




Valley Electric Association, Inc.

A Touchstone Energy® Cooperative 

June 21, 2012

Daune Kirrene
Senior Contracts Negotiator, Market and Product Development
California Independent System Operator Corporation
250 Outcropping Way
Folsom, CA 95630

**RE: Valley Electric Association Application to Become a Participating
Transmission Owner**

Dear Ms. Kirrene:

In accordance with Section 4.3 of the 5th Replacement Tariff of the California Independent System Operator Corporation (“CAISO”) and Section 2.2.1 of the Transmission Control Agreement (“TCA”), Valley Electric Association, Inc. (“VEA”) hereby submits an Application to Become a Participating Transmission Owner (“Application”). This Application is being submitted pursuant to the terms of the Transition Agreement, dated October 13, 2011, between VEA and the CAISO, which was approved by the Federal Energy Regulatory Commission (“FERC”) on December 14, 2011, in Docket Number ER11-84-000. VEA gives notice of its intent to file and hereby files the enclosed Application.

VEA is prepared to supply any additional information you require to process this Application. The Application includes a proposed Transmission Owner Tariff. VEA will file its Transmission Revenue Requirement and its Transmission Owner Tariff with FERC no later than October 1, 2012, as required by the Transition Agreement, in order to meet the target date of on or about January 1, 2013 for transfer of operational control of VEA’s transmission facilities to the CAISO.

Copies of this notice and the Application are being provided to all signatories to the TCA. Please contact me if you have any questions regarding this Application. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Thomas H. Husted", is written over a light blue circular stamp.

Thomas H. Husted
Chief Executive Officer
Valley Electric Association, Inc.

CC: TCA Signatories

**Application of Valley Electric Association, Inc. to
the California Independent System Operator Corporation
to Become a Participating Transmission Owner**

June 21, 2012

Valley Electric Association, Inc. (“Valley Electric” or “VEA”) hereby applies to become a Participating Transmission Owner (“Participating TO”) in the California Independent System Operator Corporation (“CAISO”). VEA and its wholly-owned subsidiary, Valley Electric Transmission Association, LLC (“VETA), own certain 230 kV and 138 kV transmission facilities described more particularly herein, which will be placed under the operational control of the CAISO.

VEA and the CAISO entered into a Transition Agreement, dated October 13, 2011, which establishes the process for VEA to join the CAISO as a Participating TO, Load Serving Entity, and Utility Distribution Company, effective on or about January 1, 2013 (the “Transition Date”). A copy of the Transition Agreement is attached as Exhibit F. On October 14, 2011, the CAISO filed the Transition Agreement with the Federal Energy Regulatory Commission (“FERC”), and the filing was docketed as Docket No. ER12-84-000. On December 14, 2011, FERC issued an order approving the Transition Agreement, concluding that “*the Transition Agreement provides a just and reasonable mechanism to integrate the Valley Electric transmission system into the larger CAISO balancing authority area.*” 137 FERC ¶ 61,194 at P 7. This application is being filed pursuant to Article 4 of the Transition Agreement, Section 2.2 of the Transmission Control Agreement, and the 5th Replacement CAISO Tariff.

Valley Electric is a member-owned electric cooperative based in Pahrump, Nevada, with approximately 6,500 square miles of service territory in both Nevada and California. VEA has a retail peak load of approximately 120 MWs. VEA owns and operates approximately 288 circuit miles of 230 kV transmission facilities. VEA currently is constructing an extension of its 230 kV transmission system from VEA’s Pahrump Substation to its Vista Substation, and then to a new point of interconnection with NV Energy at the Northwest Substation. The current expansion is a planned upgrade that is being constructed in order to address critical reliability issues previously identified on VEA’s system.

In addition, VEA’s 230 kV transmission line is interconnected with the Mead Substation, which is owned and operated by the Western Area Power Administration, Desert Southwest Regional Office (“Western-DSR”). VEA has the right to deliver and receive power at the Mead Substation, which initially will be used to move VEA’s transmission system into the CAISO balancing authority area (“BAA”) and provide operational control over VEA’s transmission system to the CAISO. VEA’s contract rights at the Mead Substation are referred to in the Transition Agreement as the “Mead Rights.”

VEA also is developing a new point of interconnection with Southern California Edison (“SCE”) at the Eldorado Substation to establish a direct interconnection to the CAISO controlled grid and an additional point for the CAISO to exercise both physical and operational control over VEA’s

transmission system. This project is referred to in the Transition Agreement as the “Transmission Interconnection.”

1. Description of the Facilities To Be Placed Under CAISO Operational Control

VEA’s existing transmission system includes approximately 288 circuit miles of 230 kV and 138kV transmission lines and associated facilities owned by VETA (the “Transmission System”). The existing 230 kV transmission lines run from Western-DSR’s Mead Substation to VEA’s Pahrump Substation. The existing 138 kV system runs from Western-DSR’s Amargosa Substation, located near Henderson, Nevada, to VEA’s Beatty Substation, and also to the Department of Energy’s Jackass Flats substation in the west. VEA will transfer operational control of the Transmission System to the CAISO, effective on the Transition Date.

VEA is in the process of constructing a 67.5 mile 230 kV transmission line, and associated facilities, which runs from NV Energy’s Northwest Substation to an interconnection with the existing 230 kV system at a point known as “Johnnie.” The existing 230 kV transmission line between Johnnie and the Vista Substation is currently being operated at 138 kV, but will be energized at 230 kV upon completion of the interconnection at the Northwest Substation. Further, the Vista-Pahrump transmission line, which will run from the VEA’s Vista Substation approximately 12 miles south and east to VEA’s Pahrump Substation, also will likely be completed and transferred to CAISO operational control on the Transition Date. Once this project is complete, there will be a complete 230 kV circuit between the Mead Substation and the Northwest Substation. These upgrades are referred to as the “Transmission Upgrade” in the Transition Agreement.^{1/} The Transmission Upgrade and associated facilities will go into service by the end of 2012 and will be transferred to CAISO operational control along with VEA’s existing Transmission System and associated facilities on the Transition Date. VEA also is planning the Transmission Interconnection, which will span the short distance between VEA’s existing 230 kV Pahrump to Mead transmission line and SCE’s facilities at or near the Eldorado Substation, and which will serve, after completion, as a new physical link between VEA and the rest of the CAISO grid. The Transmission Interconnection will be transferred to CAISO operational control upon its completion, which is expected to occur in 2014-2015.

A general map of these facilities is attached as Appendix D. For purposes of confidentiality, VEA will provide a one-line diagram of these facilities to the CAISO in a separate document.

2. Description of VEA’s Entitlements

In addition to the facilities described in Section 1, VEA also has contractual entitlements to the Mead Rights. These rights allow VEA to deliver or receive approximately 400 MWs of power

^{1/} The Transition Agreement inadvertently left out the twelve-mile transmission line under development between the Vista Substation and the Pahrump Substation, which is necessary to complete the 230 kV loop between NV Energy’s system at Northwest Substation and Western-DSR’s system at the Mead Substation. VEA and the CAISO have agreed to amend the Transition Agreement to conform the definition to the parties’ intent. The amendment will be submitted to FERC for approval.

from the bus at the Mead Substation. The Mead Rights will allow VEA to place the Transmission System and associated facilities described in Section 1 under CAISO operational control, effective on the Transition Date. In addition, the Mead Rights will allow the VEA Transmission System to be integrated into the CAISO BAA.

The Mead Rights are established by Contract No. 94- PAO-10569, between VEA and Western-DSR, relating to ownership, operation, maintenance, replacement and financial responsibilities of the facilities and points of interconnection at Mead Substation. A copy of the contract is set out as Appendix A, and a summary of the Entitlement is set out as Appendix B. Section 13.3 of Contract No. 94- PAO-10569 provides that “[e]ach party shall be entitled to transfer capacity and energy between themselves and other third-parties at Mead Substation up to the capability of the Mead Substation 230 kV interconnection facilities, as determined by Western.” Western-DSR has confirmed that any party connected to the Mead bus has the right to deliver or receive power from any other party connected to the Mead bus, without an intervening transaction with Western-DSR. Currently, the CAISO has four lines interconnecting at Mead. According to Western-DSR, once VEA moves to the Western BAA, it will simply view the CAISO as having five lines interconnecting at Mead, rather than four. The CAISO and Western-DSR are pursuing modifications to the Interconnected Balancing Authority Area Operating Agreement between the CAISO and Western-DSR that will allow the CAISO to assume operational control over the VEA transmission system and move the VEA system into the CAISO BAA, effective on the Transition Date.

3. Encumbrances

The transmission lines and associated facilities described in Section 1 are not subject to any Encumbrances as defined in the current CAISO tariff.

4. Transmission Lines and Facilities to Be Placed Under CAISO Operational Control

VEA intends to place its Transmission System and associated facilities, as described in Section 1, under the CAISO’s Operational Control. VEA further intends to place all upgrades or improvements to its Transmission System that are planned and under construction under CAISO operational control when those facilities go into service.

The facilities which VEA does not intend to put under the ISO’s Operational Control include its lower voltage distribution lines and associated facilities. These include all 55 kV and 24.9 kV lines and associated facilities that are properly classified as “distribution facilities” using the 7-point test promulgated by FERC in Order 888. Specifically, these lines and associated facilities are in close proximity to retail customers, are primarily radial in nature, are primarily one-directional, not used for transporting power to another market, transport power that is consumed in a limited geographical area, and are of reduced voltage.

5. Local Reliability Criteria

VEA is not subject to any specific Local Reliability Criteria applicable to the Transmission System and associated facilities that will be placed under the CAISO's operational control. VEA's Applicable Reliability Criteria will be that established by NERC and WECC standards.

6. Maintenance Practices

VEA's current maintenance practices conform to all applicable NERC and WECC maintenance standards. In addition, VEA has a Protection System Maintenance and Testing Program that is updated and revised annually. This program provides for programmatic system maintenance and testing, complete with established intervals, of all facets of the Transmission System. All facilities transferred to CAISO operational control will be maintained consistently with all CAISO-approved maintenance standards.

7. Temporary Waiver of Reliability Criteria

VEA is not requesting any waivers of any Applicable Reliability Criteria.

8. Proposed Transmission Owner ("TO") Tariff

A draft Transmission Owner ("TO") Tariff is attached as Appendix C. As described in Section 1 of this Application, VEA is constructing significant upgrades to the Transmission System that will go into operation on or before the Transition Date. The final cost of these facilities will be established during the coming months.

The final TO tariff will not go into effect until it is accepted for filing by FERC. VEA will file its Transmission Revenue Requirement ("TRR") and TO Tariff with FERC no later than October 1, 2012. FERC acceptance of VEA's TRR and TO Tariff is a condition precedent to the Transition Date.

9. Transmission Revenue Requirement Data Request Form

As noted in Section 8, VEA will file its TRR with FERC no later than October 1, 2012. At the time VEA files its TRR with FERC, VEA will provide the CAISO with a completed Transmission Revenue Requirement Data Request Form.

The TRR will be comprised of the costs of owning and operating VEA's High Voltage Transmission System, and as applicable, VEA's Low Voltage Transmission System. The TRR will be incorporated into CAISO's Transmission Access Charge pursuant to the CAISO Tariff upon acceptance by FERC.

10. Address and Contact Names

Thomas H. Husted CEO Valley Electric Association P.O. Box 237 Pahrump, NV 89041 (775) 727-2139 (phone) tomh@vea.coop	Brad Van Cleve Davison Van Cleve, P.C. 333 SW Taylor, Suite 400 Portland Ore. 97204 (503) 241-7242 (phone) (503) 241-8160 (fax) bvc@dvclaw.com
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11. Other Information

VEA will supply any other information needed by the CAISO to evaluate VEA's ability to comply with its obligations as a participating TO and to process this application in a timely manner.

12. Settlement Account

For purposes of confidentiality, VEA will provide information regarding settlement accounts in a separate document.

13. MWh Demand Per Month for the Test Period

VEA's estimated peak demand per month for the test period is attached hereto as Appendix E. VEA will provide updated test period demand information at the time it files its TRR with FERC.

14. Instructions On How to Implement VEA Entitlements at Mead Substation

Western-DSR and NV Energy have agreed in principle to work with VEA and the CAISO to identify and complete the necessary technical and contractual changes to give the CAISO operational control over VEA's transmission facilities and allow VEA to move into the CAISO Balancing Area Authority, effective on the Transition Date. The parties are in the process of working out the necessary arrangements to accomplish this.

APPENDIX A

Mead Rights Contract



Department of Energy
Western Area Power Administration
Desert Southwest Customer Service Region
P.O. Box 6457
Phoenix, AZ 85005-6457

VALLEY ELECTRIC ASSOCIATION

AUG 12 1996

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CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Mr. Louis R. Holveck
General Manager
Valley Electric Association, Inc.
P.O.Box 237
Pahrump, NV 89041

Dear Mr. Holveck:

One fully executed original dated August 2, 1996, of Contract No. 94-PAO-10569 (Contract) is enclosed. This Contract provides for the ownership, operation, maintenance, replacement, and financial responsibility of the facilities at Mead Substation.

All questions regarding this Contract should be addressed to me at (602) 352-2659. Technical questions should be addressed to Ms. Teresita Amaro at (602) 352-2549.

Sincerely,

Jennifer L. Shaw
Public Utilities Specialist

Enclosure



**United States
Department of Energy**

**WESTERN AREA
POWER ADMINISTRATION**

**Desert Southwest
Regional Office**

CONTRACT

CONTRACT NO. 94-PAO-10569

BETWEEN

**UNITED STATES
DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
DESERT SOUTHWEST REGION
Parker-Davis Project**

AND

VALLEY ELECTRIC ASSOCIATION, INC.

FOR

**OWNERSHIP, OPERATION, MAINTENANCE, REPLACEMENT,
AND INTERCONNECTION OF THE 230-KV FACILITIES
AT MEAD SUBSTATION**

1 2.3 The State of Nevada and its Colorado River Commission (CRC) receive
2 capacity and energy from Western in accordance with the terms and conditions of the
3 following contracts between Western and CRC, as amended or superseded: Contract
4 No. DE-MS65-86WP39579 dated January 1, 1987, for electric service from the Boulder
5 Canyon Project; Contract No. 87-BCA-10086 dated January 22, 1988, for electric service
6 from the Parker-Davis Project; Contract No. 87-BCA-10004 dated March 9, 1989, for
7 firm electric service from the Salt Lake City Area Integrated Projects; Contract
8 No. DE-MS65-86WP39598 dated May 28, 1989, for firm transmission service from the
9 Parker-Davis Project; and Contract No. 90-BCA-10313 dated May 24, 1990, for firm
10 transmission service from the Pacific Northwest-Pacific Southwest Intertie.

11 2.4 VEA receives capacity and energy at Amargosa Substation as a contractor
12 of the CRC.

13 2.5 VEA and Western entered into Contract No. DE-ME65-85WP39514 dated
14 February 26, 1987, which provides for installation of a 230/138/13.8-kV transformer and
15 other facilities, reservation of capacity, and operation and maintenance of the facilities at
16 Amargosa Substation.

17 2.6 At VEA's request, the Parties entered into Letter Agreement
18 No. 93-PAO-10539 dated November 15, 1993, which provides for a study to determine
19 the feasibility of a proposed transmission line interconnection (Interconnection) at
20 Western's Mead Substation which will provide primary 230-kV electric service directly to
21 Pahrump, Nevada, over a transmission line constructed by VEA. Amargosa Substation
22 will become the secondary electric service feed for VEA.

23 2.7 As a result of that feasibility study, the Parties entered into Contract
24 No. 93-PAO-10561 which provides for the construction of a permanent 230-kV
25 interconnection, Bay 20, at Mead Substation, as shown in Exhibit A, attached hereto.
26
27
28

1 2.8 The Parties desire to provide for the ownership, operation, maintenance,
2 replacement, and interconnection of the 230-kV facilities installed under Contract
3 No. 93-PAO-10561 at Mead Substation.

4 3. **AGREEMENT:** The Parties agree to the terms and conditions set forth herein.

5 4. **TERMINATION OF PRIOR AGREEMENTS:** Contract No. 93-PAO-10561 dated
6 November 28, 1994, is hereby terminated upon execution of this Contract.

7 5. **TERM OF CONTRACT:** This Contract shall become effective on the date
8 first written above and shall remain in effect until midnight September 30, 2017. Either
9 Party may modify or discontinue a service provided for herein to the other Party upon a
10 two (2) year advance written notice to the other Party unless otherwise mutually agreed.

11 6. **LICENSE:**

12 6.1 The Contractor, under the terms and conditions specified herein, grants to
13 Western, its employees, agents, and contractors, a license to enter the Contractor's
14 easements and right(s)-of-way to accomplish the work provided for in this Contract,
15 providing proper advance arrangements are made with the Contractor.

16 6.2 Western, under the terms and conditions specified herein, grants to the
17 Contractor, its employees, agents, and subcontractors, a license to enter Western's
18 easements and rights-of-way to accomplish the work provided for in this Contract,
19 providing proper advance arrangements are made with Western.

20 6.3 All operations, maintenance, replacements, and removal of facilities by
21 either Party under this Contract shall be coordinated with the other Party to eliminate or
22 minimize interference with the operation and maintenance of the transmission system or
23 facilities of the other Party.

24 6.4 Each Party grants to the other Party a license for the facility connections set
25 forth in Exhibit B, attached hereto.

26 7. **OWNERSHIP:** Ownership of the facilities to be operated, maintained, replaced, or
27 removed pursuant to this Contract shall be vested in the Parties as listed in Exhibit B.
28

1 8. **OPERATION OF FACILITIES:**

2 8.1 The Parties shall agree on operating procedures to govern the control and
3 operation of facilities referenced in this Contract.

4 8.2 Inasmuch as the responsibilities for operations of facilities may be different
5 for each facility and may change during the term of this Contract, they will be listed in
6 exhibits which will be attached and made a part hereof.

7 8.3 The Parties agree that, as a general philosophy, those facilities that become
8 an integral part of either Party's transmission system shall be operated by the Party
9 owning the transmission system. The Parties also agree that, in the case of construction
10 of new facilities or the modification of existing facilities, the Parties shall negotiate
11 arrangements which result in an operational configuration mutually agreeable to the
12 Parties.

13 8.4 In recognition of the fact that the operating philosophy and guidelines of
14 each of the Parties are compatible, the Parties agree that they will follow the policies and
15 procedures of the Party owning the facilities when operating such facility. The Contractor
16 recognizes the dispatch authority of Western as system dispatcher and agrees to operate
17 facilities in accordance with Western's instructions when such operation is necessary for
18 the efficient and secure operation of the interconnected system.

19 8.5 If during emergency operations, maintenance, or replacements of
20 transmission facilities by either Party for the other Party, operation of the facilities of the
21 other Party are required and a representative of such other Party cannot be made readily
22 available for such operation, or fails to perform such operation, the Party performing
23 emergency operations, maintenance, or replacements may, upon notice to such other
24 Party, operate the facilities; Provided, That if upon operation or attempted operation of
25 the transmission facilities by the Party performing emergency operations, maintenance, or
26 replacements, an operation mechanism fails or malfunctions, and the Party financially
27 responsible for the mechanism fails to repair it within a reasonable time, the Party
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1 performing emergency operations, maintenance, or replacements, in order to maintain the
2 integrity of its system, shall have the right to make the necessary repairs or replacements
3 at the expense of the Party financially responsible for the failed mechanism.

4 9. **MAINTENANCE AND REPLACEMENT OF FACILITIES:**

5 9.1 Inasmuch as the responsibilities for maintenance and replacement may be
6 different for each facility, and may change during the term of this Contract, they will be
7 listed in exhibits which will be attached and made a part hereof.

8 9.2 The Parties, as mutually agreed, will perform routine maintenance and
9 replacements for each other. Routine maintenance and replacements shall be defined as
10 the work typically performed on the Parties' facilities in an annual work plan. Routine
11 maintenance and replacement costs are defined as those annual charges set forth in the
12 appropriate exhibits. Routine maintenance and replacement costs shall include labor and
13 employee-related expenses, the costs for miscellaneous small parts and material available
14 from warehouse stock, costs for use of maintenance and test equipment normally available
15 to each Party, and all associated allocable costs.

16 9.3 The Contractor shall make an advance payment to Western based on
17 estimated costs for the routine maintenance and replacements of the facilities listed in the
18 exhibits. The charge for the estimated annual cost for routine maintenance and
19 replacements shall be paid on or before the date and in the amounts specified in the
20 appropriate exhibit. Payments shall be prorated for a partial year, as appropriate, and set
21 forth in the exhibit; Provided, That if the initial routine maintenance charge is less than
22 the amount advanced by the Contractor, the remaining monies shall be applied to the
23 following year's annual routine maintenance and replacement charge; Provided further,
24 That should the routine operation and maintenance costs exceed the amount advanced,
25 Western shall bill the Contractor for those costs and the Contractor shall pay upon
26 demand.

1 9.4 Major Maintenance: The Parties will perform major maintenance,
2 improvements, repairs, replacements, or modifications for each other only upon request;
3 Except, That in emergencies, the Party operating a facility reserves the right to make
4 major repairs upon notice to the other Party. Costs of major maintenance, improvements,
5 repairs, replacements, or modifications are defined as costs of installation, labor,
6 component parts, and allocable expenses in excess of the annual cost for routine
7 maintenance and replacement specified in each exhibit. Should an emergency occur,
8 necessary actions will be taken by either Party pursuant to Section 8.5.

