

ICAA 6.1 Maintenance Coordination

Outages of facilities affecting the Interconnection shall be jointly coordinated by the ISO, NEVP, and the Transmission Owner(s) to minimize a reduction and the duration of such reduction to the operating limits of the Interconnection. The ISO and NEVP shall provide each other reasonable notice of Planned Outages and scheduled maintenance affecting the Interconnection in advance.

The ISO and NEVP shall review Planned Outages and scheduled maintenance to determine the feasibility of initiating the switching process. If, given the current or anticipated system conditions at the time, the ISO and NEVP jointly determine that system reliability may be impaired, the Outage may be canceled.

Outage coordination procedures will be jointly developed by the ISO and NEVP and included in Service Schedule 12.

ICAA 6.2 Forced Outages

The ISO and NEVP shall coordinate and implement operational changes necessary to accommodate Forced Outages, emergencies, or curtailments. All notifications of Forced Outages, emergencies, or curtailments shall be communicated between the ISO and NEVP control centers as soon as possible. If notice prior to a Forced Outage, emergency, or curtailment cannot be given, the ISO or NEVP shall notify the other Party of the event immediately after it occurs.

All Forced Outage notifications shall be communicated by both control centers to other control area operators likely to be affected by the Forced Outage.

ICAA 7 EMERGENCY OPERATION

ICAA 7.1 Emergency Assistance Arrangements

Service Schedule 13 details emergency assistance arrangements.

ICAA 7.2 Unscheduled Flow Mitigation (Loop Flow)

The ISO shall be the administrator for Unscheduled Flow Mitigation Procedures for the California-Mexico Subregion, consistent with WECC procedures.

ICAA 7.3**Emergency Action**

In the event of a system emergency, the ISO and NEVP shall take coordinated action, as they consider necessary, to preserve or restore stable operation of the interconnected grid and to preserve or restore reliable, safe, and efficient service as quickly as reasonably practicable. The ISO and NEVP shall, where practicable, keep operators in affected control areas and the appropriate WECC Reliability Coordinators informed as to the nature and extent of the system emergency.

ICAA 7.4**Operations Exercised Independently**

Emergency operation in response to unforeseen system occurrences that may jeopardize the safety of personnel and the general public and/or system stability may be performed independently by NEVP, the ISO, and the Transmission Owner. NEVP shall forward the outcomes to the ISO Control Center as soon as practicable after the occurrence. The ISO Control Center shall forward the outcomes of emergency operation to which it is a party to the NEVP Control Center as soon as it is practicable after the occurrence. The duties and responsibilities for the ISO Control Center, the NEVP Control Center, and the Transmission Owner(s) under the foregoing circumstances are described in more detail in Service Schedule 14.

ICAA 7.5**Restoration Coordination**

The ISO and NEVP shall coordinate restoration of the facilities affecting the Interconnection, and shall take necessary restoration measures on facilities affecting the Interconnection in their respective control areas following an interruption, including coordinating the restarting of either or both systems from a black start, if requested. The ISO and NEVP shall develop Interconnection restoration procedures, which shall be included in Service Schedule 15.

ICAA 7.6**Voltage Collapse**

The ISO and NEVP shall take measures in their respective control areas to arrest collapsing voltage that affects the Interconnection.

ICAA 8**LIABILITY****ICAA 8.1****Uncontrollable Forces**

An Uncontrollable Force means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm, flood, earthquake, explosion, any curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities, or any other cause beyond the reasonable control of a

control area operator which could not be avoided through the exercise of Good Utility Practice.

Neither the ISO nor NEVP will be considered in default of any obligation under this Operating Agreement or liable to the other for direct, indirect, consequential, exemplary or punitive damages if prevented from fulfilling that obligation due to the occurrence of an Uncontrollable Force.

In the event of the occurrence of an Uncontrollable Force, which prevents either the ISO or NEVP from performing any obligations under this Operating Agreement, the affected entity shall not be entitled to suspend performance of its obligations in any greater scope or for any longer duration than is required by the Uncontrollable Force. The ISO and NEVP shall each 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.

ICAA 8.2 Liability To Third Parties

Except as otherwise expressly provided herein, nothing in this Operating Agreement shall be construed or deemed to confer any right or benefit on, or to create any duty to, or standard of care with reference to any third party, or any liability or obligation, contractual or otherwise, on the part of ISO or NEVP.

ICAA 8.3 Liability Between the Parties

The Parties' duties and standard of care with respect to each other, and the benefits and rights conferred on each other, shall be no greater than as explicitly stated herein. Neither Party, its directors, officers, employees, or agents, shall be liable to the other Party for any loss, damage, claim, cost, charge, or expense, whether direct, indirect, consequential, exemplary or punitive arising from the Party's performance or nonperformance under this Operating Agreement, except for a Party's gross negligence, or willful misconduct.

ICAA 8.4 Liability For Electric Disturbance and Interruptions

The ISO and NEVP shall plan, operate, and maintain their respective systems, consistent with Good Utility Practice, to minimize or avoid electric disturbances that may interfere with the system of the other Party. The limits of responsibility for the ISO and NEVP shall each be for protecting its respective system from possible damage by reason of electric disturbance or faults caused by the operation, faulty operation, or non-operation of its facilities.

Neither Party shall be liable to the other Party for any claim, demand, liability, loss, or damage, whether direct, indirect, consequential, exemplary or punitive incurred by the Parties or their respective

customers, which results from the separation of the systems in an emergency or interruption.