9 9.5 For major maintenance, improvements, repairs, replacements, or
10 modifications, each Party will advise the other of the estimated cost, including all
11 allocable costs; Provided, That;

12 9.5.1 The Contractor shall pay Western the full amount in advance upon
13 receipt of the estimate. If the total costs allocable are greater than the amount advanced
14 by the Contractor, the Contractor shall pay Western the difference on demand. If the total
15 costs allocable are less than the amount advanced by the Contractor, the difference shall
16 be refunded to the Contractor by Western without any interest whatsoever, as soon as the
17 necessary vouchers can be prepared; and

18 9.5.2 Western shall pay the Contractor for actual costs incurred and
19 billed by the Contractor, including administrative and general expenses, as soon as the
20 appropriate vouchers can be prepared; and

21 9.5.3 Except as noted in Section 9.4, the Parties hereto shall perform
22 their own major maintenance, improvements, repairs, replacements, or modifications of
23 facilities, as noted in the exhibits, without cost to the other Party.

24 9.6 Facilities owned by the Contractor at taps, substations, and/or
25 interconnections which must be replaced due to upgrading of the transmission systems
26 managed by the Desert Southwest Regional Office shall be replaced by the Contractor, or
27 by Western at the Contractor's expense after consultation with the Contractor.
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1 10. **USE OF FACILITIES:**

2 10.1 The Contractor, at Western's expense and in a manner satisfactory to the
3 Contractor, shall permit Western to attach to the Contractor's bus facilities at locations
4 where Western has allowed the Contractor to interconnect with or tap Western's
5 transmission lines, and to install such facilities as Western may require for points of
6 delivery to or interconnection with Western's customers.

7 10.2 All costs for installing, maintaining, replacing, repairing, or removing the
8 facilities so attached by Western shall be at Western's expense.

9 10.3 Western shall, upon request by the Contractor, compensate the Contractor
10 for the costs of additional facilities required to be furnished or installed by the Contractor
11 at the said interconnection as a consequence of the facilities so attached by Western.
12 Western shall pay the Contractor for all costs incurred and billed by the Contractor for
13 such facilities as soon as the appropriate vouchers can be prepared.

14 10.4 The Contractor shall not require a fee or other charge for the transfer of
15 power across its bus facilities at such interconnection or tap points.

16 11. **MODIFICATIONS TO FACILITIES:** Western reserves the right to solely determine if
17 modification or replacement of facilities within its system is necessary for the purpose of
18 system reliability, capacity, obsolescence, or enhancement. The Contractor, at its sole
19 expense, shall pay for said modifications or replacements of the facilities, as listed in the
20 exhibits, which benefit the Contractor, either in whole or in part, which would not be
21 required except for the Contractor's activities related to Western's power system.

22 12. **REMOVAL OF FACILITIES:**

23 12.1 Facilities or equipment listed in the attached exhibits shall not be removed
24 without the written consent of the Parties if such removal would adversely impact the
25 transmission system of either Party.

26 12.2 Upon termination or modification of the Parties' rights at each location as
27 listed in this Contract and the attached exhibits, the Contractor shall take the necessary
28

1 action to transfer to Western, at no cost to Western, ownership of any Contractor-owned
2 facility or equipment (with all necessary associated facilities) including, but not limited to,
3 buildings and land or land rights which, as a result of its location, has become an integral
4 part of Western's transmission system through which power must flow on Western's
5 transmission system.

6 12.3 Upon written notification prior to the termination of the Contractor's rights,
7 as listed in this Contract and in the attached exhibits, Western shall have the option to
8 purchase, at the termination of said right, any of the Contractor's facilities listed in the
9 attached exhibits. If Western does not elect to purchase said facilities, the Contractor
10 shall remove, at its own expense and within one hundred eighty (180) days following the
11 termination of said right, the Contractor-owned facilities upon Western property pursuant
12 to this Contract. The Contractor shall remove all materials belonging to it and leave the
13 site in a condition acceptable to Western.

14 12.4 In the event that the Contractor fails to remove said facilities within one
15 hundred eighty (180) days, unless otherwise agreed by the Parties, Western has the right
16 to exercise the following options:

17 12.4.1 Western may remove the Contractor-owned facilities and dispose
18 of them in a manner consistent with sound business principles. Western may sell the
19 salvaged facilities, and any monies remaining after deducting Western's cost of removal
20 and disposal, and appropriate allocable expenses will be returned to the Contractor.
21 Should sale of the salvaged facilities fail to meet Western's cost of removal and disposal,
22 the Contractor shall pay Western the difference upon demand.

23 12.4.2 Western may remove said facilities and deliver them to the
24 Contractor. The Contractor shall pay Western for the removal, delivery, and appropriate
25 allocable expenses.

26 12.4.2 Western may assume ownership of the facilities and may continue
27 to utilize the facilities at Western's discretion.
28

13. **POINT OF INTERCONNECTION AND TRANSFER CAPABILITY:**

13.1 The connection, hereinafter called Point of Interconnection, between the Contractor and Western through which energy may at times flow between the Contractor's electric system and Western's electric system, shall be at the load side of Circuit Breakers Nos. 6786 and 6682 at Mead Substation, as shown in Exhibit A. The energy transferred at the Point of Interconnection shall be measured at 230-kV by JEM-II metering equipment, or its equivalent, as determined by Western. Amargosa Substation will become the secondary electric service feed for VEA.

13.2 The electric systems of the Parties shall, unless otherwise specified, remain interconnected continuously except for:

13.2.1 Interruptions or reductions due to uncontrollable forces, as defined in Article 34 of the General Power Contract Provisions, attached hereto.

13.2.2 Interruptions or reductions due to operation of devices installed for electric system protection.

13.2.3 Interruptions or reductions which, in the opinion of either Party, are necessary or desirable to maintain, repair, replace, or install equipment, or to investigate and inspect the facilities. The Parties shall cooperate to minimize adverse impacts of outages on each other's electric system at the Point of Interconnection. The Parties shall notify each other at least seventy-two (72) hours prior to any scheduled work that will open the Point of Interconnection.

13.3 Each Party shall be entitled to transfer capacity and energy between themselves and other third parties at Mead Substation up to the capability of the Mead Substation 230-kV interconnection facilities, as determined by Western.

14. **CHARGE FOR USE OF FACILITIES:** The Contractor shall pay a monthly charge to Western for its interconnection and share in the costs of common use facilities, as provided in Exhibit C, attached hereto. The monthly charge will be calculated by Western on the basis of a charge per month as soon as possible at the end of the Federal

1 fiscal year using the latest cost data available. Charges for the use of Mead Substation
2 facilities shall typically be cost based, and shall be reviewed at appropriate intervals as
3 determined by Western, or upon written request by the Contractor, but not more often
4 than once a year. Any charge revised by Western shall be set forth and forwarded to the
5 Contractor in a revised Exhibit C and shall become applicable to this Contract as of the
6 effective date of the Exhibit C revision.

7 15. **REACTIVE POWER:** Except as the authorized representatives of the Parties may
8 otherwise agree, each Party shall be responsible for providing the reactive kilovoltamperes
9 to satisfy its reactive power requirements and its share of the reactive requirements for
10 voltage control at the Point of Interconnection. The Parties shall coordinate the utilization
11 of generation control equipment, capacitors, or reactors to maintain transmission voltages
12 and reactive flows at levels mutually acceptable for full electric system performance and
13 stability. It is the Contractor's responsibility to assure that its supplier(s),
14 subcontractor(s), or agent(s) satisfy the Contractor's obligations to Western hereunder.

15 16. **METERING:** The metering at the Point of Interconnection shall be installed at the
16 Contractor's expense. Western will own, operate, maintain, and replace all revenue
17 metering facilities pursuant to this Contract as listed in the exhibits.

18 17. **METERING AND SCHEDULING INSTRUCTIONS:**

19 17.1 No energy shall be received or scheduled to be received for transmission by
20 either Party and no deliveries shall be made pursuant to this Contract at this
21 interconnection until the authorized representatives of the Parties have entered into written
22 metering and scheduling instructions or revised metering and scheduling instructions
23 which detail the operating arrangements and accounting procedures to be followed by the
24 Parties.

25 17.2 Metering and scheduling instructions are intended to implement the terms
26 of this Contract but not to modify or amend it and are, therefore, subordinate to this
27 Contract.
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1 17.3 It is the Contractor's responsibility to effectuate agreement(s) with any third
2 party or parties which may be necessary to enable the Contractor to accept deliveries
3 hereunder.

4 17.4 Metering and scheduling instructions shall be reviewed periodically. In the
5 event Contract additions or electric system additions or modifications make it necessary to
6 revise existing metering and scheduling instructions and the Parties fail to enter into
7 revised arrangements, Western shall put into effect revised temporary procedures until
8 mutually acceptable instructions have been developed and executed by the Parties.

9 18. **RESPONSIBILITY FOR HAZARDOUS MATERIALS:** When either Party owns
10 equipment containing hazardous material located on the other Party's substation,
11 switchyard, right-of-way, or other property, the equipment owner shall be responsible for
12 all activities related to hazardous materials in such equipment that are necessary to meet
13 the requirements of the Toxic Substances Control Act (15 U.S.C. 2601 *et seq.*), the Solid
14 Waste Disposal Act and the Resource Conservation and Recovery Act of 1976 (42 U.S.C.
15 6901 *et seq.*), the Comprehensive Environmental Response, Compensation, and Liability
16 Act of 1980 (42 U.S.C. 9601 *et seq.*), and the regulations implementing these laws, as
17 they may be amended, and any other existing or subsequent applicable Federal or state
18 laws and regulations. Each Party shall label its equipment containing hazardous material
19 in accordance with appropriate laws and regulations. If the Party owning the equipment
20 does not perform activities required under appropriate laws and regulations within time
21 limits specified therein, the other Party may perform or cause to be performed the
22 required activities after notice to and at the sole expense of the Party owning the
23 equipment.

24 19. **CONTINUOUS TRANSMISSION:** When either Party's facilities sectionalize a
25 transmission line of the other Party, the Party owning the transmission line is hereby
26 guaranteed continuous transmission, through the new installation, at least equal in
27 reliability and capacity to the transmission line prior to the new interconnection.
28

- 1 20. **STATION SERVICE:** Provisions for furnishing and metering station service for the
2 facilities of either Party covered by this Contract shall be included with the list of facilities
3 in an appropriate facility exhibit, attached hereto. Until station service metering
4 equipment is installed, each Party shall compensate the other for the supply of unmetered
5 station service in an amount, for each facility, specified in the exhibit. Such charges shall
6 be billed annually, and shall be due and payable in accordance with the General Power
7 Contract Provisions. Either Party may change the amount of the annual compensation for
8 unmetered station service on one (1) year's advance written notice to the other Party.
- 9 21. **SPECIAL PROVISIONS:** As part of the negotiations for the construction, operation,
10 maintenance, and replacement of a new facility, the Parties may agree upon additional
11 special provisions associated with such facility. Such unique provisions may include
12 future upgrades, enlargements, betterments, or additional facility construction, exchange
13 of equipment, use of rights-of-way or facilities of either Party, and similar unique terms
14 and conditions. These special provisions shall be included in the appropriate exhibit,
15 attached hereto, detailing the responsibility of the Parties for operations, maintenance, and
16 replacement of the facilities associated with the special provisions.
- 17 22. **CONTROL AND POSSESSION OF SYSTEMS:** Except as noted in Section 7, each
18 Party shall remain in exclusive control and possession of its system, and this Contract
19 shall not be construed to grant either Party any rights of ownership, control, or possession
20 of the other Party's system.
- 21 23. **AUTHORITY TO EXECUTE:** Each person executing this Contract on behalf of a Party
22 is duly authorized to enter into this Contract on behalf of and to bind the Party
23 represented.
- 24 24. **EXHIBITS:** Inasmuch as certain provisions of this Contract may change during the term
25 of this Contract, they will be set forth in exhibits as formulated and modified from time to
26 time as agreed upon by the Parties. The initial Exhibits A through C are attached hereto,
27 made a part hereof, and shall be in full force and effect in accordance with their respective
28

1 terms until superseded by a subsequent exhibit; Provided, That each exhibit will be
2 reviewed as specified in the exhibit.

3 25. GENERAL POWER CONTRACT PROVISIONS: The General Power Contract
4 Provisions (GPCP) dated August 15, 1995, as they may apply, are attached hereto and are
5 hereby made a part of this Contract the same as if they had been expressly set forth
6 herein; Provided, That if the articles in the GPCP are in conflict with this Contract, the
7 provisions of this Contract shall control.

8
9 IN WITNESS WHEREOF, the Parties have caused this Contract No. 94-PAO-10569 to
10 be executed the date first written above.

11
12 DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION

13
14 By 

J. Tyler Carlson

15 Title Regional Manager

16 Address Desert Southwest Region

P.O. Box 6457

Phoenix, AZ 85005-6457

17
18
19
20
21 VALLEY ELECTRIC ASSOCIATION, INC.

22 By 

23 Title General Manager

24 Address P.O. Box 237

Patsump, NV 89041

Exhibit B
 Contract No. 94-PAO-10569
 VALLEY ELECTRIC ASSOCIATION
 MEAD SUBSTATION

**OWNERSHIP, OPERATION, MAINTENANCE, REPLACEMENT
 FINANCIAL RESPONSIBILITIES OF THE FACILITIES, AND
 POINTS OF INTERCONNECTION AT MEAD SUBSTATION**

1. This Exhibit B, made this 2nd day of August, 1996, to be effective under and as a part of Contract No. 93-PAO-10569, dated August 2, 1996, hereinafter called the Contract, shall become effective on the date first written above and shall remain in effect until superseded by another Exhibit B; Provided, That this Exhibit B or any superseding Exhibit B shall terminate upon expiration of the Contract.

2. Ownership, Operation, Maintenance, Replacement of Facilities, and Financial Responsibility: By virtue of the approval granted by the Contract, the ownership, operation, maintenance, replacement of facilities, and financial responsibilities specified under the Contract shall be as follows:

Equipment	Operation	Maintenance & Replacement	Ownership	OM&R Financial Responsibility
230-kV Motor Operated Disconnect Switch Nos. 6883, 6785, 6681 and 6683	Western	Western	Western	VEA
230-kV Gang-operated Ground Switch No. 6780				
230-kV Circuit Breaker Nos. 6682 and 6786				
Revenue Meter - JEM II				

Exhibit B
 Contract No. 94-PAO-10569
 VALLEY ELECTRIC ASSOCIATION
 MEAD SUBSTATION

Equipment	Operation	Maintenance & Replacement	Ownership	OM&R Financial Responsibility
Power Line Carrier including Power Line Carrier Wave Trap, Coupling Capacitor, Potential Device, and associated equipment	Western	Western	Western	VEA
Lattice Steel Tower No. 593				
Turning Steel Tower No. 592				
230-kV Current Transformer No. QW66A				
Associated bus, structures, cable, wire, protective equipment, bushings, relays, PT's and CT's				
SCADA RTU and associated equipment				

3. In accordance with Section 9 of the Contract, the estimated charge to the Contractor for routine operation and maintenance of the Bay 20 facilities at Mead Substation is nine thousand seven hundred dollars (\$9,700) annually, prorated for periods of less than one (1) year on the basis of one-twelfth of the total annual payment per month, or eight hundred eight dollars and thirty-three cents (\$808.33).

4. POINTS OF INTERCONNECTION: The points of interconnection between Western and the Contractor in the 230-kV facilities at Mead Substation shall be as follows:

Points of Interconnection
 Mead - Pahrump Transmission Line

5. This Exhibit B may be modified as provided by Section 24 of the Contract.

**CHARGE FOR USE OF BAY 20 INTERCONNECTION
AT MEAD SUBSTATION**

1. This EXHIBIT C, made this 2nd day of August, 1996, to be effective under and as part of Contract No. 94-PAO-10569 dated August 2, 1996, hereinafter called "Contract", shall become effective on the date first written above and shall remain in effect until superseded by another Exhibit C, in accordance with the provisions of the Contract; Provided, That this Exhibit C or any superseding Exhibit C shall be terminated by the expiration of the Contract.
2. The charge for use of the Mead Substation Bay 20 interconnection shall be calculated as follows:

ANNUAL AMORTIZATION, INTEREST, AND REPLACEMENT COSTS

Estimated Annual Amortization and Interest Costs	\$1,274,710.95
Total Estimated Annual Replacement Cost	\$1,028,470.05
TOTAL ESTIMATED ANNUAL AMORTIZATION AND REPLACEMENT COSTS FOR BAY 20	<u>\$2,303,181.00</u>

OPERATION AND MAINTENANCE (O&M) COSTS

TOTAL ANNUAL O&M COSTS AT MEAD SUBSTATION	<u>\$1,060,306.42</u>
TOTAL ANNUAL COST AT MEAD SUBSTATION	<u>\$3,363,487.42</u>

Exhibit C
Contract No. 94-PAO-10569
VALLEY ELECTRIC ASSOCIATION
MEAD SUBSTATION

COST PER FUNCTION AT MEAD SUBSTATION

Number of Designated Functions at Mead Substation	38.67
Annual Cost per Function	\$86,979.25
Multiplied by Contractor's Designated Functions	X 1.33
TOTAL ANNUAL COST ALLOCATED TO CONTRACTOR	<u>\$115,682.40</u>
TOTAL MONTHLY COST ALLOCATED TO CONTRACTOR	<u>\$9,640.20</u>

4. This Exhibit C may be modified from time to time in accordance with Section 24 of the Contract.

WESTERN AREA POWER ADMINISTRATION
GENERAL POWER CONTRACT PROVISIONS

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* Revised August 15, 1995.

WESTERN AREA POWER ADMINISTRATION
GENERAL POWER CONTRACT PROVISIONS

I. APPLICABILITY.

1. Applicability.

1.1. These General Power Contract Provisions shall be a part of the contract to which they are attached. These provisions set forth general conditions applicable to the contract. Specific terms set forth in the contract have precedence over any provision herein.

* 1.2. If the Contractor has member utilities which are either directly or indirectly receiving benefits from the contract, then the Contractor shall require such members to comply with the General Power Contract Provisions, Articles 10, 17, 18, 19, 29, 30, 36, 43, 44, and 45.

II. DELIVERY OF SERVICE PROVISIONS.

2. Character of Service.

Electric energy supplied or transmitted under the contract will be three-phase, alternating current, at a nominal frequency of sixty (60) hertz (cycles per second).

3. Use of Capacity or Energy in Excess of Contract Obligation.

The Contractor is not entitled to use Federal power, energy, or capacity in amounts greater than the Western contract delivery obligation in effect for each type of service provided for in the contract except with the approval of Western. Unauthorized overruns of contract delivery obligations shall be subject to charges specified in the contract or the applicable rate schedules. Overruns shall not establish any continuing right thereto and the Contractor shall cease any overruns when requested by Western, or in the case of authorized overruns, when the approval expires, whichever occurs first. Nothing in the contract shall obligate Western to increase any delivery obligation. If additional power, energy, or capacity is not available from Western, the responsibility for securing additional power, energy, or capacity shall rest wholly with the Contractor.

4. Continuity of Service.

Electric service will be supplied or transmitted continuously except for: (1) fluctuations, interruptions, or reductions due to uncontrollable forces, as defined in Article 34 (Uncontrollable Forces) herein, (2) fluctuations, interruptions, or reductions due to operation of devices installed for power system protection; and (3) temporary fluctuations, interruptions, or reductions, which, in the opinion of the party supplying the service, are necessary or desirable for the purposes

of maintenance, repairs, replacements, installation of equipment, or investigation and inspection. The party supplying service, except in case of emergency, will give the party to whom service is being provided reasonable advance notice of such temporary interruptions or reductions and will remove the cause thereof with diligence.

5. Multiple Points of Delivery.

When electric service is supplied at or transmitted to two or more points of delivery under the same rate schedule, said rate schedule shall apply separately to the service supplied at or transmitted to each point of delivery; Provided, That where the meter readings are considered separately, and during abnormal conditions, the Contractor's system is interconnected between points of delivery such that duplication of metered power is possible, the meter readings at each affected point of delivery will be adjusted to compensate for duplication of power demand recorded by meters at alternate points of delivery due to abnormal conditions which are beyond the Contractor's control or temporary conditions caused by scheduled outages.

6. Metering.

* 6.1. The total electric power and energy supplied or transmitted under the contract will be measured by metering equipment to be furnished and maintained by Western, a designated representative of Western, or by the Contractor. The Contractor shall ensure that metering equipment furnished and maintained by the Contractor or another power supplier, as provided in the contract, meets the metering standards of Western if such metering equipment will be used for billing or other accounting purposes by Western.

* 6.2. Meters shall be sealed and the seals shall be broken only upon occasions when the meters are to be inspected, tested, or adjusted, and representatives of the interested parties shall be afforded reasonable opportunity to be present upon such occasions. Metering equipment shall be inspected and tested each year by the party responsible for meter maintenance, unless another test interval is agreed upon by the parties. Meters shall also be tested at any reasonable time upon request by either party hereto, a supplemental power supplier, transmission agent, or control area operator. Any metering equipment found to be damaged, defective, or inaccurate shall be repaired and readjusted or replaced by the party responsible for meter maintenance. Meters found with broken seals shall be tested for tampering and, if appropriate, meter readings shall be adjusted by Western pursuant to Article 6.3 below.