If a customer within the control area of a Party makes a claim or brings an action against the other Party for any death, injury, loss, or damage arising out of or in connection with electric service to such customer and caused by the operation or failure of operation of the other Party's control area or any portion thereof, the first Party shall indemnify and hold harmless the other Party, its directors, officers, and employees from and against any liability for such injury, loss, or damage.

ICAA 9 SERVICE SCHEDULES

The ISO and NEVP shall establish with each other and where appropriate with the Transmission Owner(s) specific procedures for the reliable operation and scheduling of the Interconnection facilities. The details of these particular operating procedures will be set forth in the applicable Service Schedules.

ICAA 10 MISCELLANEOUS

ICAA 10.1 Assignments

Either Party to this Operating Agreement may assign its obligations under this Operating Agreement, with the other Party's prior written consent. Such consent shall not be unreasonably withheld.

To accommodate the merger of NEVP with Sierra Pacific Resources (SPR) as well as the restructuring of the electric power industry in the state of Nevada, the Parties agree that NEVP may assign this Agreement to SPR, or a subsidiary, or to the Mountain West Independent System Administrator, if such entity becomes the relevant Control Area operator.

Obligations and liabilities under this Operating Agreement shall be binding on the successors and assigns of the Parties. No assignment of this Operating Agreement shall relieve the assigning Party from any obligation or liability under this Operating Agreement arising or accruing prior to the date of assignment.

ICAA 10.2 Notices

Any notice, demand, or request which may be given to or made upon either Party regarding this Operating Agreement shall be made in writing and shall be deemed properly served, given, or made: (a) upon delivery if delivered in person, (b) five (5) days after deposit in the mail if sent by first class United States mail, postage prepaid, (c) upon receipt of confirmation by return facsimile if sent by facsimile, or (d) upon delivery if delivered by prepaid commercial courier service. A Party must update the information in Service Schedule 3 relating to its

address as that information changes. Such changes shall not constitute an amendment to this Operating Agreement.

ICAA 10.3 **Waivers**

Any waiver at any time by either Party of its rights with respect to any default under this Operating Agreement, or with respect to any other matter arising in connection with this Operating Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or matter arising in connection with this Operating Agreement. Any delay short of the statutory period of limitations, in asserting or enforcing any right under this Operating Agreement, shall not constitute or be deemed a waiver of such right.

ICAA 10.4 **Governing Law and Forum**

Subject to ICAA 10.5, this Operating Agreement shall be deemed to be a contract made under and for all purposes shall be governed by and construed in accordance with the laws of the State of California, except that if a dispute concerns the operation of transmission lines or facilities, the law of the state where the transmission lines or facilities are located will control. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Operating Agreement shall be brought in any of the following forums, as appropriate: a court of the state whose law governs or controls the matter pursuant to this Section 10.4, including the State of California or State of Nevada or any federal court of the United States of America located in the State of California or State of Nevada, or, where subject to its jurisdiction, before the Federal Energy Regulatory Commission. No provision of this Operating Agreement shall be deemed to waive the right of any Party to protest, or challenge in any manner, whether this Operating Agreement, or any action or proceeding arising under or relating to this Operating Agreement, is subject to the jurisdiction of the Federal Energy Regulatory Commission.

ICAA 10.5 **Consistency with Federal Laws and Regulations**

(a) Nothing in this Operating Agreement shall compel any Party hereto or person or federal entity to: (1) violate federal statutes or regulations; or (2) in the case of a federal agency, to exceed its statutory authority, as defined by any applicable federal statutes, regulations, or orders lawfully promulgated thereunder. If any provision of this Operating Agreement is inconsistent with any obligation imposed on any Party hereto, person or federal entity by federal law or regulation to that extent, it shall be inapplicable to that Party, person or federal entity. No Party hereto, person or federal entity shall incur any liability by failing to comply with any provision of this Operating Agreement that is inapplicable to it by reason of being inconsistent with any federal

statutes, regulations, or orders lawfully promulgated thereunder; provided, however, that such Party hereto, person or federal entity shall use its best efforts to comply with the ISO Tariff to the extent that applicable federal laws, regulations, and orders lawfully promulgated thereunder permit it to do so.

(b) If any provision of this Operating Agreement requiring any person or federal entity to give an indemnity or impose a sanction on any person is unenforceable against a federal entity, the ISO shall submit to the Secretary of Energy or other appropriate Departmental Secretary a report of any circumstances that would, but for this provision, have rendered a federal entity liable to indemnify any person or incur a sanction and may request the Secretary of Energy or other appropriate Departmental Secretary to take such steps as are necessary to give effect to any provisions of this Operating Agreement that are not enforceable against the federal entity.

ICAA 10.6 Severability

If any term, covenant, or condition of this Operating Agreement 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 Operating Agreement and their application shall not be affected thereby, but shall remain in force and effect and the parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Operating Agreement.

ICAA 10.7 Section Headings

Section headings provided in this Operating Agreement are for ease of reading and are not meant to interpret the text in each Section.

ICAA 10.8 Amendments

This Operating Agreement and the Schedules and Attachments attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that are subject to FERC approval shall not take effect until FERC has accepted such amendments for filing and has made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for information.

ICAA 10.9 Counterparts

This Operating Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Operating Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Operating Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date written in Section ICAA 1.

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Date: _____

Nevada Power Company

By: _____

Name: _____

Title: _____

Date: _____

SERVICE SCHEDULE 1
INTERCONNECTION

[Section 2.2.5]

The ~~SCE – NEVP~~ Mohave – Laughlin 500 kV Intertie is designed to supply the energy needs of NEVP’s isolated load located in the general vicinity of Laughlin, Nevada. The Mohave – Laughlin 500 kV Intertie consists of atwo (2) very short 500 kV transmission lines between the Mohave Generating Station 500 kV switchrack and the NEVP 500/69 kV Switchyard and NEVP’s Laughlin Substation, all located on the site of the former Mohave Generating Station property.

The ~~Laughlin – Mohave – Southpoint~~ 69 kV line is intended as an alternative source for NEVP’s load in the general vicinity of Laughlin, Nevada, and forms the ~~Mohave – Laughlin~~ 69 kV Intertie. The line is normally energized from the NEVP system and operates open at Mohave.

The ~~Eldorado – Merchant~~ No. 2 230 kV line connects ~~SCE’s~~ the Eldorado Substation with Eldorado Energy’s (EDE) the Merchant Generating Station and forms Substation. Center breakers 2308, 2305 and 2302 in the Merchant Substation connect the Merchant 230 kV Intertie North Bus to the Merchant 230 kV South Bus. Collectively the Eldorado – Merchant No. 2 230 kV line and center breakers 2308, 2305 and 2302 form the Merchant 230 kV Intertie.

• **Mohave – Laughlin -500 kV Intertie**

ISO Terminal:	Mohave
PTO:	SCE
NEVP Terminal:	Laughlin
Point of Interconnection:	500 kV Dead-end structure at NEVP

Laughlin

•

The East and West bus sides of the disconnect switches for bay positions 5 and 6 in the Mohave – Laughlin 69 kV Intertie (Normally Open) Switchyard.

ISO Terminal:	Mohave
PTO:	SCE
NEVP Terminal:	Mohave
Point of Interconnection:	Mohave

• **Merchant 230 kV Intertie**

ISO Terminal:	<u>Eldorado 230 kV Bus and Merchant 230 kV South Bus</u>
PTO:	<u>SCE and SDG&E</u>

NEVP Terminal:

Merchant 230 kV North Bus

Point of Interconnection:

The first transmission pole, Pole 4, The North and South bus sides of the disconnect switches for bay position 2 in the Eldorado – Merchant 230 kV line outside Eldorado Substation and the South side of center breakers 2308, 2305 and 2302 in the Merchant Substation.

SERVICE SCHEDULE 2

EXISTING CONTRACT PROVISIONS AND PROCEDURES

[Section 3.1.2]

SCE, as the Participating Transmission Owner, is responsible for providing the ISO with this Service Schedule, outlining the instructions for NEVP's existing contract(s). SCE has provided instructions concerning the following agreements:

AGREEMENT FOR ADDITIONAL NEVADA POWER COMPANY
CONNECTION TO MOHAVE 500 KV SWITCHYARD

ELDORADO SYSTEM CONVEYANCE AND CO-TENANCY AGREEMENT

ELDORADO SYSTEM OPERATING AGREEMENT

SERVICE SCHEDULE 3

POINTS OF CONTACT

[Section 3.1.3]

[REDACTED PRIVELEGED MATERIAL]

SERVICE SCHEDULE 4

RESPECTIVE JURISDICTION FOR OPERATIONAL CONTROL [Section 3.2.1]

- **Mohave - Laughlin -500 kV Intertie**

Jurisdictional Boundary: The connections to the respective A-frame structures located in the applicable bay positions in the Mohave 500 kV dead-end structure at Switchyard associated with the two (2) Mohave-Laughlin Substation 500 kV transmission lines.

ISO/SCE Switching Responsibility:

SCE's Eldorado Switching Center, as approved by the ISO, will direct all switching ~~on at the Laughlin-Mohave 500 kV Switchyard for the Mohave - Laughlin 500 kV transmission line and the line terminal equipment at Mohave Generating Station~~ lines in coordination with the NEVP Dispatcher.

NEVP Switching Responsibility:

NEVP Dispatcher will direct all switching at the Laughlin 500/69 kV Substation for the Mohave-Laughlin 500 kV transmission lines, including the transformer 500 kV disconnects. ~~Operation of the transformer 500 kV disconnects will be coordinated,~~ in coordination with SCE's Eldorado Switching Center.

Operational and Maintenance Responsibility:

~~Eldorado Switching Center~~ The NEVP Transmission Operator has jurisdiction of the Mohave – Laughlin-Mohave 500 kV transmission lines from the connections to the respective A-frame structures in the applicable bay positions in the Mohave 500 kV dead-end structure at Switchyard to the Laughlin Substation. ~~The NEVP dispatcher~~ Transmission Operator has jurisdiction of the Laughlin 500/69 kV Substation, including the transformer 500 kV jack bus and disconnects.

- ~~**Mohave - Laughlin -69 kV Intertie (Normally Open)**~~

~~SCE's Eldorado Switching Center has jurisdiction of the NEVP 13.8/69 kV substation at Mohave Generating Station. NEVP Dispatcher has jurisdiction of the Laughlin - Southpoint - Mohave 69 kV line.~~

- **Merchant 230 kV Intertie:**

Eldorado – Merchant No. 2 230 kV Line

The Eldorado – ~~Merchant~~ No. 2 230 kV line connects SCE's the Eldorado Substation with EDE's Merchant Generating Station (the Merchant)- Substation.

Jurisdictional Boundary:

The first transmission pole (Pole 4) outside the Eldorado Substation.

Operational and Maintenance Responsibility:

SCE's Eldorado Switching Center has jurisdiction of the Eldorado Substation 230 kV Bus, and of the Eldorado – Merchant No. 2 230 kV line between the Eldorado Substation and Pole 4 (outside the Eldorado Substation fence).