6.3. Except as otherwise provided in Article 6.4 hereof, should any meter that is needed by Western for billing or other accounting purposes fail to register accurately, the electric power and energy supplied or transmitted during such period of failure to register accurately, shall, for billing purposes, be estimated by Western from the best available information.

* Revised August 15, 1995.

6.4. If acceptable inspections and tests of a meter needed by Western for billing or other accounting purposes disclose an error exceeding two percent (2%), then correction based upon the inaccuracy found shall be made of the records of services furnished during the period that such inaccuracy has existed as determined by Western; Provided, That if such period of inaccuracy cannot be determined, correction shall be made for the period beginning with the monthly billing period immediately preceding the billing period during which the test was made.

6.5. Any correction in billing resulting from correction in meter records shall normally be made in the next monthly bill rendered by Western to the Contractor. Payment of such bill shall constitute full adjustment of any claim between the parties hereto arising out of inaccuracy of metering equipment.

7. Existence of Transmission Service Contract.

If the contract provides for Western to furnish services using the facilities of a third party, the obligation of Western shall be subject to and contingent upon the existence of a transmission service contract granting Western rights to use such facilities. If Western acquires or constructs facilities which would enable it to furnish direct service to the Contractor, Western, at its option, may furnish service over its own facilities.

8. Conditions of Transmission Service.

8.1. When the electric service under the contract is furnished by Western over the facilities of others by virtue of a transmission service arrangement, the power and energy will be furnished at the voltage available and under the conditions which exist from time to time on the transmission system over which the service is supplied.

8.2. Unless otherwise provided in the contract or attached rate schedule, the Contractor shall maintain a power factor at each point of delivery from Western's transmission agent as required by the transmission agent.

8.3. Western will endeavor to inform the Contractor from time to time of any changes contemplated on the system over which the service is supplied, but the costs of any changes made necessary in the Contractor's system because of changes or conditions on the system over which the service is supplied shall not be a charge against or a liability of Western.

8.4. If the Contractor, because of changes or conditions on the system over which service under the contract is supplied, is required to make changes on its system at its own expense in order to continue receiving service under the contract, then the Contractor may terminate service under the contract upon not less than sixty (60) days' written notice given to Western prior to making such changes, but not thereafter.

8.5. If Western notifies the Contractor that electric service provided for under the contract cannot be delivered to the Contractor because of an insufficiency of capacity available to Western in the facilities of others over which service under the contract is supplied, then the Contractor may terminate service under the contract upon not less than sixty (60) days' written notice given to Western prior to the date on which said capacity ceases to be available to Western, but not thereafter.

9. Multiple Points of Delivery Involving Direct and Indirect Deliveries.

When Western has provided line and substation capacity under the contract for the purpose of delivering electric service directly to the Contractor at specified direct points of delivery and also has agreed to absorb transmission service allowance or discounts for deliveries of energy over other system(s) to indirect points of delivery and the Contractor shifts any of its loads served under the contract from direct delivery to indirect delivery, Western will not absorb the transmission service costs on such shifted load until the unused capacity, as determined solely by Western, available at the direct delivery points affected is fully utilized.

10. Construction, Operation, and Maintenance of Contractor's Power System.

The Contractor shall and, if applicable, shall require each of its members or transmission agents to construct, operate, and maintain its power system in a manner which, as determined by Western, will not interfere with the operation of the system of Western or its transmission agents over which electric services are furnished to the Contractor under the contract, and in a manner which will coordinate with the protective relaying and other protective arrangements of the system(s) of Western or Western's transmission agents. Western may reduce or discontinue furnishing services to the Contractor if, after notice by Western, the Contractor fails or refuses to make such changes as may be necessary to eliminate an unsatisfactory condition on the Contractor's power system which is determined by Western to interfere significantly under current or probable conditions with any service supplied from the power system of Western or from the power system of a transmission agent of Western. Such a reduction or discontinuance of service will not relieve the Contractor of liability for any minimum charges provided for in the contract during the time said services are reduced or discontinued. Nothing in this Article shall be construed to render Western liable in any manner for any claims, demands, costs, losses, causes of action, damages, or liability of any kind or nature arising out of or resulting from the construction, operation, or maintenance of the Contractor's power system.

III. RATES, BILLING, AND PAYMENT PROVISIONS.

11. Change of Rates.

Rates applicable under the contract shall be subject to change by Western in accordance with appropriate rate adjustment procedures. If at any time the United States promulgates a rate changing a rate then in effect under the contract, it will promptly notify the Contractor thereof. Rates shall become effective as to the contract as of the effective date of such rate. The Contractor, by written notice to Western within ninety (90) days after the effective date of a rate change, may elect to terminate the service billed by Western under the new rate. Said termination shall be effective on the last day of the billing period requested by the Contractor not later than two (2) years after the effective date of the new rate. Service provided by Western shall be paid for at the new rate regardless of whether the Contractor exercises the option to terminate service.

12. Minimum Seasonal or Annual Capacity Charge.

When the rate in effect under the contract provides for a minimum seasonal or annual capacity charge, a statement of the minimum capacity charge due, if any, shall be included in the bill rendered for service for the last billing period of the service season or contract year as appropriate, adjusted for increases or decreases in the contract rate of delivery and for the number of billing periods during the year or season in which service is not provided. Where multiple points of delivery are involved and the contract rate of delivery is stated to be a maximum aggregate rate of delivery for all points, in determining the minimum seasonal or annual capacity charge due, if any, the monthly capacity charges at the individual points of delivery shall be added together.

13. Billing and Payment.

13.1. Western will issue bills to the Contractor for service furnished during the preceding month within ten (10) days after the end of the billing period.

13.2. If Western is unable to issue a timely monthly bill, it may elect to render an estimated bill for that month to be followed by the final bill. Such estimated bill shall be subject to the same payment provisions as a final bill.

13.3. Payments are due and payable by the Contractor before the close of business on the twentieth (20th) calendar day after the date of issuance of each bill or the next business day thereafter if said day is a Saturday, Sunday, or Federal holiday. Bills shall be considered paid when payment is received by Western; Provided, That payments received by mail will be accepted as timely and without assessment of the charge provided for in Article 14 (Nonpayment of Bills in Full When Due) if a United States Post Office first class mail postmark indicates the payment was mailed at least three (3) calendar days before the due date.

13.4. Whenever the parties agree, payments due Western by the Contractor may be offset against payments due the Contractor by Western for the sale or exchange of electric power and energy, use of transmission facilities, operation and maintenance of electric facilities, and other services. For services included in net billing procedures, payments due one party in any month shall be offset against payments due the other party in such month, and the resulting net balance shall be paid to the party in whose favor such balance exists. The parties shall exchange such reports and information that either party requires for billing purposes. Net billing shall not be used for any amounts due which are in dispute.

14. Nonpayment of Bills in Full When Due.

* 14.1. Bills not paid in full by the Contractor by the due date specified in Article 13 (Billing and Payment) hereof shall bear a charge of five hundredths percent (0.05%) of the principal sum unpaid for each day payment is delinquent, to be added until the amount due is paid in full. Western will also assess a fee of twenty-five dollars (\$25.00) for processing a late payment. Payments received will first be applied to the charges for late payment assessed on the principal and then to payment of the principal.

14.2. Western shall have the right, upon not less than fifteen (15) days advance written notice, to discontinue furnishing the services specified in the contract for nonpayment of bills in full when due, and to refuse to resume such services so long as any part of the amount due remains unpaid. Such a discontinuance of service will not relieve the Contractor of liability for minimum charges during the time service is so discontinued. The rights reserved to Western herein shall be in addition to all other remedies available to Western either by law or in equity, for the breach of any of the terms hereof.

15. Adjustments for Fractional Billing Period.

For a fractional part of a billing period at the beginning or end of electric service, at the beginning or end of irrigation pumping service each year, a fractional billing period under a new rate schedule, and for fractional periods due to withdrawals of electric services, the demand or capacity charge and minimum charges shall each be proportionately adjusted in the ratio that the number of hours that electric service is available to the Contractor in such fractional billing period bears to the total number of hours in the billing period involved.

16. Adjustments for Curtailments to Firm Service.

16.1. Billing adjustments will be made if firm electric service is interrupted or reduced because of conditions on the power system of the United States for periods of 1 hour or longer in duration each. Billing adjustments will not be made when such curtailment of electric service is due to a request by the Contractor or a discontinuance of electric service by Western pursuant to Article 14 (Nonpayment of Bills In Full When Due). For purposes of billing adjustments under this Article, the term power system of the United States shall include transmission facilities used under contract but not owned by the United States.

* Revised August 15, 1995.

16.2. The total number of hours of curtailed firm electric service in any billing period shall be determined by adding: (1) the sum of the number of hours of interrupted electric service to (2) the product, for each reduction, of: the number of hours of reduced electric service and the percentage by which electric service was reduced below the delivery obligation of Western at the time of each said reduction of electric service. The demand or capacity charge and applicable minimum charges shall each be proportionately adjusted in the ratio that the total number of hours of electric service determined to have been curtailed bears to the total number of hours in the billing period involved.

16.3. The Contractor shall make written claim within thirty (30) days after receiving the monthly bill, for adjustment on account of any curtailment of firm electric service, for periods of 1 hour or longer in duration each, alleged to have occurred that is not reflected in said bill. Failure to make such written claim, within said thirty-day (30-day) period, shall constitute a waiver of said claim. All curtailments of electric service, which are due to conditions on the power system of the United States, shall be subject to the provisions of this section; Provided, That withdrawal of power and energy under the contract shall not be considered a curtailment of electric service.

IV. POWER SALES PROVISIONS.

17. Resale of Firm Electric Service (Wholesale Sales for Resale).

The Contractor shall not sell any firm electric power or energy supplied under the contract to any electric utility customer of the Contractor for resale by that utility customer; Provided, That the Contractor may sell the electric power and energy supplied under the contract to its members on condition that said members not sell any of said power and energy to any customer of the member for resale by that customer.

18. Distribution Principles.

The Contractor agrees that the benefits of firm electric power or energy supplied under the contract shall be made available to its consumers at rates that are established at the lowest possible level consistent with sound business principles, and that these rates will be established in an open and public manner. The Contractor further agrees that it will identify the costs of firm electric power or energy supplied under the contract and power from other sources to its consumers upon request. The Contractor will demonstrate compliance with the requirements of this Article to Western upon request.

19. Contract Subject to Colorado River Compact.

Where the energy sold under the contract is generated from waters of the Colorado River system, the contract is made upon the express condition and with the express covenant that all rights under the contract shall be subject to and controlled by the Colorado River Compact approved by Section 13(a) of the Boulder Canyon Project Act of December 21, 1928, (45 Stat. 1057) and the parties to the contract shall observe and be subject to and

controlled by said Colorado River Compact in the construction, management, and operation of the dams, reservoirs, and powerplants from which electrical energy is to be furnished by Western to the Contractor under the contract, and in the storage, diversion, delivery, and use of water for the generation of electrical energy to be delivered by Western to the Contractor under the contract.

V. FACILITIES PROVISIONS.

20. Design Approval.

All facilities, construction, and installation by the Contractor pursuant to the contract shall be subject to the approval of Western. Facilities interconnections shall normally conform to Western's current "General Requirements for Interconnection," in effect upon the signing of the contract document providing for each interconnection, copies of which are available from Western. At least ninety (90) days, unless otherwise agreed, prior to the date the Contractor proposes to commence construction or to incur an obligation to purchase facilities to be installed pursuant to the contract, whichever date is the earlier, the Contractor shall submit, for the approval of Western, detailed designs, drawings, and specifications of the facilities the Contractor proposes to purchase, construct, and install. The Contractor assumes all risks for construction commenced or obligations to purchase facilities incurred prior to receipt of approval from Western. Western review and approval of designs and construction work in no way implies that Western is certifying that the designs meet the Contractor's needs.

21. Inspection and Acceptance.

Western shall have the right to inspect the materials and work furnished by the Contractor, its agents, employees, and subcontractors pursuant to the contract. Such inspections shall be at reasonable times at the worksite. Any materials or work that Western determines is defective or not in accordance with designs, drawings, and specifications, as approved by Western, shall be replaced or modified, as directed by Western, at the sole expense of the Contractor before the new facilities are energized.

22. As-Built Drawings.

Within a reasonable time, as determined by Western, after the completion of construction and installation of facilities pursuant to the contract, the Contractor shall submit to Western marked as-built prints of all Western drawings affected by changes made pursuant to the contract and reproducible drawings the Contractor has prepared showing facilities of Western. The Contractor's drawings of Western facilities shall use drawing title blocks, drawing numbers, and shall be prepared in accordance with drafting standards all as approved by Western. Western may prepare, revise, or complete said drawings and bill the Contractor if the Contractor fails to provide such drawings to Western within a reasonable time as determined by Western.

23. Equipment Ownership Markers.

23.1. The Contractor shall identify all movable equipment and, to the extent agreed upon by the parties, all other salvageable facilities constructed or installed on United States right-of-way or in Western substations pursuant to the contract which are owned by the Contractor, by permanently affixing thereto suitable markers clearly identifying the Contractor as the owner of said equipment and facilities.

23.2. If requested by the Contractor, Western shall identify all movable equipment and, to the extent agreed upon by the parties, all other salvageable facilities constructed or installed on the Contractor's right-of-way or in the Contractor's substations pursuant to the contract which are owned by the United States, by permanently affixing thereto suitable markers clearly identifying the United States as the owner of said equipment and facilities.

24. Third-Party Use of Facilities.

The Contractor shall notify Western of any proposed system change relating to the facilities governed by the contract or allowing third-party use of the facilities governed by the contract. If Western notifies the Contractor that said system change will, as solely determined by Western, adversely affect the operation of Western's system the Contractor shall, at no cost to Western, provide a solution to said adverse effect acceptable to Western.

25. Changes to Western Control Facilities.

If at any time during the term of the contract, Western determines that changes or additions to control, relay, or communications facilities are necessary to maintain the reliability or control of Western's transmission system, and said changes or additions are entirely or partially required because of the Contractor's equipment installed under the contract, such changes or additions shall, after consultation with the Contractor, be made by Western with all costs or a proportionate share of all costs, as determined by Western, to be paid by the Contractor. Western shall notify the Contractor in writing of the necessary changes or additions and the estimated costs to be paid by the Contractor. If the Contractor fails to pay its share of said estimated costs, Western shall have the right, after giving sixty (60) days' written notice to the Contractor, to terminate the applicable facility installation provisions of the contract and require the removal of the Contractor's facilities.

26. Modification of Western Facilities.

Western reserves the right, at any time, to modify its facilities. Western shall keep the Contractor informed of all planned modifications to Western facilities which impact the facilities installation pursuant to the contract. Western shall permit the Contractor to change or modify its facilities, in a manner satisfactory to and at no cost or expense to Western, to retain the facilities interconnection pursuant to the contract. At the Contractor's option, Western shall cooperate with the Contractor in planning

alternate arrangements for service which shall be implemented at no cost or expense to Western. The Contractor and Western shall modify the contract, as necessary, to conform to the new facilities arrangements.

27. Transmission Rights.

If the contract involves an installation which sectionalizes a Western transmission line, the Contractor hereby agrees to provide a transmission path to Western across such sectionalizing facilities at no cost or expense to Western. Said transmission path shall be at least equal, in terms of capacity and reliability, to the path in the Western transmission line prior to the installation pursuant to the contract.

28. Construction and Safety Procedures.

28.1. The Contractor hereby acknowledges that it is aware of the hazards inherent in high-voltage electric lines and substations, and hereby assumes full responsibility at all times for the adoption and use of necessary safety measures required to prevent accidental harm to personnel engaged in the construction, inspection, testing, operation, maintenance, replacement, or removal activities of the Contractor pursuant to the contract. The Contractor and the authorized employees, agents, and subcontractors of the Contractor shall comply with all applicable safety laws and building and construction codes, including the provisions of Western's current "Power Systems Safety Manual," "Construction, Safety, and Health Standards," and "Power System Clearance Procedures" in effect upon the signing of the contract; Except, That, in lieu of the safety program required herein, the Contractor may provide sufficient information to demonstrate that the Contractor's safety program is satisfactory to the United States.

28.2. The Contractor and its authorized employees, agents, and subcontractors shall familiarize themselves with the location and character of all the transmission facilities of Western and interconnections of others relating to the work performed by the Contractor under the contract. Prior to starting any construction, installation, or removal work, the Contractor shall submit a plan of procedure to Western which shall indicate the sequence and method of performing the work in a safe manner. No work shall be performed by the Contractor, its employees, agents, or subcontractors until written authorization to proceed is obtained from Western.

28.3. At all times when the Contractor, its employees, agents, or subcontractors are performing activities of any type pursuant to the contract, such activities shall be under supervision of a qualified employee, agent, or subcontractor of the Contractor who shall be authorized to represent the Contractor in all matters pertaining to the activity being performed. The Contractor and Western will keep each other informed of the names of their designated representatives at the site.

28.4. Upon completion of its work, the Contractor shall remove from the vicinity of the right-of-way of the United States all buildings, rubbish, used materials, concrete forms, and other like material belonging to the Contractor or used under the Contractor's direction, and in the event of failure to do so the same may be removed by Western at the expense of the Contractor.

28.5. In the event the Contractor, its employees, agents, or subcontractors fail to comply with any provision of this Article, or Article 21 (Inspection and Acceptance) herein, Western or an authorized representative may issue an order to stop all or any part of the work until such time as the Contractor demonstrates compliance with the provision at issue. The Contractor, its employees, agents, or subcontractors shall make no claim for compensation or damages resulting from such work stoppage.

29. Environmental Compliance.

Facilities installed under the contract by any party shall be constructed, operated, maintained, replaced, and removed subject to compliance with laws, executive orders, and regulations applicable to that party, including the National Environmental Policy Act of 1969, as amended, 36 CFR 800, and the Archeological Resources Protection Act of 1979.

* 30. Responsibility for Hazardous Materials.

When either party owns equipment containing hazardous material located on the other party's substation, switchyard, right-of-way, or other property, the equipment owner shall be responsible for all activities related to hazardous materials in such equipment that are necessary to meet the requirements of the Toxic Substances Control Act (15 U.S.C. 2601 et seq.), the Solid Waste Disposal Act and the Resource Conservation Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. 9601 et seq.), and the regulations implementing these laws, as they may be amended, and any other existing or subsequent applicable Federal or state laws and regulations. Each party shall label its equipment containing hazardous material in accordance with appropriate laws and regulations. If the party owning the equipment does not perform activities required under appropriate laws and regulations within the time frame specified therein, the other party may perform or cause to be performed the required activities after notice to and at the sole expense of the party owning the equipment.

VI. OTHER PROVISIONS.

31. Authorized Representatives of the Parties.

Each party to the contract, by written notice to the other, shall designate the representative(s) who is (are) authorized to act in its behalf with respect to those matters contained in the contract which are the functions and responsibilities of the authorized representatives of the parties. Each party may change the designation of its authorized representative(s) upon oral notice given to the other, confirmed promptly by written notice.

32. Effect of Section Headings.

Section headings or Article titles appearing in the contract or these General Power Contract Provisions are inserted for convenience only and shall not be construed as interpretations of text.

33. Operating Guidelines and Procedures.

The parties to the contract may agree upon and put into effect from time to time, such other written guidelines and procedures as may be required in order to establish the methods of operation of the power system to be followed in the performance of the contract.

34. Uncontrollable Forces.

Neither party to the contract shall be considered to be in default in performance of any of its obligations under the contract, except to make payment as specified in Article 13 (Billing and Payment) herein, when a failure of performance shall be due to an uncontrollable force. The term "uncontrollable force" means any cause beyond the control of the party affected, including but not restricted to, failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, restraint by court order or public authority and action or nonaction by, or failure to obtain the necessary authorizations or approvals from, any governmental agency or authority, which by exercise of due diligence such party could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome. Nothing contained herein shall be construed to require a party to settle any strike or labor dispute in which it may be involved. Either party rendered unable to fulfill any of its obligations under the contract by reason of an uncontrollable force shall give prompt written notice of such fact to the other party and shall exercise due diligence to remove such inability with all reasonable dispatch.

35. Liability.

35.1 The Contractor hereby agrees to indemnify and hold harmless the United States, its employees, agents, or contractors, from any loss or damage and from any liability on account of personal injury, death, or property damage, or claims for personal injury, death, or property damage of any nature whatsoever and by whomsoever made arising out of the Contractor's, its employees', agents', or subcontractors', construction, operation, maintenance, or replacement activities under the contract.

35.2 The United States is liable only for negligence on the part of its officers and employees in accordance with the Federal Tort Claims Act, as amended.

36. Cooperation of Contracting Parties.

If, in the operation and maintenance of their respective power systems or electrical equipment and the utilization thereof for the purposes of the contract, it becomes necessary by reason of any emergency or extraordinary condition for either party to request the other to furnish personnel, materials, tools, and equipment for the accomplishment thereof,

the party so requested shall cooperate with the other and render such assistance as the party so requested may determine to be available. The party making such request, upon receipt of properly itemized bills from the other party, shall reimburse the party rendering such assistance for all costs properly and reasonably incurred by it in such performance, including administrative and general expenses, such costs to be determined on the basis of current charges or rates used in its own operations by the party rendering assistance. Issuance and payment of bills for services provided by Western shall be in accordance with Articles 13 (Billing and Payment) and 14 (Nonpayment of Bills in Full When Due) herein. Western shall pay bills issued by the Contractor for services provided as soon as the necessary vouchers can be prepared which shall normally be within twenty (20) days.