NEVP will have operational jurisdiction of the Eldorado – Merchant No. 2 230 kV line between Pole 4 and the Merchant 230 kV ~~switchyard~~Substation.

Merchant 230 KV Substation

Center breakers 2308, 2305 and 2302 in the Merchant Substation connect the Merchant 230 kV North Bus to the Merchant 230 kV South Bus.

Jurisdictional Boundary:

The south side of center breakers 2308, 2305 and 2302 in the Merchant Substation.

Operational and Maintenance Responsibility:

NEVP will have operational jurisdiction of the Merchant Substation.

SERVICE SCHEDULE 5

SWITCHING OPERATIONS **[Section 3.2.2]**

Switching and clearances that affect the status of the Interconnections will be coordinated between SCE, Sempra Generation, SDG&E, NEVP, ISO, and the ~~Merchant Generating Station operator~~ISO, as required.

- **Mohave - Laughlin -500 kV Intertie**

After switching has been completed, an intercompany clearance will be issued to the party performing maintenance on the following:

- Laughlin- - Mohave Nos. 1 and 2 500 kV transmission ~~lines~~lines
- Laughlin 500/69 kV Transformer 500 kV disconnects

~~Note: Parallel operation between NEVP Mohave Substation 69 kV and Laughlin Substation 69 kV will be allowed only for the time necessary to transfer load from one source to another and then only after the phase angle difference has been verified to be 10 degrees or less. Otherwise, load transfers will be made by drop and pick up only.~~

~~Mohave - Laughlin -69~~

- **Merchant 230 kV Intertie (Normally Open)**

SCE

Eldorado – Merchant No. 2 230 kV Line

SCE's Eldorado Switching Center, as approved by the ISO, will direct all switching at the Eldorado 230 kV Switchyard.

~~NEVP Mohave Substation 13.8/69 kV. The NEVP Dispatcher will direct all other 69 kV transmission line switching at the Merchant Substation.~~

~~_____ Mohave Generating Station personnel will perform all necessary switching at NEVP Mohave Substation except NEVP personnel will perform the necessary switching to clear the Laughlin-Southpoint-Mohave 69 kV transmission line when such switching is required for 69 kV transmission line work.~~

~~_____ After switching has been completed for clearance on the intertie, NEVP and SCE will exchange intercompany clearances as necessary.~~

~~_____ The ISO, the NEVP Dispatcher, and SCE Grid Control Center will~~

~~establish a telephone communication link prior to transferring load to or from NEVP Mohave Substation.~~

• **Merchant 230 kV Intertie**

~~SCE Eldorado Switching Center, as approved by the ISO, will direct switching at Eldorado 230kV Substation. All switching on the Eldorado – Merchant 230 kV line will be coordinated among the ISO, SCE, and NEVP.~~

The SCE Eldorado Switching Center TSO will establish a telephone communication link with the SCE Grid Control Center Transmission Dispatcher, the ISO Transmission Dispatcher and the NEVP Transmission Operator prior to the start of any switching on either the Eldorado-Merchant No. 1 230 kV transmission line or the Eldorado-Merchant No. 2 230 kV transmission line. The NEVP Transmission Operator will establish a telephone communication link with the operators of the generating facilities connected to the Merchant 230 kV South Bus prior to the start of any switching on the Eldorado-Merchant No. 1 230 kV line. After the aforementioned has been accomplished, the SCE Eldorado Switching Center TSO and the NEVP Transmission Operator will establish a telephone communication link prior to energizing or de-energizing the Eldorado-Merchant No. 1 230 kV line, the Eldorado-Merchant No. 2 230 kV line, or operating any equipment associated with either line.

After switching has been completed for clearances on the intertie, NEVP and SCE will exchange intercompany clearances as necessary. SCE and NEVP will confer on any additional switching orders, such as Hot Line Orders.

Merchant 230 kV Substation

NEVP will direct all switching at the Merchant Substation.

The NEVP Transmission Operator will establish a telephone communication link with the SCE Grid Control Center Transmission Dispatcher and the ISO Transmission Dispatcher prior to the start of any switching in the Merchant 230 kV Substation. The NEVP Transmission Operator will establish a telephone communication link with the operators of the generating facilities connected to the Merchant 230 kV Substation prior to the start of any switching in the Merchant 230 kV Substation. After the aforementioned has been accomplished, the NEVP Transmission Operator and the SCE Eldorado Switching Center TSO will establish a telephone communication link prior to energizing or de-energizing any equipment in the Merchant 230 kV Substation or operating any equipment associated with the Merchant 230 kV Substation.

After switching has been completed for clearances on the intertie, NEVP and SCE will exchange intercompany clearances as necessary. SCE and NEVP will confer on any additional switching orders, such as Hot Line Orders.

SERVICE SCHEDULE 6
REAL TIME OPERATING LIMITS
[Section 3.2.3.1]

- **Mohave - Laughlin -500 kV Intertie**

_____The ~~SCE-NEVP~~Mohave – Laughlin 500 kV intertieIntertie is rated at ~~222~~266 MW with both

Laughlin 500/69 kV transformers in service and 133 MW with one transformer of the Laughlin 500/69 kV transformers in –service.

_____In all cases, the maximum load at Laughlin substation will be limited, as necessary, to protect the Mohave Project electrical system.

_____Laughlin Substation is ~~considered part of~~located in the NEVP control area. As such, NEVP regulates for load changes at Laughlin.

- ~~**Mohave - Laughlin -69 kV Intertie (Normally Open)**~~

_____The ~~NEVP~~ Dispatcher will take the necessary action to maintain the transformer load at or below 50 MW.

- **Merchant 230 kV Intertie**

Initially, the The Merchant 230 kV Intertie is rated at 645 MW. The final path rating is subject to further studies. 797 MW.

SERVICE SCHEDULE 7

[NOT USED]

VOLTAGE CONTROL

[Section 3.2.5]

• **Mohave - Laughlin 500 kV Intertie**

NEVP shall be responsible for supplying the VAR requirements of Laughlin Substation 69 kV load and the 500/69 kV transformers. At the Point of Interconnection, NEVP is committed to help maintain acceptable voltage. It is recognized that the Mohave 500 kV voltage is affected by several factors and cannot be solely controlled by NEVP. Under normal conditions, Mohave 500 kV voltage should be kept within the following limits:

Voltage range: _____ 525 – 535 kV

Target Voltage _____ 530 – 535 kV

Associated with these voltages, the following targets apply to MVAR flow at the Interconnection:

MVAR Schedule: _____ 0 MVAR

MVAR Limit: _____ +20 to –20 MVAR

• **Merchant 230 kV Intertie**

At the Point of Interconnection, NEVP is committed to help maintain acceptable voltage. It is recognized that the Eldorado 230 kV voltage is affected by several factors and cannot be solely controlled by NEVP. Under normal conditions, Eldorado 230 kV voltage should be kept within the following limits:

Voltage range: _____ 230 – 242 kV

Target Voltage _____ 236 – 238 kV

Associated with these voltages, the following targets apply to MVAR flow at the Interconnection:

MVAR Schedule: _____ 0 MVAR

MVAR Limit: _____ +80 to –80 MVAR

SERVICE SCHEDULE 8
INFORMATION EXCHANGE PROCEDURES FOR
GRID OPERATIONS
[Section 3.2.6]

Information Exchange

The ISO and NEVP shall coordinate the exchange of any information specified in Section 3.2.6 concerning the Interconnection facilities and the status of the control areas that may affect the operation of the Interconnection or either of the interconnected control areas. Real time information shall be communicated in the most efficient method possible through any shared electronic, voice, or facsimile. Service Schedule 9 lists information necessary for the reliable operation of the ISO, NEVP, and the WECC.

SERVICE SCHEDULE 9
INTERCONNECTION INFORMATION
[Section 3.2.6.1]

Information necessary for the reliable operation of the ISO, NEVP, and the WECC shall include, but not be limited to, the following operational data:

- 1) Major transmission Outages, planned or unplanned, as they occur or are effected;
- 2) Restoration of major transmission facilities after planned or unplanned Outages;
- 3) Loss or impairment of certain reactive equipment;
- 4) Loss of load or resources resulting in detectable frequency variation;
- 5) Detectable significant weather data and/or atmospheric conditions;
- 6) Significant conditions such as fires, floods, and earthquakes;
- 7) Activation or deactivation of RAS equipment;
- 8) Any planned or unplanned operation that can or will impair the availability or transfer capability of resources; and
- 9) Activation of Emergency Command Centers.

SERVICE SCHEDULE 10
JOINT OPERATING PROCEDURES
[Section 3.2.7]

Parallel operation between Laughlin Substation 69 kV and NEVP Mohave Substation 69 kV will be allowed only for the time necessary to transfer load from one source to another and then only after the phase angle difference has been verified to be 10 degrees or less.

Except as noted above, parallel operation between Laughlin Substation and any other 69 kV source in the area will not be allowed. Load transfers will only be made by drop and pick up.

The ISO, NEVP Dispatcher, and SCE Grid Control Center will establish a telephone communication link prior to switching on the Laughlin-Mohave 500 kV transmission line or Laughlin 500/69 kV transformers.

The ISO, NEVP Dispatcher, and SCE Grid Control Center will establish a telephone communication link prior to switching on the Eldorado– Merchant 230 kV line.

NEVP shall provide the ISO with instructions concerning the Parties' participation and cooperation in mitigation of excessive fault duty of certain 500 kV circuit breakers at McCullough Substation. Said instructions are to be based on an operating procedure, which operating procedure will not be binding on the ISO until approved, in writing, by operations departments of both Parties hereto and SCE's grid operations department. The ISO, NEVP Dispatcher, and SCE Grid Control Center will cooperate in mitigation of excessive fault duty at McCullough Substation pursuant to the above operating procedure.

SERVICE SCHEDULE 11
INFORMATION EXCHANGE AND COORDINATION
FOR SCHEDULING AND DISPATCH
[Section 5.1]

A. PRESCHEDULE CHECKOUT PROCEDURES

Day-Ahead Process: The ISO will confirm net interchange schedules with adjacent control areas based on schedules submitted by Scheduling Coordinators within the parameters of the ISO's Day-Ahead Market after the ISO issues Final Day Ahead schedules.

Hour-Ahead Process: The ISO will confirm hourly net interchange schedules with adjacent control areas based on schedules submitted by Scheduling Coordinators within the parameters of the ISO's Hour-Ahead Market. Interchange schedules submitted by Scheduling Coordinators for existing contract rights-holders that retain rights to submit schedules after the close of the ISO's Hour-Ahead Market parameters will be accepted and the ISO will confirm net interchange schedules with the adjacent control area when the schedule is submitted.

B. REAL TIME CHECKOUT PROCEDURES

The ISO will confirm net interchange schedules with adjacent control areas on a real time basis as required to meet NERC and WECC criteria.