37. Transfer of Interest in Contract.

37.1 No voluntary transfer of the contract or of the rights of the Contractor under the contract shall be made without the written approval of the Administrator of Western; Provided, That if the Contractor operates a project financed in whole or in part by the Rural Utilities Service, the Contractor may transfer or assign its interest in the contract to the Rural Utilities Service or any other department or agency of the Federal Government without such written approval; Provided further, That any successor to or assignee of the rights of the Contractor, whether by voluntary transfer, judicial sale, foreclosure sale, or otherwise, shall be subject to all the provisions and conditions of the contract to the same extent as though such successor or assignee were the original Contractor under the contract; and, Provided further, That the execution of a mortgage or trust deed, or judicial or foreclosure sales made thereunder, shall not be deemed voluntary transfers within the meaning of this Article.

* 37.2 Unless otherwise provided by legislation, any successor to Western shall be subject to all the provisions and conditions of the contract to the same extent as though such successor were an original signatory to the contract.

38. Waivers.

Any waivers at any time by either party to the contract of its rights with respect to a default or any other matter arising under or in connection with the contract shall not be deemed a waiver with respect to any subsequent default or matter.

39. Notices.

Any notice, demand, or request required by the contract or the provisions of these Articles to be in writing shall be considered properly given when delivered in person, or sent by either registered or certified mail, postage prepaid, or prepaid telegram addressed to each party's authorized representative at the principal offices of the party. The designation of the person to be notified may be changed at any time by similar notice.

* Revised August 15, 1995.

40. Contingent Upon Appropriations.

Where activities provided for in the contract extend beyond the current fiscal year, continued expenditures by the United States are contingent upon Congress making the necessary appropriations required for the continued performance of the United States obligations under the contract. In case such appropriation is not made, the Contractor hereby releases the United States from its contractual obligations and from all liability due to the failure of Congress to make such appropriation.

41. Officials Not to Benefit.

No member of or delegate to Congress or Resident Commissioner shall be admitted to any share or part of the contract or to any benefit that may have arisen from the contract, but this restriction shall not be construed to extend to the contract if made with a corporation or company for its general benefit.

42. Covenant Against Contingent Fees.

The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure the contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty, Western shall have the right to annul the contract without liability or in its discretion to deduct from the contract price or consideration the full amount of such commission, percentage, brokerage, or contingent fee.

43. Contract Work Hours and Safety Standards.

The contract, to the extent that it is of a character specified in Section 103 of the Contract Work Hours and Safety Standards Act (Act), 40 U.S.C.A. (329 (1986)), is subject to the provisions of the Act, 40 U.S.C.A. ((327-333 (1986)), and to regulations promulgated by the Secretary of Labor pursuant to the Act.

44. Equal Opportunity Employment Practices.

Section 202 of Executive Order No. 11246, 43 Fed. Reg. 46501 (1978), which provides, among other things, that the Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin, is incorporated by reference in the contract.

45. Use of Convict Labor.

The Contractor agrees not to employ any person undergoing sentence of imprisonment in performing the contract except as provided by 18 U.S.C. 4082(c)(2) and Executive Order 11755, December 29, 1973.

APPENDIX B

Mead Rights Contract Spreadsheet

**APPENDIX B
ENTITLEMENTS**

	Point of Receipt-Delivery	Parties	Direction	Contract Title	FERC No.	Contract Term	Contract Amount
1	Mead WAPA Substation	Western DSR/VEA	Bi-Directional	Contract Ownership, Operation, Mainenance, Replacement and Interconnection	94- PAO-10569	30-Sep-17	\$3,363,473/year
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APPENDIX C

VEA Transmission Owner Tariff

Appendix C

VALLEY ELECTRIC ASSOCIATION, INC.

TRANSMISSION OWNER TARIFF

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1. **Preamble.** Valley Electric Association's ("VEA") Transmission Revenue Requirement ("TRR") and applicable rates and charges for transmission access for its high voltage transmission facilities placed under the CAISO's Operational Control over the CAISO Controlled Grid and the terms and conditions for transmission expansion and interconnection are set forth in this TO Tariff and the CAISO Tariff.
 - 1.1 **Transmission Access for Participating TOs.** Participating TOs are able to participate in the CAISO and utilize the entire CAISO Controlled Grid to serve their End-Use Customers. The applicable High Voltage Access Charges and Transition Charges shall be paid by Participating TOs to the CAISO pursuant to the CAISO Tariff. If a Participating TO utilizes the Low Voltage Transmission Facilities of another Participating TO, the Participating TO shall also pay the Low Voltage Access Charge of the other Participating TO.
 - 1.2 **Transmission Access for Wheeling Customers.** Wheeling allows Scheduling Coordinators to deliver Energy through or out of the CAISO Controlled Grid to serve a Load located outside the transmission or Distribution System of a Participating TO. Wheeling Access Charges shall be paid by Scheduling Coordinators to the CAISO pursuant to the CAISO Tariff.
 - 1.3 **Transmission Access for End-Users.** End-Users receive transmission service over the CAISO Controlled Grid through the Participating TO to whose transmission or distribution facilities the End-User is directly connected. Charges to End-Users for access to the CAISO Controlled Grid shall be paid to the applicable Participating TO to whose transmission or distribution facilities the End-User is directly connected.
2. **Effective Date.** This TO Tariff is effective on the date on which the transmission facilities and entitlements belonging to the Participating TO are placed into service under the Operational Control of the CAISO and shall continue to be effective, as amended from time to time, so long as VEA is party to the Transmission Control Agreement. Nothing contained herein shall be construed as affecting in any way the right of the party furnishing service under this rate schedule to unilaterally make application to the Federal Energy Regulatory Commission for a change in rates under section 205 of the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated thereunder.
 - 2.1 **Termination.** This TO Tariff may be terminated by VEA upon such advance notice and with such authorization as FERC may require.

- 3. TO Tariff Definitions.** Capitalized terms used in this TO Tariff shall have the meanings set out below unless otherwise stated. Capitalized terms used in this tariff and not defined below shall have the meanings set out in the CAISO Tariff, as it may be amended from time to time.
- 3.1 Access Charge.** A charge paid by all Utility Distribution Companies, Small Utility Distribution Companies, and MSS Operators with Gross Load in a PTO Service Territory, as set forth in Article II of the CAISO Tariff. The Access Charge includes the High Voltage Access Charge, the Transition Charge, and the Low Voltage Access Charge. The Access Charge will recover the Participating TO's Transmission Revenue Requirement in accordance with Appendix F, Schedule 3 of the CAISO Tariff.
- 3.2 Automatic Generation Control ("AGC").** Generation equipment that automatically responds to signals from the CAISO's Emergency Management System control in Real-Time to control the Power output of Generating Units within a prescribed area in response to a change in system frequency, tie-line loading, or the relation of these to each other, so as to maintain the target system frequency and the established Interchange with other Balancing Authority Areas within the predetermined limits.
- 3.3 Ancillary Services ("AS").** Regulation, Spinning Reserve, Non-Spinning Reserve, Voltage Support, and Black Start, together with such other interconnected operation services as the CAISO may develop in cooperation with Market Participants to support the transmission of Energy from Generation resources to Loads while maintaining reliable operation of the CAISO Controlled Grid in accordance with WECC standards and Good Utility Practice.
- 3.4 Applicable Reliability Criteria.** The Reliability Standards and reliability criteria established by NERC and WECC and Local Reliability Criteria, as amended from time to time, including any requirements of the Nuclear Regulatory Commission.
- 3.5 Available Transfer Capacity ("ATC").** The available capacity of a given transmission path, in MW, after subtraction of capacity associated with Existing Contracts and Transmission Ownership Rights from that path's Operating Transfer Capacity established consistent with CAISO and WECC transmission capacity rating guidelines, further described in Appendix L to the CAISO Tariff.
- 3.6 Base Transmission Revenue Requirement.** The Transmission Revenue Requirement which does not reflect amounts for the Transmission Revenue Balancing Account Adjustment.
- 3.7 Black Start.** The procedure by which a Generating Unit self-starts without an external source of electricity thereby restoring a source of power to the CAISO Balancing Authority Area following system or local area blackouts.
- 3.8 Business Day.** Monday through Friday, excluding federal holidays and the day after Thanksgiving Day.

- 3.9 California Independent System Operator (CAISO).** The California Independent System Operator Corporation, a state chartered, California non-profit public benefit corporation that operates the transmission facilities of all Participating TOs and dispatches certain Generating Units and Loads.
- 3.10 CAISO ADR Procedures.** The procedures for resolution of disputes or differences set out in Section 13 of the CAISO Tariff.
- 3.11 CAISO Controlled Grid.** The system of transmission lines and associated facilities of the Participating TOs that have been placed under the CAISO's Operational Control.
- 3.12 CAISO Protocols.** The rules, protocols, procedures, and standards promulgated by the CAISO (as amended from time to time) to be complied with by the CAISO, Scheduling Coordinators, Participating TOs and all other Market Participants in relation to the operation of the CAISO Controlled Grid and the participation in the markets for Energy and Ancillary Services in accordance with the CAISO Tariff.
- 3.13 CAISO Tariff.** The California Independent System Operator Corporation Operating Agreement and Tariff, dated March 31, 1997, as it may be modified from time to time.
- 3.14 Completed Application Date.** The date on which a party submits an Interconnection Application that satisfies the requirements of a Completed Interconnection Application.
- 3.15 Completed Interconnection Application.** An application that satisfies all of the information and other requirements of Section 10.3 of this TO Tariff, and, if applicable, the information requirements as specified by the CAISO and posted on the CAISO Home Page.
- 3.16 Congestion.** A characteristic of the transmission system produced by a binding Transmission Constraint to the optimum economic dispatch to meet Demand such that the Locational Marginal Price, exclusive of Marginal Cost of Losses, at different Locations of the transmission system is not equal.
- 3.17 Congestion Management.** The alleviation of Congestion in accordance with applicable CAISO procedures, the CAISO Tariff, and Good Utility Practice.
- 3.18 Converted Rights.** Those transmission service rights as defined in Section 4.3.1.6 of the CAISO Tariff.
- 3.19 CPUC.** The California Public Utilities Commission or its successor.

- 3.20 Demand.** The instantaneous amount of Power that is delivered to Loads and Scheduling Points by Generation, transmission, or distribution facilities. It is the product of voltage and the in-phase component of alternating current measured in units of watts or standard multiples thereof, e.g., 1,000W = 1 kW, 1000 kW = 1 MW, etc.
- 3.21 Direct Assignment Facilities.** Facilities or portions of facilities that are owned by the Participating TO necessary to physically and electrically interconnect a particular party requesting Interconnection under this TO Tariff to the CAISO Controlled Grid at the point of interconnection. Direct Assignment Facilities shall be specified in the Interconnection Agreement that governs Interconnection service to such party and shall be subject to FERC approval.
- 3.22 Dispatch.** The activity of controlling an integrated electric system to: (1) assign specific Generating Units and other sources of supply to effect the supply to meet the relevant area Demand taken as Load rises or falls; (2) control operation and maintenance of high voltage lines, substations, and equipment, including administration of safety procedures; (3) operate interconnections; (4) manage Energy transactions with other interconnected Balancing Authority Areas; and (5) curtail Demand.
- 3.23 Distribution System.** The distribution assets of an Investor Owned Utility or Local Publicly Owned Electric Utility.
- 3.24 Eligible Customer.** (1) Any utility (including Participating TOs, Market Participants and any power marketer), Federal power marketing agency, or any person generating Energy for sale or resale; Energy sold or produced by such entity may be Energy produced in the United States, Canada or Mexico; however, such entity is not eligible for transmission service that would be prohibited by Section 212(h)(2) of the Federal Power Act; and (2) any retail customer taking unbundled transmission service pursuant to a state retail access program or pursuant to a voluntary offer of unbundled retail transmission service by the Participating TO.
- 3.25 Encumbrance.** A legal restriction or covenant binding on the Participating TO that affects the operation of any transmission lines or associated facilities and which the CAISO needs to take into account in exercising Operational Control over such transmission lines or associated facilities if the Participating TO is not to risk incurring significant liability. Encumbrances shall include Existing Contracts and may include: (1) other local restrictions or covenants meeting the definition of Encumbrance and arising under other arrangements entered into before the CAISO Operations Date, if any; and (2) legal restrictions or covenants meeting the definition of Encumbrance and arising under a contract or other arrangement entered into after the CAISO Operations Date.
- 3.26 End-Use Customer or End-User.** A consumer of electric power who consumes such power to satisfy a Load directly connected to the CAISO Controlled Grid or to a Distribution System and who does not resell the power.

- 3.27 Energy.** The electrical energy produced, flowing or supplied by generation, transmission, or distribution facilities, being the integral with respect to time of the instantaneous power, measured in units of watt-hours or standard multiples thereof, e.g., 1000 Wh = 1 kWh, 1000 kWh = 1 MWh, etc.
- 3.28 Entitlements.** The right of a Participating TO obtained through contract or other means to use another entity's transmission facilities for the transmission of Energy.
- 3.29 Existing Transmission Contracts ("ETC" or "Existing Contracts").** Those contracts which grant transmission service rights in existence on the CAISO Operations Date (including any contracts entered into pursuant to such contracts) as may be amended in accordance with their terms or by agreement between the parties thereto from time to time.
- 3.30 Existing Rights.** Those transmission service rights and obligations of non-Participating TOs under Existing Contracts, including all terms, conditions, and rates of the Existing Contracts, as they may change from time to time under the terms of the Existing Contracts.
- 3.31 Expedited Interconnection Agreement.** A contract between a party which has submitted a Request for Expedited Interconnection Procedures and the Participating TO under which the Participating TO agrees to process, on an expedited basis, the Completed Interconnection Application of such party and which sets forth the terms, conditions, and cost responsibilities for such Interconnection.
- 3.32 Facility Study Agreement.** An agreement between a Participating TO and either a Market Participant, Project Sponsor, or identified principal beneficiaries pursuant to which the Market Participant, Project Sponsor, and identified principal beneficiaries agree to reimburse the Participating TO for the cost of a Facility Study.
- 3.33 Facility Study.** An engineering study conducted by a Participating TO to determine required modifications to the Participating TO's transmission system, including the cost and scheduled completion date for such modifications that will be required to provide needed services.
- 3.34 FERC.** The Federal Energy Regulatory Commission or its successor.
- 3.35 FPA.** Parts II and III of the Federal Power Act, 16 U.S.C. § 824 et seq., as they may be amended from time to time.

- 3.36 Generating Unit.** An individual electric generator and its associated plant and apparatus whose electrical output is capable of being separately identified and metered or a Physical Scheduling Plant, that, in either case, is: (1) located within the CAISO Balancing Authority Area (which includes a Pseudo-Tie of a generating unit to the CAISO Balancing Authority Area); (2) connected to the CAISO Controlled Grid, either directly or via interconnected transmission, or distribution facilities or via a Pseudo-Tie; and (3) capable of producing and delivering net Energy (Energy in excess of a generating station's internal power requirements).
- 3.37 Generation.** Energy delivered from a Generating Unit.
- 3.38 Good Utility Practice.** Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry 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 limited to 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, including those practices required by Federal Power Act section 215(a)(4).
- 3.39 Gross Load.** For purposes of calculating the transmission Access Charge, Gross Load is all Energy (adjusted for distribution losses) delivered for the supply of End-Use Customer Loads directly connected to the transmission facilities or directly connected to the Distribution System of a UDC or MSS Operator located in a PTO Service Territory. Gross Load shall exclude (1) Load with respect to which the Wheeling Access Charge is payable, (2) Load that is exempt from the Access Charge pursuant to Section 4.1 of Appendix I of the CAISO Tariff; and (3) the portion of the Load of an individual retail customer of a Utility Distribution Company, Small Utility Distribution Company or MSS Operator that is served by a Generating Unit that: (a) is located on the customer's site or provides service to the customer's site through arrangements as authorized by Section 218 of the California Public Utilities Code; (b) is a qualifying small power production facility or qualifying cogeneration facility, as those terms are defined in FERC's regulations implementing Section 201 of the Public Utility Regulatory Policies Act of 1978; and (c) secures Standby Service from the Participating TO under terms approved by a Local Regulatory Authority or FERC, as applicable, or can be curtailed concurrently with an Outage of the Generating Unit serving the Load. Gross Load forecasts consistent with filed Transmission Revenue Requirements will be provided by each Participating TO to the CAISO.

- 3.40 High Voltage Access Charge (“HVAC”).** The Access Charge applicable under Section 26.1 of the CAISO Tariff to recover the High Voltage Transmission Revenue Requirements of each Participating TO in a Transmission Access Charge Area.
- 3.41 High Voltage Transmission Facility(ies).** A transmission facility that is owned by a Participating TO or to which a Participating TO has an Entitlement that is represented by a Converted Right, that is under the CAISO Operational Control, and that operates at a voltage at or above 200 kilovolts, and supporting facilities, and the costs of which are not directly assigned to one or more specific customers, provided that the High Voltage Transmission Facilities of a Participating TO shall include any Location Constrained Resource Interconnection Facility of that Participating TO that has been turned over to the CAISO’s Operational Control.
- 3.42 High Voltage Transmission Revenue Requirement (“HVTRR”).** The portion of a Participating TO’s Transmission Revenue Requirement associated with and allocable to the Participating TO’s High Voltage Transmission Facilities and Converted Rights associated with High Voltage Transmission Facilities that are under the CAISO Operational Control.
- 3.43 High Voltage Utility-Specific Rate.** A Participating TO’s High Voltage Transmission Revenue Requirement divided by such Participating TO’s forecasted Gross Load.
- 3.44 High Voltage Wheeling Access Charge.** The Wheeling Access Charge associated with the recovery of a Participating TO’s High Voltage Transmission Revenue Requirements in accordance with Section 26.1 of the CAISO Tariff.
- 3.45 Interconnection.** Transmission facilities, other than additions or replacements to existing facilities that: (1) connect one system to another system where the facilities emerge from one and only one substation of the two systems and are functionally separate from the CAISO Controlled Grid facilities such that the facilities are, or can be, operated and planned as a single facility; (2) are identified as radial transmission lines pursuant to contract; or (3) produce Generation at a single point on the CAISO Controlled Grid; provided that such interconnection does not include facilities that, if not owned by the Participating TO, would result in a reduction in the CAISO’s Operational Control of the Participating TO’s portion of the CAISO Controlled Grid.
- 3.46 Interconnection Agreement.** A contract between a party requesting Interconnection and the Participating TO that owns the transmission facility with which the requesting party wishes to interconnect.
- 3.47 Interconnection Application.** An application that requests Interconnection to the CAISO Controlled Grid.

- 3.48 Interest.** Interest shall be calculated in accordance with the methodology specified for interest on refunds in the regulations of FERC at 18 C.F.R. § 35.19a(a)(2)(iii) (1996). Interest on delinquent amounts shall be calculated from the due date of the bill to the date of payment, except as provided in Section 11.29.13.1 of the CAISO Tariff. When payments are made by mail, bills shall be considered as having been paid on the date of receipt.
- 3.49 Load.** An end-use device of an End-Use Customer that consumes Power. Load should not be confused with Demand, which is the measure of Power that a Load receives or requires.
- 3.50 Local Publicly Owned Electric Utility.** A municipality or municipal corporation operating as a public utility furnishing electric services, a municipal utility district furnishing electric services, a public utility district furnishing electric services, an irrigation district furnishing electric services, a state agency or subdivision furnishing electric services, a rural cooperative furnishing electric services, or a Joint Powers Authority that includes one or more of these agencies and that owns Generation or transmission facilities, or furnishes electric services over its own or its members' electric Distribution System.
- 3.51 Local Regulatory Authority.** The state or local governmental authority, or the board of directors of an electric cooperative, responsible for the regulation or oversight of a utility. VEA is regulated by the Valley Electric Association Board of Directors.
- 3.52 Local Reliability Criteria.** Reliability Criteria unique to the transmission systems of each of the Participating TOs established at the later of: (1) CAISO Operations Date, or (2) the date upon which a New Participating TO places its facilities under the control of the CAISO.
- 3.53 Low Voltage Access Charge (“LVAC”).** The Access Charge applicable under Section 26.1 of the CAISO Tariff to recover the Low Voltage Transmission Revenue Requirement of a Participating TO.
- 3.54 Low Voltage Transmission Facility.** A transmission facility owned by a Participating TO or to which a Participating TO has an Entitlement that is represented by a Converted Right, which is not a High Voltage Transmission Facility, that is under the CAISO Operational Control.
- 3.55 Low Voltage Transmission Revenue Requirement (“LVTRR”).** The portion of a Participating TO's TRR associated with and allocable to the Participating TO's Low Voltage Transmission Facilities and Converted Rights associated with Low Voltage Transmission Facilities that are under the CAISO Operational Control.

- 3.56 Low Voltage Wheeling Access Charge.** The Wheeling Access Charge associated with the recovery of a Participating TO's Low Voltage Transmission Revenue Requirement in accordance with Section 26.1 of the CAISO Tariff.
- 3.57 Market Participant.** An entity, including a Scheduling Coordinator, who either: (1) participates in the CAISO Markets through the buying, selling, transmission, or distribution of Energy, capacity, or Ancillary Services into, out of, or through the CAISO Controlled Grid; (2) is a CRR Holder or Candidate CRR Holder, or (3) is a Convergence Bidding Entity.
- 3.58 Metered Subsystem ("MSS").** A geographically contiguous system located within a single zone which has been operating as an electric utility for a number of years prior to the CAISO Operations Date as a municipal utility, water district, irrigation district, state agency or federal power marketing authority subsumed within the CAISO Balancing Authority Area and encompassed by CAISO certified revenue quality meters at each interface point with the CAISO Controlled Grid and CAISO certified revenue quality meters on all Generating Units or, if aggregated, each individual resource, Participating Load, and Proxy Demand Resource internal to the system, which is operated in accordance with a MSS Agreement described in Section 4.9.1 of the CAISO Tariff.
- 3.59 NERC.** The North American Electric Reliability Corporation or its successor.
- 3.60 New High Voltage Facility.** A High Voltage Transmission Facility of a Participating TO that is placed in service after the beginning of the Transmission Access Charge Transition Period described in Section 4 of Schedule 3 of Appendix F of the CAISO Tariff, or a capital addition made to an Existing High Voltage Facility and placed in service after the beginning of the TAC Transition Period described in Section 4.2 of Schedule 3 of Appendix F of the CAISO Tariff.
- 3.61 New Participating TO.** A Participating TO that is not an Original Participating TO.
- 3.62 Non-Load-Serving Participating TO.** A Participating TO that (1) is not a UDC, MSS Operator or Scheduling Coordinator serving End-Use Customers and (2) does not have Gross Load in accordance with Section 9 of Schedule 3 of Appendix F of the CAISO Tariff.
- 3.63 Non-Participating TO.** A TO that is not a party to the Transmission Control Agreement or, for the purposes of Section 16.1 of the CAISO Tariff, the holder of transmission service rights under an Existing Contract that is not a Participating TO.
- 3.64 Non-Spinning Reserve.** The portion of resource capacity that is capable of being synchronized and Ramping to a specified load in ten minutes (or that is capable of being interrupted in ten (10) minutes) and that is capable of running (or being

interrupted) for at least thirty (30) minutes from the time it reaches its award capacity.

- 3.65 Operational Control.** The rights of the CAISO under the Transmission Control Agreement and the CAISO Tariff to direct Participating TOs how to operate their transmission lines and facilities and other electric plant affecting the reliability of those lines and facilities for the purpose of affording comparable non-discriminatory transmission access and meeting Applicable Reliability Criteria.
- 3.66 Original Participating TO.** A Participating TO that was a Participating TO as of January 1, 2000.
- 3.67 Participating TO or Participating Transmission Owner (PTO).** A Party to the Transmission Control Agreement whose application under Section 2.2 of the Transmission Control Agreement has been accepted and who has placed its transmission assets and Entitlements under the CAISO's Operational Control in accordance with the Transmission Control Agreement. A Participating TO may be an Original Participating TO or a New Participating TO.
- 3.68 Participation Agreement.** An agreement between a Participating TO and a Project Sponsor that specifies the terms and conditions under which the Participating TO will construct a transmission addition or upgrade on behalf of the Project Sponsor.
- 3.69 Physical Scheduling Plant.** A group of two or more related Generating Units, each of which is individually capable of producing Energy, but which either by physical necessity or operational design must be operated as if they were a single Generating Unit and any Generating Unit or Units containing related multiple generating components which meet one or more of the following criteria: (1) multiple generating components are related by a common flow of fuel which cannot be interrupted without substantial loss of efficiency of the combined output of all components; (2) the Energy production from one component necessarily causes Energy production from other components; (3) the operational arrangement of related multiple generating components determines the overall physical efficiency of the combined output of all components; (4) the level of coordination required to schedule individual generating components would cause the CAISO to incur scheduling costs far in excess of the benefits of having scheduled such individual components separately; or (5) metered output is available only for the combined output of related multiple generating components and separate generating component metering is either impractical or economically inefficient.
- 3.70 Project Proponent.** A Market Participant or group of Market Participants that: (1) advocates a transmission addition or upgrade; (2) is unwilling to pay the full cost of the proposed transmission addition and upgrade, and thus is not a Project

Sponsor; and (3) initiates proceedings under the CAISO ADR Procedures to determine the need for the proposed transmission addition or upgrade.

- 3.71 Project Sponsor.** A Market Participant, group of Market Participants, a Participating TO or a project developer who is not a Market Participant or Participating TO that proposes the construction of a transmission addition or upgrade in accordance with Section 24 of the CAISO Tariff.
- 3.72 Regional Transmission Group (“RTO”).** A voluntary organization approved by FERC and composed of transmission owners, transmission users, and other entities, organized to efficiently coordinate the planning, expansion, and use of transmission on a regional and inter-regional basis.
- 3.73 Regulation.** The service provided either by resources certified by the CAISO as equipped and capable of responding to the CAISO’s direct digital control signals, or by System Resources that have been certified by the CAISO as capable of delivering such service to the CAISO Balancing Authority Area, in an upward and downward direction to match, on a Real-Time basis, Demand and resources, consistent with established NERC and WECC reliability standards, including any requirements of the Nuclear Regulatory Commission. Regulation is used to control the operating level of a resource within a prescribed area in response to a change in system frequency, tie line loading, or the relation of these to each other so as to maintain the target system frequency and/or the established Interchange with other Balancing Authority Areas within the predetermined Regulation Limits. Regulation includes both an increase in Energy production by a resource or decrease in Energy consumption by a resource (Regulation Up) and a decrease in Energy production by a resource or increase in Energy consumption by a resource (Regulation Down). Regulation Up and Regulation Down are distinct capacity products, with separately stated requirements and ASMPs in each Settlement Period.
- 3.74 Regulatory Authority.** For the limited purposes of this TO Tariff, FERC is the jurisdictional authority.
- 3.75 Reliability Criteria.** Pre-established criteria that are to be followed in order to maintain desired performance of the CAISO Controlled Grid under Contingency or steady state conditions.
- 3.76 Reliability Network Upgrades.** The transmission facilities at or beyond the Point of Interconnection identified in the Interconnection Studies as necessary to interconnect one or more Large Generating Facility(ies) safely and reliably to the CAISO Controlled Grid, which would not have been necessary but for the Interconnection of one or more Large Generating Facility(ies), including Network Upgrades necessary to remedy short circuit or stability problems, or thermal overloads. Reliability Network Upgrades shall only be deemed necessary for thermal overloads, occurring under any system condition, where such thermal

overloads cannot be adequately mitigated through Congestion Management, Operating Procedures, or Special Protection Systems based on the characteristics of the Large Generating Facilities included in the Interconnection Studies, limitations on market models, systems, or information, or other factors specifically identified in the Interconnection Studies. Reliability Network Upgrades also include, consistent with WECC practice, the facilities necessary to mitigate any adverse impact the Large Generating Facility's interconnection may have on a path's WECC path rating.

- 3.77 Request for Expedited Interconnection Procedures.** A written request by which an applicant for Interconnection can request expedited processing of its interconnection Application.
- 3.78 Scheduling Coordinator ("SC").** An entity certified by the CAISO for the purposes of undertaking the functions specified in Section 4.5.3 of the CAISO Tariff.
- 3.79 Scheduling Point.** A location at which the CAISO Controlled Grid or a transmission facility owned by a Transmission Ownership Right holder is connected, by a group of transmission paths for which a physical, non-simultaneous transmission capacity rating has been established for Congestion Management, to transmission facilities that are outside the CAISO's Operational Control.
- 3.80 Spinning Reserve.** The portion of unloaded synchronized resource capacity that is immediately responsive to system frequency and that is capable of being loaded in ten (10) minutes, and that is capable of running for at least thirty (30) minutes from the time it reaches its award capacity.
- 3.81 System Impact Study.** An engineering study conducted to determine whether a request for Interconnection to the CAISO Controlled Grid would require new transmission additions, upgrades, or other mitigation measures.
- 3.82 System Impact Study Agreement.** An agreement between a Participating TO and an entity that has requested Interconnection to the Participating TO's transmission system pursuant to which the entity requesting Interconnection agrees to reimburse the Participating TO for the cost of performing or reviewing a System Impact Study.
- 3.83 TO Tariff.** This Transmission Owner Tariff, as it may be amended or superseded.
- 3.84 Transition Charge.** The component of the Access Charge collected by the CAISO with the High Voltage Access Charge in accordance with Section 5.7 of Appendix F, Schedule 3 of the CAISO Tariff.

- 3.85 Transmission Control Agreement (“TCA”).** The agreement between the CAISO and Participating TOs establishing the terms and conditions under which TOs will become Participating TOs and how the CAISO and each Participating TO will discharge its respective duties and responsibilities, as may be modified from time to time.
- 3.86 Transmission Interconnection.** The transmission facilities that will physically interconnect the CAISO Controlled Grid with the Valley Electric System at or near the Eldorado Substation, or at such other location as may be mutually agreed by the Parties.
- 3.87 Transmission Owner (“TO”).** An entity owning transmission facilities or having firm contractual rights to use transmission facilities.
- 3.88 Transmission Revenue Balancing Account Adjustment (“TRBAA”).** A mechanism established by the Participating TO which will ensure that all Transmission Revenue Credits and other credits specified in Sections 6 and 8 of Appendix F, Schedule 3 of the CAISO Tariff, flow through to CAISO Tariff and TO Tariff transmission customers.
- 3.89 Transmission Revenue Credit.** For an Original Participating TO, the proceeds received from the CAISO for Wheeling service, plus (1) the revenues received from any Local Constrained Resource Interconnection Generator with respect to an Local Constrained Resource Interconnection Facility, unless FERC has approved an alternative mechanism to credit such revenues against the Original Participating TO’s TRR, and (2) the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the CAISO’s rules and protocols, minus any Low Voltage Access Charge amounts paid for the use of the Low Voltage Transmission Facilities of a Non- Load-Serving Participating TO pursuant to Section 26.1 and Appendix F, Schedule 3, Section 13 of the CAISO Tariff. For a New Participating TO during the 10-year TAC Transition Period described in Section 4 of Schedule 3 of Appendix F, the revenues received from the CAISO for Wheeling service and IFM Congestion Credit pursuant to Section 4.3.1.2 of the CAISO Tariff, plus (1) the revenues received from any LCRIG with respect to an LCRIF, unless FERC has approved an alternative mechanism to credit such revenues against the New Participating TO’s TRR, and (2) the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the CAISO’s rules and protocols, minus any Low Voltage Access Charge amounts paid for the use of the Low Voltage Transmission Facilities of a Non-Load-Serving Participating TO pursuant to Section 26.1 and Appendix F, Schedule 3, Section 13 of the CAISO Tariff. After the 10-year TAC Transition Period, the New Participating TO Transmission Revenue Credit shall be calculated the same as the Transmission Revenue Credit for the Original Participating TO.

- 3.90 Transmission Revenue Requirement (“TRR”).** The Transmission Revenue Requirement is the total annual authorized revenue requirements associated with transmission facilities and Entitlements turned over to the Operational Control of the CAISO by the Participating TO. The costs of any transmission facility turned over to the Operational Control of the CAISO shall be fully included in the Participating TO’s Transmission Revenue Requirement. The Transmission Revenue Requirement includes the costs of transmission facilities and Entitlements and deducts Transmission Revenue Credits and credits for Standby Transmission Revenue and the transmission revenue expected to be actually received by the Participating TO for Existing Rights and Converted Rights.
- 3.91 Transmission Upgrade.** The new 230 kV transmission lines and associated facilities that complete Valley Electric’s 230 kV transmission loop between the Mead Substation and the Northwest Substation, which is required for reliability of the Valley Electric System, and includes the following: (1) the 230 kV transmission facilities running from the Desert View Substation to the point known as Johnnie (approximately 58 miles), (2) the re-energization of the existing transmission facilities running from Johnnie to the Vista Substation at 230 kV (approximately 9 miles), and (3) the 230 kV transmission facilities running between the Vista Substation and the Pahrump Substation (approximately 12 miles).
- 3.92 Uncontrollable Force.** 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 the CAISO or Market Participant which could not be avoided through the exercise of Good Utility Practice.
- 3.93 Utility Distribution Company (“UDC”).** An entity that owns a Distribution System for the delivery of Energy to and from the CAISO Controlled Grid, and that provides regulated retail electric service to Eligible Customers, as well as regulated procurement service to those End-Use Customers who are not yet eligible for direct access, or who choose not to arrange services through another retailer.
- 3.94 VEA.** Valley Electric Association, a Nevada non-profit cooperative corporation without stock, and/or Valley Electric Transmission Association, LLC, a wholly owned subsidiary of Valley Electric Association.
- 3.95 Voltage Support.** Services provided by Generating Units or other equipment such as shunt capacitors, static var compensators, or synchronous condensers that are required to maintain established grid voltage criteria. This service is required under normal or System Emergency conditions.

- 3.96 Western Electricity Coordinating Council (“WECC”).** The Western Electricity Coordinating Council or its successor.
- 3.97 Wheeling Access Charge.** The charge assessed by the CAISO that is paid by a Scheduling Coordinator for Wheeling in accordance with Section 26.1 of the CAISO Tariff. Wheeling Access Charges shall not apply for Wheeling under a bundled non-economy Energy coordination agreement of a Participating TO executed prior to July 9, 1996. The Wheeling Access Charge consists of a High Voltage Wheeling Access Charge and a Low Voltage Wheeling Access Charge.
- 3.98 Wheeling Out.** Except for Existing Rights exercised under an Existing Contract in accordance with Section 16.1 of the CAISO Tariff, the use of the CAISO Controlled Grid for the transmission of Energy from a Generating Unit located within the CAISO Controlled Grid (which includes a Pseudo-Tie of a Generating Unit to the CAISO Balancing Authority Area) to serve a Load located outside the transmission and Distribution System of a Participating TO.
- 3.99 Wheeling Through.** Except for Existing Rights exercised under an Existing Contract in accordance with Section 16.1 of the CAISO Tariff, the use of the CAISO Controlled Grid for the transmission of Energy from a resource located outside the CAISO Controlled Grid to serve a Load located outside the transmission and Distribution System of a Participating TO.
- 3.100 Wheeling.** Wheeling Out or Wheeling Through.
- 3.101 Wholesale Customer.** A person wishing to purchase Energy and Ancillary Services at a Bulk Supply Point or a Scheduling Point for resale.
- 4. Eligibility.** Transmission service over a Participating TO’s system shall be provided only to Eligible Customers.
- 5. Access Charges and Transmission Rates.** The applicable Access Charges are provided in the CAISO Tariff.
- 5.1 Low Voltage Access Charge.** VEA’s Low Voltage Access Charge shall be determined in accordance with its Board-approved Low Voltage Tariff. Because VEA is a non-jurisdictional entity, it does not file tariffs with FERC except this High Voltage TO Tariff that is a component of the CAISO TAC. VEA will charge and collect any Low Voltage Access Charges from its customers independently as required by the CAISO Tariff.
- 5.2 Wheeling Access Charge.** The Wheeling Access Charge shall be determined in accordance with the CAISO Tariff. The Wheeling Access Charge assessed by the CAISO consists of a High Voltage Wheeling Access Charge and, if applicable, a Low Voltage Wheeling Access Charge. The High Voltage Wheeling Access Charge is set forth in the CAISO Tariff.

- 5.3 Transmission Revenue Requirement.** As set forth in the CAISO Tariff, the Transmission Revenue Requirement for each Participating TO is used to develop the Access Charges set forth in the CAISO Tariff and is used by the CAISO to calculate the disbursement of Wheeling revenues among Participating TOs. Wheeling revenues are disbursed by the CAISO to Participating TOs pursuant to Section 26.1.4.3 of the CAISO Tariff. The Transmission Revenue Requirement, High Voltage Transmission Revenue Requirement, and Low Voltage Transmission Revenue Requirement for the Participating TO, to the extent applicable, are set forth in Appendix I of this TO Tariff.
- 5.4 Transmission Expansion.** The Transmission Upgrade, the Transmission Interconnection, and all related facilities shall become part of VEA's High Voltage Transmission Facilities at the time such facilities are turned over to the Operational Control of the CAISO.
- 5.5 Transmission Revenue Balancing Account Adjustment.** The Participating TO shall maintain a Transmission Revenue Balancing Account ("TRBA") with an annual Transmission Revenue Balancing Account Adjustment that will ensure that all Transmission Revenue Credits and adjustments for any over-or under-recovery of its annual Transmission Revenue Requirement, if any, specified in Sections 6 and 8 of Appendix F, Schedule 3 of the CAISO Tariff, flow through to transmission customers. The TRBAA used to calculate the High Voltage Revenue Requirement shall include other adjustments specified in Appendix F, Schedule 3, Sections 6 and 8 of the CAISO Tariff. The TRBAA shall be equal to:

$$\text{TRBAA} = \text{Cr} + \text{Cf} + \text{I}$$

Where:

Cr = The principal balance in the TRBA recorded in FERC Account No. 254 as of September 30 of the year prior to commencement of the January billing cycle. This balance represents the unamortized balance in the TRBA from the previous period and the difference in the amount of revenues or expenditures from Transmission Revenue Credits and any over-or under-recovery of its annual Transmission Revenue Requirement and the amount of such revenues or expenditures that has been refunded to or collected from customers through operation of the TRBAA;

Cf = The forecast of Transmission Revenue Credits, if any, for the following calendar year;

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

6. Ancillary Services.

6.1 Ancillary Services – Applicability and Charges. Ancillary Services are needed to maintain reliability within the CAISO Controlled Grid. If any Ancillary Services are required, VEA will not provide such services directly to the transmission customer and the transmission customer will be required to meet any such requirement in accordance with the CAISO Tariff.

7. Billing and Payment.

7.1 High Voltage Access Charge Revenues. The CAISO, in accordance with the CAISO Tariff, shall pay the Participating TO, among other things, all applicable Access Charge revenues, Ancillary Service revenues, and Wheeling revenues, as applicable, in connection with all high voltage transmission facilities placed under CAISO Operational Control.

7.2 End Users. Users of VEA's High Voltage Transmission Facilities and Entitlements placed under the CAISO's Operational Control shall pay to the CAISO all applicable charges in accordance with the CAISO Tariff.

8. Obligation to Interconnect or Construct Transmission Expansions and Facility Upgrades.

8.1 Participating TO Obligation to Interconnect. The Participating TO shall, at the request of a third party, interconnect its system to the wholesale Generation or Load of such third party, or modify an existing wholesale Interconnection. Interconnections under this TO Tariff shall be available to entities eligible to request Interconnection consistent with the provisions of Section 210(a) of the FPA. The procedures for Interconnection of wholesale Generation to the CAISO Controlled Grid shall be governed by the CAISO Tariff.

8.1.1 Interconnection to Transmission System. Interconnection must be consistent with Good Utility Practice, in conformance with all Applicable Reliability Criteria, all applicable statutes, regulations, and CAISO reliability criteria for the CAISO Controlled Grid. The Participating TO will not accommodate the Interconnection if doing so would impair systems reliability, or would otherwise impair the ability of the Participating TO to honor its Encumbrances existing as of the time an entity submits its Interconnection Application. The Participating TO shall identify any such adverse effect on its Encumbrances in the System Impact Study performed pursuant to Section 10.7 of this TO Tariff. To the extent the Participating TO determines that the Interconnection will have an adverse effect on Encumbrances, the party requesting Interconnection shall mitigate such adverse effect.

8.1.2 Costs Associated with Interconnection. Each party requesting Interconnection shall pay the costs of planning, installing, owning, operating, and maintaining any Direct Assignment Facilities and, if applicable, any Reliability Network Upgrades required to provide the requested Interconnection. In addition, such party shall implement all existing operating procedures necessary to safely and reliability interconnect such party's Generation or wholesale Load to the facilities of the Participating TO and to ensure the CAISO Controlled Grid's conformance with the CAISO Grid Planning Criteria, and shall bear all costs of implementing such operating procedures. Any additional costs associated with accommodating the Interconnection shall be allocated in accordance with the cost responsibility methodology set forth in the CAISO Tariff for transmission expansions or upgrades.