C. AFTER THE FACT CHECKOUT PROCEDURES

The ISO will confirm actual interchange values with adjacent control areas after the close of each settlement period (the scheduling hour, "Hour Ending") as required to meet the obligations of inadvertent interchange energy accounting of prevailing NERC or WECC policy.

SERVICE SCHEDULE 12

[REDACTED PRIVELEGED MATERIAL]

SERVICE SCHEDULE 13
EMERGENCY ASSISTANCE ARRANGEMENTS
[Section 7.1]

To the extent possible, the Parties will assist each other in an emergency by scheduling energy and/or capacity. Such emergency assistance will be available at the sole discretion of the Party supplying it and will be recallable without advance notice as required to meet reliability requirements. ISO and NEVP operators will agree upon and log MW values, start and end times, ramp rates and times, and integrated MWH values for any emergency assistance provided.

The price paid for ISO emergency assistance will be at the ISO market price for energy and/or capacity, plus all applicable charges, as specified in the ISO Tariff and Protocols. Such price may be estimated prior to delivery and finalized in the settlement process. The ISO will establish a Scheduling Coordinator account for NEVP for the sole purpose of facilitating the settlement of such emergency assistance. Payment to the ISO for such emergency assistance will be made in accordance with the settlement process, billing cycle, and payment timeline set forth in the ISO Tariff and Protocols.

The price paid for NEVP emergency assistance will be at a price agreed upon by the Parties or a price established by NEVP for such emergency assistance in advance, as may be applicable. Payment by the ISO for such emergency assistance will be made in accordance with the settlement process, billing cycle, and payment timeline set forth in the ISO Tariff and Protocols.

SERVICE SCHEDULE 14

INDEPENDENT OPERATION DUTIES AND RESPONSIBILITIES

[Section 7.4]

Beyond that included in the body of the agreement, no additional independent operation duties and responsibilities currently exist.

SERVICE SCHEDULE 15
RESTORATION COORDINATION
[Section 7.5]

NEVP and the ISO will work in close cooperation to maximize the reliability of interconnected operations. The WECC MORC and off-nominal frequency procedures will be utilized as applicable. As appropriate, priority will be placed by both Parties on restoration of the Interconnection. The Interconnection will be closed only on orders from the ISO and NEVP.

SERVICE SCHEDULE 16
INTER-CONTROL AREA REQUIREMENTS
FOR
SCHEDULING AND DELIVERING REGULATION SERVICE TO THE ISO

[Section 5.3]

1. General

- 1.1 Purpose. This Service Schedule 16 sets forth the requirements that must be satisfied by the NEVP Control Area (referred to herein as the “Host Control Area”) should it elect to support Scheduling Coordinators’ requests for the certification, scheduling and delivery of regulation service into the ISO Control Area. The requirements encompass technical (energy management system (“EMS”)/automatic generation control (“AGC”) and communications), interchange scheduling, telemetry and control aspects of interconnected Control Area operations.
- 1.2 NERC/WECC Operating Standards Observed. Nothing in this Service Schedule 16 is intended to change, supercede, or alter either Party’s obligations to abide by NERC standards and WECC criteria.
- 1.3 Applicable Standards. This Service Schedule 16 incorporates, by reference, the ISO’s “Standards for Imports of Regulation” (“Standards”) document. The Standards document is available for viewing and can be downloaded from the ISO internet home page: www.caiso.com.
- 1.4 Meaning of “System Resource.” “System Resource” is defined in the ISO Tariff and, in the context of this Service Schedule 16, may include combinations of resources as described in the Standards.

2. Telecommunications Requirements

The ISO and Host Control Area shall establish and maintain real time, redundant diversely routed, bi-directional, communications links between the ISO EMS and the Host Control Area EMS, utilizing the standard inter-control center communications protocol (“ICCP”). Further details regarding telecommunications requirements may be found in the Standards document.

3. Telemetry and Control

- 3.1 Telemetry. For each operating hour for which a System Resource is scheduled to deliver regulation service to the ISO Control Area, the Host Control Area shall provide, via the ICCP communications links to the ISO

EMS, the data for each System Resource as set forth in the Standards document.

- 3.2 Control. The Host Control Area EMS shall be able to receive control signals, in real time, from the ISO EMS, via the ICCP communications links, causing the System Resource to vary its energy production or allocation level from the prescheduled preferred operating point by the specified amount. Further detailed information regarding control requirements may be found in the Standards document.
- 3.3 Delivery of Megawatts (“MW”). The Host Control Area shall only deliver to the ISO the amount of MW being generated by the System Resource. The Host Control Area shall not be obligated to make up any difference between the ISO’s set-point and the MW being generated by the System Resource.

4. Interchange Scheduling Requirements

- 4.1 Dynamic Scheduling. The Host Control Area shall support Scheduling Coordinators’ requests to arrange dynamic interchange schedules for the delivery of regulation service to the ISO Control Area, reflecting the System Resource’s instantaneous energy production or allocation level as caused by real time control signals issued by the ISO EMS/AGC and taking into account available transmission capacity.
- 4.2 Treatment of Area Control Error (“ACE”). The Host Control Area shall instantaneously compensate its AGC for the System Resource’s variable energy output level such that the System Resource energy production or allocation changes, caused by the ISO EMS/AGC control signals, have an equal in magnitude and opposite in sign effect on the Host Control Area’s ACE.
- 4.3 Integration of Dynamic Scheduling. For each operating hour during which regulation service was dynamically scheduled for delivery to the ISO Control Area, the Host Control Area shall compute an integrated amount of interchange based on the System Resource’s integrated energy production by integrating the instantaneous System Resource production levels. Such integrated MHW value shall be agreed to hourly by the real time schedulers.
- 4.4 Access to Information. The Parties agree to exchange information related to control signals issued and telemetry received with respect to the delivery of regulation service (i) at the request of the other Party for purposes of after-the-fact interchange accounting or (ii) on demand for any other purpose.