8.1.3 Interconnection Agreement. Pursuant to Section 10.4, 10.7.1, or 10.9.1 of this TO Tariff, a party requesting an Interconnection shall request in writing that the Participating TO tender to such part an Interconnection Agreement that will be filed with FERC, or the Local Regulatory Authority, in the case of a Local Publicly Owned Electric Utility. The Interconnection Agreement will include, without limitation, cost responsibilities and payment provisions for any engineering, equipment, and construction, ownership, operation and maintenance costs for any Direct Assignment Facilities, any Reliability Network Upgrades, any Delivery Upgrades, if applicable, and for any other mitigation measures. For an Interconnection request to remain a Completed Interconnection Application, the party requesting the Interconnection shall execute the Interconnection Agreement and return it to the Participating TO within thirty (30) Business Days of receipt. Alternatively, if an Eligible Customer requesting the Interconnection requests the Participating TO to file an unexecuted Interconnection Agreement and commits to abide by the terms, conditions, and cost assignments determined to be just and reasonable under the CAISO ADR Procedures, including any determination by FERC or on appeal of a FERC determination in accordance with that process, the Participating TO shall promptly file an unexecuted Interconnection Agreement. Provided, however, that if the CAISO ADR Procedures concerns whether the requesting entity is an Eligible Customer, the Participating TO shall not be obligated to file an unexecuted interconnection Agreement or commence construction of the Interconnection facilities or incur other costs under the Interconnection Agreement until a final order determining the just and reasonable rates, terms, and conditions for such Interconnection Agreement has been issued by the applicable court or regulatory authority. The Interconnection Agreement will set forth a payment schedule that enables the Participating TO to recover its costs. If the applicant elects not to execute the Interconnection Agreement and does not request the Participating TO to file an unexecuted Interconnection Agreement, its Completed

Interconnection Agreement shall be deemed withdrawn, and the applicant shall reimburse to the Participating TO all costs reasonably incurred in processing the application not covered by any System Impact Study Agreement or Facility Study Agreement. To maintain its queue position, the applicant must timely comply with the Interconnection requirements of Appendices S and U of the CAISO Tariff, if applicable, and Sections 8.1 and 10 of this TO Tariff. If the applicant fails to timely comply with such Interconnection requirements, such applicant shall pay the reasonable costs of revising the System Impact Studies for other applicants that have established a new queue position due to the applicant either withdrawing its Interconnection Application or because its queue position has been modified pursuant to the queuing provisions in Section 25 of the CAISO Tariff.

8.1.4 Due Diligence to Construct. The participating TO shall use due diligence to construct, within a reasonable time, any Direct Assignment Facilities and any Reliability Network Upgrades that it is obligated to construct pursuant to this TO Tariff and Section 24 of the CAISO Tariff. The Participating TO's obligation to build will be subject to: (1) its ability, after making a good faith effort, to obtain any necessary approvals and property rights under applicable federal, state, and local laws; (2) the presence of a cost recovery mechanism with cost responsibility assigned to accordance with the CAISO Tariff or applicable FERC precedent; and (3) a signed Interconnection Agreement or a signed Expedited Interconnection Agreement, or, by mutual agreement of the parties, FERC acceptance for filing of an unexecuted Interconnection Agreement.

8.1.5 Energization. The Participating TO shall not be obligated to energize, nor shall the applicant or wholesale load be entitled to have its interconnection to the CAISO Controlled Grid energized, unless and until an Interconnection Agreement has been executed, or filed at FERC pursuant to Section 8.1.3 of this TO Tariff, and becomes effective and such applicant or wholesale Load has demonstrated to the CAISO's reasonable satisfaction that it has complied with all of the requirements of the CAISO Tariff and the requirements of this TO Tariff.

8.1.6 Coordination with CAISO on Interconnection Requests. The Participating TO shall coordinate with the CAISO, pursuant to the provisions of the TCA, in developing interconnection standards and guidelines for processing interconnection request under this TO Tariff.

8.2 Participating TO Obligation to Construct Transmission Expansions or Facility Upgrades. The Participating TO shall be obligated to: (1) perform System Impact or Facility Studies where the Project Sponsor or the CAISO agrees to pay the study cost and specifies the project objectives to be achieved, and (2) build transmission additions and facility upgrades where the Participating TO is

obligated to construct or expand facilities in accordance with and subject to the limitations of this TO Tariff and Section 24 of the CAISO Tariff.

8.2.1 Obligation to Construct. A Participating TO shall not be obligated to construct or expand transmission facilities or system upgrades unless and until the conditions stated in Section 9.2.1 of this TO Tariff have been satisfied.

8.3 Request for FERC Deference Regarding Need Determination. It is intended that FERC grant substantial deference to the factual determinations of the CAISO, (including the CAISO's ADR Procedures), the CPUC, WECC, or RTG coordinated planning processes as to the need for or construction of a facility, the need for full cost recovery, and the allocation of costs.

9. Expansion Process.

9.1 Determination of Facilities. A Participating TO shall perform a Facility Study in accordance with this Section where (1) the Participating TO is obligated to construct or expand facilities in accordance with Section 24 of the CAISO Tariff and this TO Tariff; (2) a Market Participant agrees to pay the costs of the Facility Study and specifies the project objectives to be achieved in terms of increased capacity or reduced congestion; or (3) the Participating TO is required to perform a Facility Study pursuant to the CAISO Tariff.

9.1.1 Payment of Facility Study's Cost.

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

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

9.1.1.3 Principal Beneficiaries to Pay for Facility Study. Where the facilities to be added or upgraded have been determined to be needed and the principal beneficiaries have been identified by the CAISO or CAISO ADR Procedures in accordance with the CAISO

Tariff, the Project Sponsor and the identified principal beneficiaries shall pay the reasonable cost of the Facility Study, in such proportions as may be agreed, or, failing agreement, as determined in accordance with the CAISO ADR Procedures.

9.1.2 Payment Procedure. Where a Facility Study is being conducted pursuant to this TO Tariff, the Participating TO shall, within thirty (30) days of the receipt of all reasonably required information, tender to the Market Participant, Project Sponsor, Project Proponent, CAISO, or identified principal beneficiaries, as the case may be, a Facility Study Agreement that defines the scope, content, assumptions, and terms of reference for such study, the estimated time required to complete it, and such other provisions as the parties may reasonably require and pursuant to which such Market Participant, Project Sponsor, Project Proponent, the CAISO, or identified principal beneficiaries agree to reimburse the Participating TO the reasonable cost of performing the required Facility Study. If the Market Participant, Project Sponsor, Project Proponent, the CAISO, or identified principal beneficiaries, as the case may be, agree to the terms of the Facility Study Agreement, they shall execute the Facility Study Agreement and return it to the Participating TO within ten Business Days. Alternatively, if the Market Participant, Project Sponsor, Project Proponent, the CAISO, or identified principal beneficiaries, as the case may be, request the Participating TO to proceed with the Facility Study and commit to abide by the terms, conditions, and cost assignments ultimately determined under the CAISO ADR Procedures, including any determination by FERC or appeal of a FERC determination in accordance with that process, the Participating TO shall promptly proceed with the Facility Study, and the parties shall submit the disputed terms for resolution under the CAISO's ADR Procedures.

9.1.3 Facility Study Procedures. Upon receipt of an executed Facility Study Agreement or alternative request to proceed as provided for in Section 9.1.2 of this TO Tariff, a copy of which has been provided to the CAISO by the party requesting the Facility Study, the Participating TO will use due diligence to complete the required Facility Study within a sixty (60) day period. If the Participating TO is unable to complete the Facility Study in the allotted time period, the Participating TO shall notify the Market Participant and provide an estimate of the time needed to reach a final determination along with an explanation of the reasons that additional time is required to complete the study. If additional time is required, the Participating TO will use best efforts to complete the study within ten (10) months, provided adequate information is provided by all the parties.

9.2 Obligation to Build.

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

9.2.2 Delay in Construction or Expansion. If any event occurs that will materially affect the time for completion of new facilities or the ability to complete them, the Participating TO shall promptly notify: (1) the Project Sponsor with regard to facilities determined to be needed; (2) the Parties to the Participation Agreement with regard to facilities determined to be needed pursuant to the CAISO Tariff where principal beneficiaries were identified; and (3) the CAISO. In such circumstances, the Participating TO shall, within thirty (30) days of notifying such Project Sponsor, Parties to the Participation Agreement, and the CAISO of such delays, convene a technical meeting with such Project Sponsor, Parties to the Participation Agreement, and the CAISO to discuss the circumstances which have arisen and evaluate any options available. The Participating TO also shall make available to such Project Sponsor, Parties to the Participation Agreement, and the CAISO, as the case may be, studies and work papers related to the cause and extent of the delay and the Participating TO's ability to complete the new facilities, including all information that is in the possession of the Participating TO that is reasonably needed to evaluate the alternatives.

9.2.2.1 Alternatives to the Original Facility Additions. If the review process of Section 9.2.2 of this TO Tariff determines that one or more alternatives exist to the originally planned construction project, the Participating TO shall present such alternatives for consideration to the Project Sponsor, Parties to the Participation Agreement, and the CAISO, as the case may be. If upon review of any alternatives, such Project Sponsor, the CAISO, or Parties to the Participation Agreement wish to evaluate or to proceed with one of the alternative additions or upgrades, such Project Sponsor, the CAISO, or Parties to the Participation Agreement may request that the Participating TO prepare a revised Facility Study pursuant to Sections 9.1.1, 9.1.2, and 9.1.3 of this TO Tariff. In the event the Participating TO concludes that no reasonable alternative exists

to the originally planned addition or upgrade and the Project Sponsor or Parties to the Participation Agreement or the CAISO disagree, the dispute shall be resolved pursuant to the CAISO ADR Procedure.

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

9.3 Provisions Relating To Transmission Construction On the Systems Of Other TOs.

9.3.1 Responsibility for Third Party Additions. A Participating TO shall not be responsible for making arrangements for any engineering, permitting, and construction of transmission or distribution facilities on the system(s) of any other entity or for obtaining any regulatory approval for such facilities. The Participating TO will undertake reasonable efforts through the coordinated planning process to assist in making such arrangements, including, without limitation, providing any information or data required by such other electric system pursuant to Good Utility Practice.

9.3.2 Coordination of Third-Party System Additions. Where transmission additions or upgrades being built pursuant to the CAISO Tariff require additions or upgrades on other systems, the Participating TO shall coordinate construction on its own system with the construction required by others. The Participating TO, after consultation with the CAISO, the Project Sponsor, and Parties to the Participation Agreement, as the case may be, may defer construction if the new transmission facilities on another system cannot be completed in a timely manner. The Participating TO shall notify such Project Sponsor, Parties to the Participation Agreement, and the CAISO, in writing, of the basis for any decision to defer construction and the specific problems which must be resolved before it will initiate or resume construction of the new facilities. Within forty (40) Business Days of receiving written notification by the Participating TO of its intent to defer construction pursuant to this section, such Project Sponsor, Parties to the Participation Agreement, or the CAISO may challenge the decision in accordance with the CAISO ADR Procedure.

10. Interconnection Process.

- 10.1 Applicability.** All requests for Interconnection directly to the CAISO Controlled Grid from parties eligible to request such Interconnection consistent with Section 210(a) of the FPA shall be processed pursuant to the provisions of this Section 10. All requests for Interconnection of wholesale Generation directly to the CAISO Controlled Grid shall be processed pursuant to the provisions of the CAISO Tariff.
- 10.2 Applications.** A party requesting Interconnection shall submit a written Interconnection Application which provides the information required in Section 10.3 of this TO Tariff to the Participating TO and shall send a copy of the application to the CAISO. The Participating TO shall timestamp the application to establish study priority.
- 10.3 Interconnection Application.** An Interconnection Application shall provide all the information listed in 18 CFR §2.20, including, but not limited to, the following: (1) the identity, address, telephone number, and facsimile number of the entity requesting interconnection; (2) the Interconnection point(s) to the CAISO Controlled Grid contemplated by the applicant; (3) the resultant (or new) maximum amount of Interconnection capacity contemplated by the applicant; (4) the proposed date for energizing the Interconnection and the term of the Interconnection service; and (5) such other information as the Participating TO reasonably required to process the application. In addition to the information specified above, the following information may also be provided in order to properly evaluate system conditions: (6) if the applicant is a wholesale Load, the electrical location of the source of the Power (if known) to be transmitted pursuant to applicant's request for Interconnection. If the source of the power is not known, a system purchase will be assumed. If the location of the Load is not known, a system sale will be assumed; and, in addition, if an applicant proposes to perform or cause a third party to perform any required System Impact Study or any required Facility Study, it shall so indicate in its Interconnection Application. The results of any study or studies performed by an applicant must be approved by both the CAISO and the Participating TO. Within ten (10) Business Days after receipt of an Interconnection Application, the Participating TO and the CAISO if applicable shall determine whether the application is complete ("Completed Interconnection Agreement"). Whenever possible, the participating TO will attempt to remedy deficiencies in the Interconnection Application through informal communications with the applicant. If such efforts are unsuccessful, the Participating TO shall return the Interconnection Application to the applicant. The Participating TO will treat the information in the Interconnection Agreement, including the applicant's identity, as confidential at the request of the applicant except to the extent that disclosure of the information is required by this TO Tariff, by regulatory or judicial order, for reliability purposes pursuant to Good Utility Practice, or pursuant to RTG or CAISO transmission information sharing agreements. The Participating TO

shall treat this information consistent with the standards of conduct contained in Part 37 of FERC's regulations.

10.3.1 Amendment to Completed Interconnection Application. An applicant shall be limited to amending its Completed Interconnection Application only once. Such amendment shall occur on or before ten (10) Business Days following the date the Participating TO tenders any Facility Study Agreement. Specifically, an applicant may submit an amendment to its Completed Interconnection Application to reflect a revised configuration for its New Facility. The amended Completed Interconnection Application shall be treated in accordance with Section 25 of the CAISO Tariff and Section 10.5 of this TO Tariff; the applicant's Completed Interconnection Application shall be deemed withdrawn; and the applicant shall maintain its existing queue position, if (a) the amended Completed Interconnection Application is received by the Participating TO within ten (10) Business Days of the Participating TO's tender of a Facility Study Agreement; and (b) the applicant has not submitted a previous amendment to the Completed Interconnection Application. In the event an applicant amends its Completed Interconnection Application, it will be responsible for any additional study costs that result from that amendment, including costs associated with revisions to studies for other applicants holding later queue positions.

10.4 Review of Completed Interconnection Application. After receiving a Completed Interconnection Application, the Participating TO and the CAISO, if applicable, will determine on a non-discriminatory basis whether a System Impact Study is required. Whenever the Participating TO, and the CAISO, if applicable, determines that a System impact Study is not required and that neither Reliability Network Upgrades nor changes in existing operating procedures are required, the Participating TO shall notify the applicant within fifteen (15) Business Days of the Completed Application Date. If the Interconnection can be accommodated without any Direct Assignment Facilities, then within thirty (30) Business Days of such notice from the Participating TO, the applicant shall request the Participating TO to tender to the applicant an Interconnection Agreement within thirty (30) Business Days of such request. The Participating TO shall tender to the applicant an Interconnection Agreement as provided in Section 8.1.3 of this TO Tariff. If the Participating TO determines upon review of the Completed Interconnection Application, that Direct Assignment Facilities are required, the Participating TO shall tender to the applicant a Facility Study Agreement within twenty (20) Business Days of the Completed Application Date and continue the Interconnection process pursuant to Section 10.8 of this TO Tariff.

10.5 Notice of Need for System Impact Study. If the Participating TO, and the CAISO, if applicable, determines that a System Impact Study is necessary to accommodate the requested Interconnection, the Participating TO shall so

inform the applicant, as soon as practicable. In such cases, the Participating TO shall within twenty (20) Business Days of receipt of a Completed Interconnection Application, tender a System Impact Study Agreement that defines the scope, content, assumptions, and terms of reference for such study to be completed by the Participating TO, the estimated time required to complete it, and such other provisions as the parties may reasonably require, and pursuant to which the applicant shall agree to reimburse the Participating TO for the reasonable actual costs of performing the required System Impact Study. Alternatively, if the applicant will perform the System Impact Study, the Participating TO shall within twenty (20) Business Days of receipt of a Completed Interconnection Application, tender a System Impact Study Agreement that defines the scope, content, assumptions and terms of reference for such study to be reviewed by the Participating TO; the estimated time required to complete it; and such other provisions as the parties may reasonably require, and pursuant to which the applicant shall agree to reimburse the Participating TO for the reasonable actual costs of reviewing the required System Impact Study. For an Interconnection request to remain a Completed Interconnection Application, the applicant shall execute the System Impact Study Agreement and return it to the Participating TO within ten (10) Business Days together with payment for the reasonable estimated cost of performing the System Impact Study or reviewing the applicant's System Impact Study. [A description of the Participating TO's transmission assessment practices for completing a System Impact Study shall be provided in the Participating TO's FERC Form 715.] Alternatively, if the applicant requests the participating TO to proceed with the System Impact Study or review thereof and commits to abide by the terms, conditions, and cost assignments ultimately determined under the CAISO ADR Procedures, including any determination by FERC or appeal of a FERC determination in accordance with that process, the Participating TO shall promptly proceed with the System Impact Study provided that such request is accompanied by payment of the reasonable estimated cost of the System Impact Study, and the parties shall submit the disputed terms for resolution under the CAISO's ADR Procedures. If the applicant elects not to execute a System Impact Study Agreement, and does not request that the Participating TO proceed with the System Impact Study or review thereof, its application shall be deemed withdrawn, and the applicant shall reimburse to the Participating TO all costs reasonably incurred in processing the application.

10.6 Impact Study Cost Reimbursement and Agreement.

10.6.1 Cost Reimbursement. The System Impact Study Agreement shall clearly specify the charge, based on the Participating TO's estimate of the cost and time for completion of the System Impact Study. The charge shall not exceed the reasonable actual cost of the study. In performing the System Impact Study, the Participating TO shall rely, to the extent reasonably practicable, on existing transmission planning studies. The applicant will not be assessed a charge for such existing studies; however, the applicant will be responsible for the reasonable charges associated with any

modifications to existing planning studies that are reasonably necessary to evaluate the impact on the applicant's request.

10.6.2 Multiple Parties. If multiple parties request Interconnection at the same location, the participating TO may conduct a single System Impact Study. The costs of that study shall be pro-rated among the parties requesting Interconnection.

10.7 System Impact Study Procedures. Upon receipt of an executed System Impact Study Agreement or initiation of the CAISO ADR Procedures and receipt of payment for estimated study costs, the Participating TO will use due diligence to either (a) complete the required System Impact Study within a sixty (60) calendar day period or (b) complete its review of an applicant's System Impact Study within thirty (30) calendar days of its receipt of the completed study. The System Impact Study will identify whether any Direct Assignment Facilities or Reliability Network Upgrades are necessary to deliver a New Facility's full output over the CAISO Controlled Grid, or any transmission additions or upgrades are necessary to serve a wholesale Load. The System Impact Study will also identify any adverse impact on Encumbrances existing as of the applicant's Completed Application Date. In the event that the Participating TO is unable to complete the required System Impact Study within such time period, it shall so notify the applicant, in writing, and provide an estimated completion date along with an explanation of the reasons why additional time is required to complete the required studies. A copy of the completed System Impact Study and related work papers shall be made available to the applicant and the CAISO. The Participating TO shall notify the applicant and the CAISO immediately upon completion of the System Impact Study.

10.7.1 Procedures Upon Completion of System Impact Study. Within fifteen (15) Business Days of completion of the System Impact Study or review and approval of an applicant's System Impact Study, the Participating TO shall notify the applicant whether the transmission system will be adequate to accommodate all of a request for Interconnection. If no costs are likely to be incurred for any Direct Assignment Facilities, any Reliability Network Upgrades, or implementing any operating procedures, then within thirty (30) Business Days of receipt of written approval of the applicant's System Impact Study from the Participating TO and the CAISO, the applicant shall request the Participating TO to tender an Interconnection Agreement within thirty (30) Business Days of such request. The Participating TO shall tender to the applicant an Interconnection Agreement as provided in Section 8.1.3 of this TO Tariff. If costs are likely to be incurred to accommodate a request for Interconnection, the Participating TO shall tender to the applicant a Facility Study Agreement pursuant to Section 10.8 of this TO Tariff.

- 10.8 Notice of Need for Facility Study.** If a System Impact Study indicates that additions or upgrades to the CAISO Controlled Grid are needed to satisfy an applicant's request for Interconnection, the Participating TO shall, within fifteen (15) Business Days of the date of the System Impact Study or the completion of review and approval of the applicant's System Impact Study by the Participating TO, tender to the applicant a Facility Study Agreement that defines the scope, content, assumptions and terms of reference for such study to be completed by the Participating TO; the estimated time required to complete the required study; and such other provisions as the parties may reasonably require, and pursuant to which the applicant agrees to reimburse the Participating TO for the reasonable actual costs of performing the required Facility Study. Alternatively, if the applicant will perform the Facility Study, the Participating TO shall within fifteen (15) Business Days of the completion date of the System Impact Study or the completion of review and approval of the applicant's System Impact Study, tender a Facility Study Agreement that defines the scope, content, assumptions, and terms of reference for such study to be reviewed by the Participating TO; the estimated time required to complete the required review; and such other provisions as the parties may reasonably require, and pursuant to which the applicant agrees to reimburse the Participating TO for the reasonable actual costs of reviewing the required Facility Study. For an Interconnection Request to remain a Completed Interconnection Application, the applicant shall execute the Facility Studies Agreement and return it to the Participating TO within ten (10) Business Days together with payment for the reasonable estimated costs of performing the Facility Study or reviewing the applicant's Facility Study. Alternatively, if the applicant requests the Participating TO to proceed with the Facility Study or review thereof and commits to abide by the terms, conditions, and cost assignments ultimately determined under the CAISO ADR Procedures, including any determination by FERC or appeal of a FERC determination in accordance with that process, the Participating TO shall promptly proceed with the Facility Study provided that such request is accompanied by payment for the reasonable estimated cost of the Facility Study, and the parties shall submit the disputed terms for resolution under the CAISO ADR Procedures. If the applicant elects not to execute a Facility Study Agreement and does not request that the Participating TO proceed with the Facility Study or review thereof, its application shall be deemed withdrawn and the applicant shall reimburse to the Participating TO all costs reasonably incurred in processing the application not covered by the System Impact Study Agreement.
- 10.9 Facility Study Procedures.** Upon receipt of an executed Facility Study Agreement or initiation of the CAISO ADR Procedures and receipt of payment for the estimated study costs, the Participating TO will use due diligence to either (a) complete the required Facility Study within a sixty (60) calendar day period or (b) complete its review of an applicant's Facility Study within thirty (30) calendar days of its receipt of the completed Facility Study. In the event that the

Participating TO is unable to complete the required Facility Study within such time period, it shall so notify the applicant, in writing, and provide an estimated completion date along with an explanation of the reasons why additional time is required to complete the required studies. A copy of the completed Facility Study shall be made available to the applicant.

10.9.1 Execution of Interconnection Agreement. Within thirty (30) Business Days of receipt of the completed Facility Study performed by the Participating TO or receipt of written approval of the applicant's Facility Study from the Participating TO, the applicant shall request the Participating TO to tender an Interconnection Agreement within thirty (30) Business Days of such request. The Participating TO shall tender to the applicant an Interconnection Agreement as provided in Section 8.1.3 of this TO Tariff.

10.10 Partial Interim Service. If the Participating TO determines that there will not be adequate transmission capability to satisfy the full amount requested in a Completed Interconnection Application, the Participating TO nonetheless shall be obligated to offer and provide the portion of the requested Interconnection that can be accommodated without any additional Direct Assignments Facilities or Reliability Network Upgrades. However, the Participating TO shall not be obligated to provide the incremental amount of requested Interconnection that requires such additional facilities or upgrades until such facilities or upgrades have been placed in service.

10.11 Expedited Interconnection Procedures. In lieu of the procedures set forth above, the applicant shall have the option to expedite the processing of its Completed Interconnection Application. In order to exercise this option, the applicant shall submit in writing a Request for Expedited Interconnection Procedures to the Participating TO within ten (10) Business Days after receiving a copy of the System Impact Study for the proposed Interconnection. Within ten (10) Business Days after receiving a Request for Expedited Procedures, the Participating TO shall tender an Expedited Interconnection Agreement that requires the applicant to compensate the Participating TO for all costs reasonably incurred pursuant to the terms of this TO Tariff for processing the Completed Interconnection Application and providing the requested Interconnection. While the Participating TO agrees to provide the applicant with its best estimate of the costs of any needed Direct Assignment Facilities and, if applicable, Reliability Network Upgrades, and such other charges that may be incurred, unless otherwise agreed by the parties, such estimate shall not be binding and the applicant must agree in writing to compensate the Participating TO for all actual Interconnection costs reasonably incurred pursuant to the provisions of this TO Tariff. The applicant shall execute and return such Expedited Interconnection Agreement within ten (10) Business Days of its receipt or the applicant's request for Interconnection will cease to be a Completed Interconnection Application and will be deemed terminated and withdrawn. In that event, the applicant shall

reimburse the Participating TO for all costs reasonably incurred in processing the application not covered by the terms of the System Impact Study Agreement.

11. Uncontrollable Forces and Indemnification.

11.1 Procedures to Follow if Uncontrollable Force Occurs. In the event of the occurrence of an Uncontrollable Force which prevents a Party from performing any of its obligations under this TO Tariff, such Party shall (1) immediately notify the other Parties in writing of the occurrence of such Uncontrollable Force, (2) not be entitled to suspend performance in any greater or longer duration that is required by the Uncontrollable Force, (3) use its best efforts to mitigate the effects of such Uncontrollable Force, remedy its inability to perform, and resume full performance hereunder, (4) keep the other Parties apprised of such efforts on a continual basis and (5) provide written notice of the resumption of performance hereunder. Notwithstanding any of the foregoing, the settlement of any strike, lockout, or labor dispute constituting an Uncontrollable Force shall be within the sole discretion of the Party to this TO Tariff involved in such strike, lockout, or labor dispute, and the requirement that a Party must use its best efforts to remedy the cause of the Uncontrollable Force and mitigate its effects and resume full performance hereunder shall not apply to strikes, lockouts, or labor disputes. No Party will be considered in default as to any obligation under this TO Tariff if prevented from fulfilling the obligation due to the occurrence of an Uncontrollable Force.

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

12. Regulatory Filings. Nothing contained herein shall be construed as affecting, in any way, the right of any electric utility (as defined by the Federal Power Act), Participating TO furnishing services in accordance with this TO Tariff, or any tariff and rate schedule which results from or incorporates this TO Tariff, unilaterally to make application to FERC as it deems necessary and appropriate to recover its Transmission Revenue Requirements, or for a change in its rates, including changes in rate methodology, or for a change in designation of transmission facilities to be placed under the CAISO's control, in each case under Section 205 of the FPA and pursuant to the FERC's Rules and Regulations promulgated thereunder. Nothing contained herein shall be construed as affecting in any way the ability of any Eligible Customer receiving services in accordance with this TO Tariff to exercise its rights under the Federal Power Act and pursuant to FERC's rules and regulations promulgated thereunder.

12.1 Open Access. For purposes of the Stranded Cost Recovery available under Order

Nos. 888 and 888-A, this Tariff, combined with the CAISO Tariff and wholesale distribution access tariff, if any, shall be considered an open access tariff under FERC Order Nos. 888 and 888-A.

13. Creditworthiness.

13.1 UDCs, MSSs, and Scheduling Coordinators Using the Participating TO's Low Voltage Transmission Facilities. For the purpose of determining the ability of a UDC, MSS, and Scheduling Coordinator to meet its obligations related to service using the Participating TO's Low Voltage Transmission Facilities hereunder where the Participating TO is collecting the Low Voltage Access Charge directly from each UDC, MSS and Scheduling Coordinator, the Participating TO may require reasonable credit review procedures for the UDC, MSS, or Scheduling Coordinator. This review shall be made in accordance with standard commercial practices. In addition, the Participating TO may require the UDC, MSS, or Scheduling Coordinator to provide and maintain in effect during the term of the service, an unconditional and irrevocable letter of credit as security to meet its responsibilities and obligations under this TO Tariff, or an alternative form of security proposed by the UDC, MSS, or Scheduling Coordinator and acceptable to the Participating TO, and consistent with commercial practices established by the Uniform Commercial Code, that protect the Participating TO against the risk of non-payment.

13.2 End-Users. Creditworthiness rules applicable to End-Users shall be pursuant to the then-current rules of the applicable Local Regulatory Authority.

14. Disputes. Except as limited below or as otherwise limited by law, the CAISO ADR Procedures shall apply to all disputes between parties which arise under this TO Tariff or under or in respect of the proposed terms and conditions of a Facility Study Agreement, System Impact Study Agreement or Expedited Interconnection Agreement. The CAISO ADR Procedures set forth in Section 13 of the CAISO Tariff shall not apply to disputes as to whether rates and charges set forth in this TO Tariff (other than charges for studies) are just and reasonable under the FPA.

15. [Reserved]

16. Miscellaneous.

16.1 Notices. Any notice, demand, or request in accordance with this TO Tariff, unless otherwise provided in this TO Tariff, shall be in writing and shall be deemed properly served, given, or made: (i) upon delivery if delivered in person, (ii) five days after deposit in the mail if sent by first class United States mail, postage prepaid, (iii) upon receipt of confirmation by return electronic facsimile if sent by facsimile, or (iv) upon Party at the address set forth in Appendix V of this TO Tariff. Any Party may at any time, by notice to the other Parties, change the designation or address of the person specified in Appendix V of this TO Tariff to receive notice on its behalf. Any notice of a routine character in connection with

service under this TO Tariff or in connection with operation of facilities shall be given in such a manner as the Parties may determine from time to time, unless otherwise provided in this TO Tariff.

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

16.3 Confidentiality.

16.3.1 Maintaining Confidentiality If Not for Public Disclosure. The Participating TO shall maintain the confidentiality of all of the documents, data, and information provided to it by any other Party that such Party may designate as confidential, provided, however, that the information will not be held confidential by the receiving Party if (1) the designating Party is required to provide such information for public disclosure pursuant to this TO Tariff or applicable regulatory requirements, or (2) the information becomes available to the public on a non-confidential basis (other than from the receiving Party).

16.3.2 Disclosure of Confidential Information. Notwithstanding anything in this Section 16.3.2 to the contrary, if any Party is required by applicable laws or regulations, or in the course of administrative or judicial proceedings, to disclose information that is otherwise required to be maintained in confidence pursuant to this Section 16.3.2, the Party may disclose such information; provided, however, that as soon as such Party learns of the disclosure requirement and prior to making such disclosure, such Party shall notify the affected Party or Parties of the requirement and the terms thereof. The affected Party or Parties may, at their sole discretion and own costs, direct any challenge to or defense against the disclosure requirement and the disclosing Party shall cooperate with such affected Party or Parties to the maximum extent practicable to minimize the disclosure of the information consistent with applicable law. The disclosing Party shall cooperate with the affected Parties to obtain proprietary or confidential treatment of confidential information by the person to whom such information is disclosed prior to any such disclosure.

16.4 TO Tariff Supersedes Existing Tariffs. This TO Tariff, together with the CAISO Tariff and wholesale distribution access tariff, if any, supersedes any pre-existing open access transmission tariff of the Participating TO.

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

- 16.6 Severability.** If any term, covenant, or condition of this TO Tariff or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest, by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this TO Tariff and their application shall not be affected thereby but shall remain in force and effect. The 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 severable from all other provisions of this TO Tariff.
- 16.7 Preservation of Obligations.** Upon termination of this TO Tariff, all unsatisfied obligations of each Party shall be preserved until satisfied.
- 16.8 Governing Law.** This TO Tariff shall be interpreted, governed by, and construed under the laws of the State of California, without regard to the principles of conflict of laws thereof, or the laws of the United States, as applicable, as if executed and to be performed wholly within the State of California.
- 16.9 Appendices Incorporated.** The several appendices to this TO Tariff, as may be revised from time to time, are attached to this TO Tariff and are incorporated by reference as if fully set forth herein.
- 16.10 Conflict With CAISO Tariff.** If a Market Participant identifies a conflict between the TO Tariff and the CAISO Tariff, the Participating TO and the Market Participant shall make good-faith efforts to resolve the conflict. If the parties are unable to informally resolve that conflict, the Parties may use the CAISO ADR Procedures to resolve it as set forth in Section 14 of this TO Tariff.
- 16.11 Conflicting Operating Instructions.** In the event a Market Participant receives conflicting operating instructions from the CAISO and one or more Participating TO(s), if human safety would not knowingly be jeopardized nor electric facilities subject to damage while the Market Participant seeks to reconcile the conflict with the appropriate CAISO and Participating TO employees before acting, the Market Participant should attempt a reconciliation. Otherwise, the Market Participant shall adhere to CAISO Tariff Section 4.2 and follow the CAISO's instructions. In no event shall a Market Participant be required to follow operating instructions from the CAISO if following those instructions would knowingly jeopardize human safety.

APPENDIX I Transmission Revenue Requirement and TRBAA

1 The Transmission Revenue Requirement shall be \$_____, which is composed of a Base Transmission Revenue Requirement of \$_____ and a TRBAA of \$_____.

2 The High Voltage Transmission Revenue Requirement shall be \$_____, which is composed of a Base Transmission Revenue Requirement for the High Voltage Transmission Facilities of \$_____ and a High Voltage TRBAA of negative \$_____.

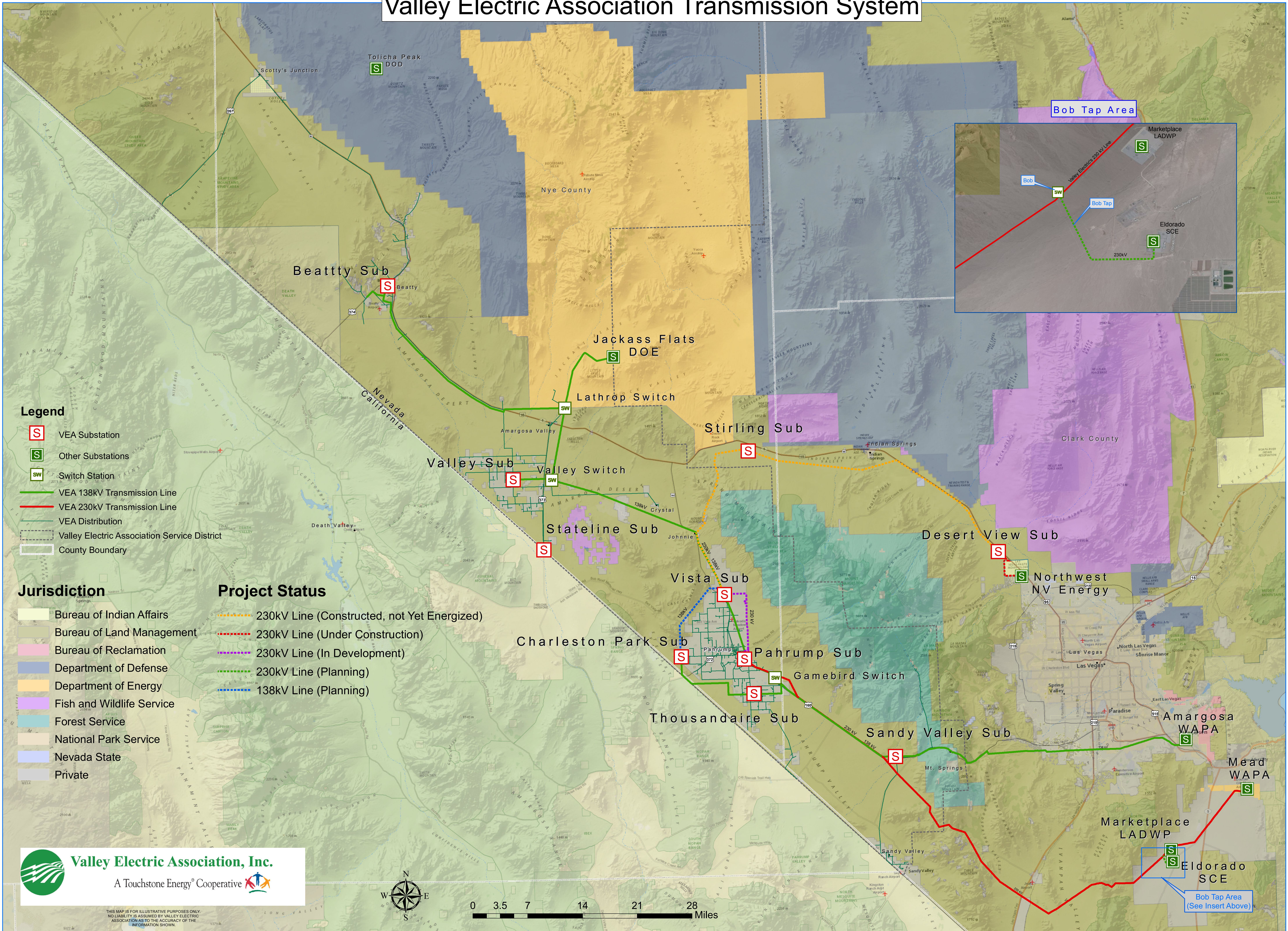
3 VEA is transferring Operational Control of Low Voltage Transmission Facilities to CAISO, but VEA is required to charge and collect Low Voltage Access Charges independently of the CAISO. VEA may be willing to file its LVTRR with FERC for informational purposes only.

The TRBAA will be calculated annually consistent with the CAISO Tariff, approved by FERC, and provided to the CAISO.

APPENDIX D

VEA Facilities Map

Valley Electric Association Transmission System



Legend

- VEA Substation
- Other Substations
- Switch Station
- VEA 138kV Transmission Line
- VEA 230kV Transmission Line
- VEA Distribution
- Valley Electric Association Service District
- County Boundary

Jurisdiction

- Bureau of Indian Affairs
- Bureau of Land Management
- Bureau of Reclamation
- Department of Defense
- Department of Energy
- Fish and Wildlife Service
- Forest Service
- National Park Service
- Nevada State
- Private

Project Status

- 230kV Line (Constructed, not Yet Energized)
- 230kV Line (Under Construction)
- 230kV Line (In Development)
- 230kV Line (Planning)
- 138kV Line (Planning)



THIS MAP IS FOR ILLUSTRATIVE PURPOSES ONLY. NO LIABILITY IS ASSUMED BY VALLEY ELECTRIC ASSOCIATION AS TO THE ACCURACY OF THE INFORMATION SHOWN.



0 3.5 7 14 21 28 Miles

APPENDIX E

Demand per Month for the Test Period

APPENDIX E

	2013 System Peak	
Jan	122,843	
Feb	110,374	
Mar	105,516	
Apr	82,896	
May	109,780	
Jun	112,441	
Jul	132,715	
Aug	125,756	
Sep	106,033	
Oct	79,690	
Nov	99,581	
Dec	121,054	

APPENDIX F

Transition Agreement

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

AND

VALLEY ELECTRIC ASSOCIATION, INC

TRANSITION AGREEMENT

TRANSITION AGREEMENT

This transition agreement (“Agreement”) is entered into as of October ____, 2011 between the California Independent System Operator Corporation (“CAISO”) and Valley Electric Association, Inc. (“Valley Electric”). The purpose of this Agreement is to establish the terms and conditions for Valley Electric’s transition into the CAISO Balancing Authority Area as a Participating Transmission Owner, Utility Distribution Company, and Load Serving Entity. The CAISO and Valley Electric are each referred to herein as a “Party,” and jointly as the “Parties.”

WHEREAS, Valley Electric is a Nevada nonprofit cooperative corporation without stock that operates as a non-generating distribution cooperative, providing retail electric service to members within its service area located in Nevada and California.

WHEREAS, the CAISO is a nonprofit public benefit corporation organized and existing under the laws of the State of California that operates transmission facilities under its Operational Control and wholesale electricity markets pursuant to the CAISO Tariff on file with the Federal Energy Regulatory Commission (“FERC”).

WHEREAS, Valley Electric submitted a request to interconnect its transmission system with the transmission system of Southern California Edison Company (“SCE”) at or near the Eldorado Substation, with the intent of becoming a CAISO Participating Transmission Owner pursuant to the Transmission Control Agreement and the CAISO Tariff.

WHEREAS, Valley Electric has existing contract rights with the Western Area Power Administration – Desert Southwest Region (“Western – DSR”) associated with the Mead Point of Interconnection that will allow Valley Electric to become a Participating Transmission Owner prior to completion of the Transmission Interconnection.

WHEREAS, the CAISO and Valley Electric entered into a Memorandum of Understanding, dated August 1, 2011, which addresses issues related to the Transition Plan.

WHEREAS, Valley Electric and its customers will be treated as other similarly situated entities pursuant to the CAISO Tariff and Transmission Control Agreement following the Transition Date, except as may be required to implement the terms of this Agreement.

NOW, THEREFORE, in consideration of the covenants set forth herein, and intending to be legally bound thereby, and for other good and valuable consideration the receipt of which is hereby acknowledged, the Parties agree as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

- 1.1 **Master Definitions Supplement.** Unless defined in the introduction above or Section 1.2 of this Agreement, all terms in this Agreement with initial capitalization shall have the same meaning as those contained in the Master Definitions Supplement, Appendix A to the CAISO Tariff.
- 1.2 **Special Definitions for this Agreement.** In this Agreement, the following terms shall have the meanings set opposite them:

Adverse Order shall mean any order meeting the criteria for an Adverse Order set forth in Section 2.5, Section 4.1 or Section 4.2.

Effective Date shall have the meaning provided in Section 2.1.

Eldorado Substation shall mean those facilities jointly owned by SCE that are commonly referred to as the Eldorado substation and that form part of the CAISO Controlled Grid.

Mead Point of Interconnection shall mean the point of Interconnection at the Mead substation between the Valley Electric System and Western– DSR, which is further described in a one-line diagram included as an Exhibit to Contract No. Contract No. 94-PAO-10569.

Mead Rights shall mean Valley Electric’s existing contract rights with the Western – DSR associated with the Mead Point of Interconnection pursuant to Contract No. 94-PAO-10569, relating to the “Ownership, Operation, Maintenance, Replacement and Financial Responsibilities of the Facilities and Points of Interconnection at Mead Substation.”

Transition Date shall mean the date on which Valley Electric becomes a Participating Transmission Owner, Utility Distribution Company, and Load Serving Entity in the CAISO Balancing Authority Area.

Transition Plan shall mean the milestones and associated dates described in Attachment 1 to this Agreement.

Transmission Interconnection shall mean the transmission facilities that will physically interconnect the CAISO Controlled Grid with the Valley Electric System at or near the Eldorado Substation, or at such other location as may be mutually agreed by the Parties.

Transmission Register shall mean the register of all transmission lines, associated facilities, and Entitlements under CAISO Operational Control that is further described in Section 4.2 of the Transmission Control Agreement and defined as “CAISO Register” in the CAISO Tariff.

Transmission Upgrade shall mean the approximately 58 mile 230 kV reliability network upgrade of the Valley Electric System currently under construction, which travels generally on the East side of Mt. Charleston and near US-95, and will ultimately interconnect with Valley Electric’s Vista substation and NV Energy’s Northwest substation.