5. **Other**

- 5.1 **Losses.** The ISO shall not be responsible for transmission losses caused by transmitting regulation service within or across the Host Control Area for delivery to the ISO.
- 5.2 **Certification.** Only ISO-certified System Resource/Host Control Area arrangements will be allowed to bid or self-provide regulation service in the ISO's ancillary services market through an ISO-certified Scheduling Coordinator.
- 5.3 **No Guarantee of Award.** Certification of a System Resource/Host Control Area arrangement allows for bidding of regulation service into the ISO market; it does not, however, guarantee selection of such bid.
- 5.4 **Performance Assessment.** The ISO will monitor and measure imported regulation service, whether bid or self-provided, against the performance benchmarks described in the Standards document.

SERVICE SCHEDULE 17

INTER-CONTROL AREA REQUIREMENTS FOR SCHEDULING AND DYNAMIC DELIVERY OF ENERGY, SUPPLEMENTAL ENERGY, AND ENERGY ASSOCIATED WITH NON-REGULATION ANCILLARY SERVICES TO THE ISO

1. General

- 1.1 Purpose. This Service Schedule 17 sets forth the requirements that must be satisfied by Nevada Power Company (referred to herein as the "Host Control Area") should it elect to support Scheduling Coordinators' requests for implementation of a dynamic scheduling functionality and delivery of energy, supplemental energy, and energy associated with ancillary services (except regulation service) into the ISO Control Area. The requirements encompass technical (energy management system ("EMS")/automatic generation control ("AGC") and communications), interchange scheduling, telemetry, and aspects of interconnected Control Area operations.
- 1.2 NERC/WECC Operating Standards Observed. Nothing in this Service Schedule 17 is intended to change, supercede, or alter either Party's obligations to abide by NERC standards and policies and WECC criteria.
- 1.3 Applicable Standards. This Service Schedule 17 incorporates, by reference, the ISO's *Dynamic Scheduling Protocol* ("DSP") posted on the ISO internet home page: "www.caiso.com".
- 1.4 Meaning of "System Resource". "System Resource" is defined in the ISO Tariff and, in the context of this Service Schedule 17, may include combinations of resources as described in the DSP.

2. Telecommunications Requirements

The ISO and Host Control Area shall establish and maintain real time, redundant, diversely routed, communications links between the ISO EMS and the Host Control Area EMS, with the primary link utilizing the standard inter-control center communications protocol ("ICCP") in accordance with the DSP.

3. Telemetry

For each operating hour for which a System Resource is scheduled to deliver energy, supplemental energy, and/or energy associated with any of the non-regulating ancillary services to the ISO Control Area, the Host Control Area shall provide, via the ICCP communication links to the ISO EMS, the data for each System Resource as set forth in the DSP.

4. Interchange Scheduling Requirements

- 4.1 Dynamic Scheduling. The Host Control Area shall support Scheduling Coordinators' requests to arrange dynamic interchange schedules for the delivery of energy to the ISO Control Area, reflecting the System Resource's instantaneous energy production or allocation level and taking into account available transmission capacity.
- 4.2 Treatment of Area Control Error ("ACE"). The Host Control Area shall instantaneously compensate its AGC for the System Resource's energy output that is generated or allocated for establishing the dynamic schedule to the ISO such that the System Resource energy production or allocation changes have an equal in magnitude and opposite in sign effect on the Host Control Area's ACE.
- 4.3 Integration of Dynamic Scheduling. For each operating hour during which energy was dynamically scheduled for delivery to the ISO Control Area, the Host Control Area shall compute an integrated amount of interchange based on the System Resource's integrated energy production, by integrating the instantaneous System Resource production levels. Such integrated MWH value shall be agreed to hourly by the real time schedulers.
- 4.4 Delivery of Megawatts ("MW"). The Host Control Area shall not be obligated to make up any difference between the dynamic energy schedule and the MW being generated or allocated by the System Resource.
- 4.5 Access to Information. The Parties agree to exchange information related to telemetry sent and received with respect to the delivery of energy (i) at the request of the other Party for purposes of after-the-fact interchange accounting or (ii) on demand for any other purpose.

5. Other Host Control Area Responsibilities

- 5.1 Operational Jurisdiction. The Host Control Area will have, at a minimum, the level of operational jurisdiction over the System Resource and the associated dynamic schedule that NERC and WECC vest in Host Control Areas.

- 5.2 E-Tagging. The Host Control Area must support associated e-tagging as described in the DSP to the extent such e-tagging is deemed not to be inconsistent with NERC and/or WECC requirements.
- 5.3 Real-Time Adjustments. The Host Control Area must have a means to manually override and/or otherwise adjust the dynamic signal in real time, if needed.
- 5.4 Coordination with Other Control Areas. The Host Control Area must provide in real time the instantaneous value of each dynamic schedule to every intermediary Control Area through whose systems such dynamic schedule may be implemented to the ISO.

6. Other

- 6.1 Losses. The ISO shall not be responsible for transmission losses caused by transmitting energy dynamically within or across the Host Control Area for delivery to the ISO.
- 6.2 Certification. Only ISO-certified System Resource/Host Control Area arrangements will be allowed to bid or self provide ancillary services in the ISO's ancillary services market through an ISO-certified Scheduling Coordinator.
- 6.3 No Guarantee of Award. Certification of a System Resource/Host Control Area arrangement allows for bidding of supplemental energy and/or certain ancillary services into the ISO market; it does not, however, guarantee selection of such bid.
- 6.4 Performance Assessment. The ISO will monitor and measure dynamically imported ancillary services, whether bid or self-provided, against the performance benchmarks described in the DSP.

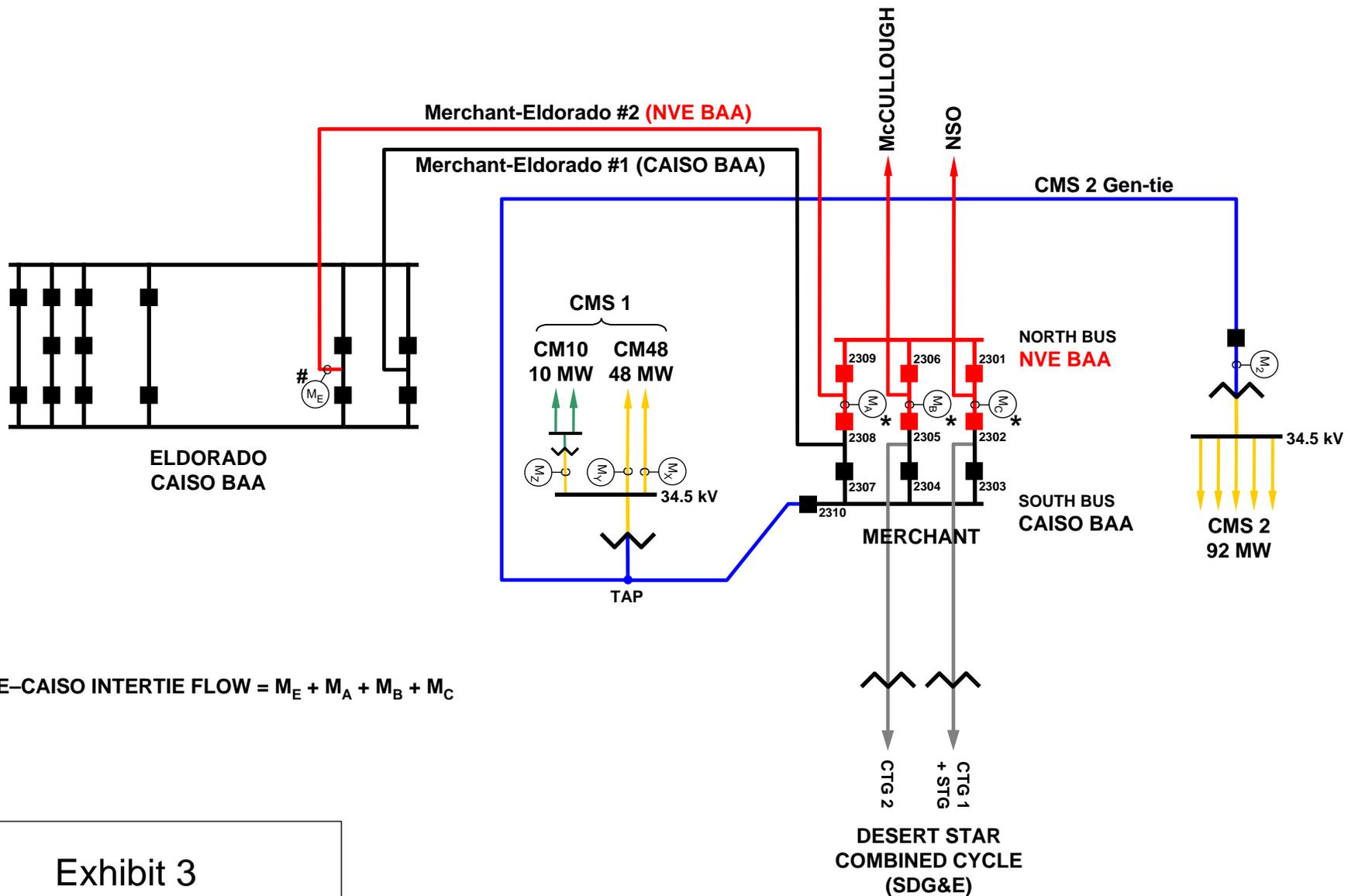
7. CONSENT TO IMPLEMENTATION OF DYNAMIC SYSTEM RESOURCES

Each dynamically scheduled System Resource shall be permitted pursuant to this Service Schedule 17 only upon the written consent of both the Host Control Area and the ISO, which written consent may be communicated by e-mail, and only if the System Resource is subject to a Dynamic Scheduling Agreement for Scheduling Coordinators with the ISO.

Attachment E – Confidential Version - Blackline
Interconnection Control Area Operating Agreement
California Independent System Operator and Nevada Power Company
May 31, 2012

**CONTAINS REDACTED PRIVELEGED MATERIALS – ATTACHMENT HAS BEEN
REDACTED**

Attachment F – Interim Configuration Diagram
Interconnection Control Area Operating Agreement
California Independent System Operator and Nevada Power Company
May 31, 2012



NVE-CAISO INTERTIE FLOW = $M_E + M_A + M_B + M_C$

* NOTE: Meters M_A , M_B and M_C are INCLUDED in the intertie sum.

NOTE: Meter M_E is actually located at Merchant and compensated to Eldorado.

RED INDICATES FACILITIES IN THE NV ENERGY BAA

Exhibit 3
Merchant BAA Boundary Move
State beginning 6-18-12
Stage A Configuration