Valley Electric System shall mean the approximately 288 circuit miles of 230 kV and 138 kV transmission facilities owned and operated by Valley Electric as of the Effective Date, which is generally depicted in Attachment 2 to this Agreement.

1.3 Rules of Interpretation. The following rules of interpretation and conventions shall apply to this Agreement:

- (a) the singular shall include the plural and vice versa;
- (b) the masculine shall include the feminine and neutral and vice versa;
- (c) “or” is used in the conjunctive sense;

- (d) “includes” or “including” shall mean “includes (or including) without limitation,” unless the context otherwise requires;
- (e) references to a Section, Article, or Schedule shall mean a Section, Article, or a Schedule of this Agreement, as the case may be, unless the context specifies otherwise;
- (f) any reference to the CAISO Tariff or any provision of the CAISO Tariff will mean a reference to the CAISO Tariff or provision then in effect, unless otherwise specifically provided;
- (g) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced, or restated from time to time;
- (h) unless the context otherwise requires, any reference to a “person” includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization, or other entity, in each case whether or not having separate legal personality;
- (i) unless the context otherwise requires, any reference to a Party includes a reference to that Party’s permitted successors and assigns;
- (j) any reference to a day, week, month, or year is to a calendar day, week, month, or year;
- (k) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement; and
- (l) no rule that a contract shall be construed against the drafter shall be applied to the construction or interpretation of this Agreement.

ARTICLE 2 TERM AND TERMINATION

- 2.1 Effective Date.** This Agreement shall be effective as of the date it is accepted for filing and made effective by FERC, and shall remain in full force and effect until terminated pursuant to Section 2.7, or upon such other date as the Parties shall mutually agree.
- 2.2 Limitation on Withdrawal.** Except as provided in this Article 2, neither Party shall have the right to terminate this Agreement after the Effective Date. Any attempt to terminate this Agreement shall be deemed a default under this Agreement in accordance with this Article 2.

- 2.3 Expiration Date.** This Agreement shall remain in full force and effect through the Transition Date, at which time, either Party may give the other Party thirty (30) days written notice that all covenants in this Agreement have been fulfilled and that termination by virtue of expiration is appropriate. Any disagreement over whether all covenants in this Agreement have been fulfilled shall be resolved in accordance with the dispute resolution provisions in Article 14.
- 2.4 Termination by Default.** Either Party (the terminating Party) may terminate this Agreement by giving written notice in the event that the other Party (the defaulting Party) commits any default under this Agreement or the CAISO Tariff that is incapable of being remedied or which, if capable of being remedied, is not remedied within thirty (30) days after the terminating Party has given the defaulting Party written notice of the default, unless excused by reason of Uncontrollable Forces under Article 13 of this Agreement.
- 2.5 Termination by Adverse Order.** Either Party may terminate this Agreement following an Adverse Order upon thirty (30) days written notice to the other Party. If the FERC rejects, materially modifies or materially conditions its acceptance of this Agreement, within fifteen (15) days of issuance of such FERC order, the Parties shall take one of the following actions: (i) agree to accept any modifications or conditions imposed by such FERC order, (ii) jointly seek further administrative or legal remedies with respect to such FERC order, including a request for rehearing or clarification, or (iii) enter into negotiations with respect to accommodation of such FERC order. If the Parties did not accept such FERC order and have not agreed to an accommodation within thirty (30) days of the date upon which such FERC order becomes a final and non-appealable order, such order shall be deemed an Adverse Order.
- 2.6 Termination for Failure to Reach Agreement with Third Parties.** If CAISO and Valley Electric are unable to reach agreement with any third party, including Western – DSR and/or NV Energy, which is necessary to move Valley Electric to the CAISO balancing authority area or otherwise implement this Agreement, and the Parties are unable to agree after commercially reasonable attempts upon an appropriate resolution, then either party shall have the right to terminate this Agreement upon thirty (30) days written notice.
- 2.7 Termination Notice.** The Parties acknowledge that, with respect to any notice of termination given pursuant to this Article 2, the CAISO is required to file a timely notice of termination with FERC. The Parties acknowledge and agree that the filing of the notice of termination by the CAISO with FERC will be considered timely if the filing of the notice of termination is made after the preconditions for termination have been met, and the CAISO files the notice of termination within sixty (60) days after issuance of the notice of default. This Agreement shall terminate upon acceptance by FERC of such a notice of termination.

ARTICLE 3 GENERAL TERMS AND CONDITIONS

- 3.1 Scope of Agreement.** Except as may otherwise be provided in this Agreement, the provisions of this Agreement apply only to activities necessary to facilitate the transition of Valley Electric to the CAISO Balancing Authority Area as a Participating Transmission Owner, Utility Distribution Company, and Load Serving Entity.
- 3.2 CAISO Responsibility.** The Parties acknowledge that the CAISO is responsible for the efficient use and reliable operation of the CAISO Controlled Grid and the operation of the

CAISO's Balancing Authority Area consistent with achievement of planning and Operating Reserve criteria no less stringent than those established by the WECC and NERC Reliability Standards and criteria and in accordance with the CAISO Tariff. Valley Electric will be included within the scope of these CAISO responsibilities as of the Transition Date.

- 3.3 Valley Electric Responsibility.** The Parties acknowledge that Valley Electric has a legal obligation to act in the best interests of its members in accordance with its Articles of Incorporation and Bylaws. The Parties acknowledge that Valley Electric is separately responsible for compliance with the WECC and NERC Reliability Standards and criteria applicable to the functions for which Valley Electric is registered with NERC, and that Valley Electric is currently part of the NV Energy Balancing Authority Area. Any references to WECC and NERC Reliability Standards in this Agreement do not make any alteration or enlargement of the requirements or standards applicable to Valley Electric or to the individual registrations of Valley Electric with NERC. Valley Electric will adjust its individual registrations with NERC effective on the Transition Date and enter into any applicable reliability standards agreement with the CAISO as necessary to reflect any change in its status as a result of this Agreement.
- 3.4 Relationship of the Parties.** Except as otherwise may be provided in this Agreement, the covenants, obligations, rights and liabilities of the Parties under this Agreement are intended to be several and not joint or collective. It is the intent of the Parties not to create an association, joint venture, trust, or partnership, and not to impose a trust or partnership covenant, obligation, or liability on, or with regard to, any Party. Each Party shall be individually responsible for its own covenants, obligations, and liabilities under this Agreement. No Party shall be under the control of or shall be deemed to control the other Party. No Party shall be the agent of, or have the right or power to bind, another Party, without its written consent, except as expressly provided for in this Agreement.
- 3.5 Costs Incurred.** Each Party shall be individually responsible for all of its own costs, expenses or financial obligations that may be incurred as a result of this Agreement. Specifically, Valley Electric shall be responsible for satisfaction of any obligations associated with its departure from the NV Energy Balancing Authority Area.
- 3.6 Requests for Information.** Valley Electric will respond, and at its own cost with a full and timely good-faith effort to all reasonable requests for information or technical support made by the CAISO from time to time as may be necessary for the performance of this Agreement.
- 3.7 Staffing Considerations.** The Parties will devote sufficient staff and resources necessary for performance of this Agreement; provided, however, this Agreement shall not be interpreted to require either Party to increase internal staffing or to allocate staff in a manner that such party may consider in its sole discretion to jeopardize its ability to meet legal, regulatory or customer obligations.
- 3.8 Transition Plan.** The Parties have developed the Transition Plan in an effort to reach the Transition Date in the most efficient and economic manner. It is recognized that changes to the Transition Plan may be necessary or appropriate to achieve the Transition Date in a more efficient or economic manner or, in some circumstances, to adjust the Transition Date. The Transition Plan may be amended by mutual agreement of the Parties without being considered an amendment to this Agreement. Neither Party

may unreasonably withhold consent to reasonable changes to the Transition Plan. Any disagreement over whether a proposed change to the Transition Plan is reasonable shall be resolved in accordance with the dispute resolution provisions in Article 14.

- 3.9 Precedence in Event of Conflict between the Terms of This Agreement and the CAISO Tariff.** If and to the extent a matter is specifically addressed by a provision of this Agreement, the provisions of this Agreement shall govern notwithstanding any inconsistent provision of the CAISO Tariff.
- 3.10 Precedence of CAISO Tariff for Matters to be Determined In Accordance with the CAISO Tariff.** If and to the extent this Agreement provides that a matter shall be determined in accordance with the applicable provisions of the CAISO Tariff, the applicable provisions of the CAISO Tariff shall govern.
- 3.11 Amendment to CAISO Tariff.** Nothing in this Agreement shall affect in any way the authority of the CAISO to modify unilaterally the CAISO Tariff in accordance with Section 15 of the CAISO Tariff or of the Parties to exercise their rights under the Federal Power Act or any other law or to pursue any legal remedies.

ARTICLE 4 TRANSITION DATE UNDERTAKINGS

- 4.1 Participating Transmission Owner.** Valley Electric will submit an application with CAISO to become a Participating Transmission Owner and to turn the Valley Electric System and the Transmission Upgrade over to CAISO Operational Control in accordance with the CAISO Tariff and the Transmission Control Agreement based on the Mead Rights and the Mead Point of Interconnection. This application must be submitted to the CAISO at least six (6) months prior to the Transition Date to allow sufficient time to complete the application process. When Valley Electric's application has been accepted, the Transmission Control Agreement will be amended to include Valley Electric as a Participating Transmission Owner, which amendment will be filed with FERC by the CAISO with a requested effective date concurrent with the Transition Date. The Parties will collaborate in obtaining regulatory acceptance or approval for this amendment to the Transmission Control Agreement. If the FERC rejects, materially modifies, or materially conditions its acceptance of the amendment to the Transmission Control Agreement, then, within fifteen (15) days of issuance of such FERC order, the Parties shall take one of the following actions: (i) agree to accept any modifications or conditions imposed by such FERC order, (ii) jointly seek further administrative or legal remedies with respect to such FERC order, including a request for rehearing or clarification, or (iii) enter into negotiations with respect to accommodation of such FERC order. If the Parties did not accept such FERC order and have not agreed to an accommodation within thirty (30) days of the date on which such FERC order becomes a final and non-appealable order, such order shall be deemed an Adverse Order.
- 4.1.1 Mead Point of Interconnection.** The Parties acknowledge and agree that interconnection of the Valley Electric System to the CAISO Controlled Grid at the Mead Point of Interconnection is a condition precedent to Valley Electric becoming a Participating Transmission Owner based on the Mead Rights. The Parties further acknowledge and agree that this interconnection requires mutual agreement between the CAISO and Western – DSR, most likely as an amendment to the existing Interconnected Balancing Authority Area Operating Agreement between the CAISO and Western – DSR. This amended agreement between the CAISO and

Western – DSR will be filed with FERC by the CAISO with a requested effective date concurrent with the Transition Date. The CAISO agrees to use commercially reasonable efforts to negotiate an amendment to the Interconnected Balancing Authority Area Operating Agreement, or such other arrangements with Western-DSR, as will permit interconnection of the Valley Electric System with the CAISO Controlled Grid at the Mead Point of Interconnection on or before the Transition Date. If CAISO and Western – DSR are unable to reach agreement with respect to this amendment, within fifteen (15) days of such failure, CAISO shall notify Valley Electric and the Parties shall consider options, including termination of this Agreement as provided in Section 2.6. If the FERC rejects, materially modifies or materially conditions its acceptance of the amendment to the Interconnected Balancing Authority Area Operating Agreement (or such other form of agreement as may be agreed to between the CAISO and Western – DSR), within fifteen (15) days of issuance of such FERC order, the Parties shall take one of the following actions: (i) agree to accept any modifications or conditions imposed by such FERC order, (ii) jointly seek further administrative or legal remedies with respect to such FERC order, including a request for rehearing or clarification, or (iii) enter into negotiations with respect to accommodation of such FERC order. If the Parties did not accept such FERC order and have not agreed to an accommodation within thirty (30) days of that date on which such FERC order becomes a final and non-appealable order, such order shall be deemed an Adverse Order.

4.1.1.1 Metering or Other Facilities at Mead. Metering or other facilities may be necessary for the ISO to assume Operational Control of the Valley Electric System based on the Mead Rights. Valley Electric will coordinate with Western – DSR to install such metering or other facilities to interconnect the CAISO Controlled Grid with the Valley Electric System. CAISO will coordinate with Valley Electric and Western – DSR to determine the appropriate metering or other facilities, but shall have no direct responsibility for installation of these metering or other facilities. Valley Electric will be solely responsible for completion of the metering or other facilities reasonably necessary to connect the Valley Electric System with the CAISO Controlled Grid based on the Mead Rights.

4.1.2 Points of Interconnection with Other Balancing Authority Areas. The Parties acknowledge and agree that Points of Interconnection other than the interconnection based at Mead Rights are necessary to account for the Valley Electric System as part of the CAISO Balancing Authority Area. The Parties further acknowledge and agree that these additional Points of Interconnection require mutual agreement between the CAISO and Western – DSR or NV Energy, most likely as an amendment to the existing Interconnected Balancing Authority Area Operating Agreement or Interconnected Control Area Operating Agreement between the CAISO and Western – DSR or NV Energy, respectively. The CAISO agrees to use commercially reasonable efforts to negotiate an amendment to the Interconnected Balancing Authority Area Operating Agreement, or such other arrangements with Western-DSR or NV Energy, as will permit interconnection of the Valley Electric System with the CAISO Controlled Grid on or before the Transition Date. These agreements between the CAISO and Western – DSR or NV Energy will be filed with FERC by the CAISO with a requested effective date concurrent with the Transition Date. If CAISO and Western – DSR or NV Energy are unable to reach agreement

with respect to this amendment, within fifteen (15) days of such failure, CAISO shall notify Valley Electric and the Parties shall consider options, including termination of this Agreement as provided in Section 2.6. If the FERC rejects, materially modifies or materially conditions its acceptance of the amendment to the Interconnected Balancing Authority Area Operating Agreement (or such other form of agreement as may be agreed to between the CAISO and Western – DSR or NV Energy), within fifteen (15) days of issuance of such FERC order, the Parties shall take one of the following actions: (i) agree to accept any modifications or conditions imposed by such FERC order, (ii) jointly seek further administrative or legal remedies with respect to such FERC order, including a request for rehearing or clarification, or (iii) enter into negotiations with respect to accommodation of such FERC order. If the Parties did not accept such FERC order and have not agreed to an accommodation within thirty (30) days of issuance of such FERC order, or if the Parties jointly seek further administrative or legal remedies with respect to such FERC order, within thirty (30) days after a final non-appealable order is received from FERC or any court having jurisdiction, such order shall be deemed an Adverse Order.

4.1.2.1 Metering or Other Facilities at Points of Interconnection with Other Balancing Authority Areas. Metering or other facilities may be necessary to establish additional Points of Interconnection between the CAISO Balancing Authority Area and the Western – DSR or NV Energy Balancing Authority Areas. The Parties will coordinate with Western – DSR or NV Energy to install such metering or other facilities to establish these additional Points of Interconnection. Valley Electric will be solely responsible for installation of the metering or other facilities that are reasonably necessary to establish these additional Points of Interconnection between the CAISO Controlled Grid and Western DSR or NV Energy.

4.1.3 Encumbrances on the Valley Electric System. Valley Electric represents and warrants that it has not entered into any arrangement that would constitute an Encumbrance on the Valley Electric System. In addition, Valley Electric agrees that it will not enter into any arrangement prior to the Transition Date that would constitute an Encumbrance on the Valley Electric System.

4.2 Transmission Revenue Requirement. Valley Electric will file its Transmission Revenue Requirement with FERC with a requested effective date concurrent with the Transition Date. The Parties anticipate that the costs associated with the Valley Electric System will be included in Valley Electric's Transmission Revenue Requirement. Valley Electric will have sole responsibility for obtaining regulatory approval of its Transmission Revenue Requirement, except to the extent the CAISO may be requested to provide related support based on this Agreement. FERC conditional approval of the Transmission Revenue Requirement with respect to the Valley Electric System is required as a condition precedent to the Transition Date. If the FERC rejects, materially modifies, or materially conditions its acceptance of the Transmission Revenue Requirement for the Valley Electric System within fifteen (15) days of such FERC order, the Parties shall take one of the following actions: (i) agree to accept any modifications or conditions imposed by such FERC order, (ii) jointly seek further administrative or legal remedies with respect to such FERC order, including a request for rehearing or clarification, or (iii) enter into negotiations with respect to accommodation of such FERC order. If the Parties did not accept such FERC order and have not agreed to an accommodation within thirty (30) days of issuance of such FERC order, or if the Parties jointly seek further administrative or legal remedies with respect to

such FERC order, within thirty (30) days after a final non-appealable order is received from FERC or any court having jurisdiction, such order shall be deemed an Adverse Order.

- 4.3 Transmission Interconnection.** Valley Electric will complete the Transmission Interconnection and place it in service as soon as commercially reasonable after the Transition Date. The Parties anticipate that the costs associated with the Transmission Interconnection will be included in Valley Electric's Transmission Revenue Requirement. Valley Electric will be solely responsible for the costs and regulatory approvals associated with the Transmission Interconnection. Valley Electric will have sole responsibility for obtaining regulatory approval of the associated costs in its Transmission Revenue Requirement, except the CAISO may be requested to provide related support based on this Agreement. CAISO agrees to update the Transmission Register to include the Transmission Interconnection effective as of the in-service date.
- 4.4 Transmission Upgrade.** Valley Electric will complete the Transmission Upgrade and place it in service as soon as commercially reasonable. The Parties anticipate that the costs of the Transmission Upgrade will be included in Valley Electric's Transmission Revenue Requirement. Valley Electric will be solely responsible for the costs and regulatory approvals associated with the Transmission Upgrade. Valley Electric will have sole responsibility for obtaining regulatory approval of the associated costs in its Transmission Revenue Requirement, except the CAISO may be requested to provide related support based on this Agreement. CAISO agrees to update the Transmission Register to include the Transmission Upgrade effective as of the in-service date. If the Transmission Upgrade is placed in service prior to the Transition Date and FERC rejects, materially modifies, or materially conditions its acceptance of the of the Transmission Revenue Requirement for the Transmission Upgrade within fifteen (15) days of such FERC order, the Parties shall take one of the following actions: (i) agree to accept any modifications or conditions imposed by such FERC order, (ii) jointly seek further administrative or legal remedies with respect to such FERC order, including a request for rehearing or clarification, or (iii) enter into negotiations with respect to accommodation of such FERC order. If the Parties did not accept such FERC order and have not agreed to an accommodation within thirty (30) days of issuance of such FERC order, or if the Parties jointly seek further administrative or legal remedies with respect to such FERC order, within thirty (30) days after a final non-appealable order is received from FERC or any court having jurisdiction, such order shall be deemed an Adverse Order.
- 4.5 Utility Distribution Company Operating Agreement.** Valley Electric will enter into a Utility Distribution Company Operating Agreement with the CAISO to address operational issues associated with reliably serving its Load in the CAISO Balancing Authority Area, which will be filed with FERC by the CAISO with a requested effective date concurrent with the Transition Date.
- 4.6 Scheduling Coordinator.** Valley Electric will become or retain the services of a CAISO certified Scheduling Coordinator to interface with the CAISO systems effective as of the Transition Date. If Valley Electric wishes to itself become a certified Scheduling Coordinator, it shall submit an application to the CAISO at least six months prior to the Transition Date.

ARTICLE 5 INTERCONNECTION QUEUE MERGER

- 5.1 Purpose and Assumptions.** This Article 5 specifies steps the Parties will take in advance of the Transition Date so that the CAISO may treat generators in Valley Electric's queue as CAISO Interconnection Customers. In particular, this Article 5 allows customers in Valley Electric's interconnection queue as of August 1, 2011 to elect Full Capacity Deliverability Status as CAISO Controlled Grid connected Generating Facilities. For this purpose, the Parties assume that Valley Electric will become a Participating Transmission Owner and complete the Transmission Interconnection.
- 5.2 Interconnection Queue and Study Process Status.** The CAISO and Valley Electric each conduct their own interconnection queue and study processes. Valley Electric administers a generator interconnection queue through a serial study process, which includes approximately 2980 MW of renewable generation as of August 1, 2011. Two projects in Valley Electric's queue accounting for a total of about 1620 MW have also submitted an Interconnection Request to the most recent CAISO Cluster Application Window, Cluster 4, of the CAISO's Generator Interconnection Procedures. The remaining approximate 1360 MW of customers in Valley Electric's interconnection queue have not submitted an Interconnection Request to the CAISO. Once Valley Electric becomes a Participating Transmission Owner in the CAISO Balancing Authority Area, customers currently in Valley Electric's interconnection queue, who achieve Commercial Operation, will be CAISO Controlled Grid interconnected Generating Facilities.
- 5.3 Valley Electric Generator Interconnection Procedures.** Valley Electric will revise its generator interconnection procedures and initiate a cluster study process consistent with the timeline set forth in the Transition Plan. This cluster study process will include all interconnection customers with a valid interconnection request as of August 1, 2011, who enter into an agreement to participate in the cluster study process. This cluster study process will be completed consistent with the timeline set forth in the Transition Plan but no later than thirty (30) days prior to completion of the CAISO Cluster 4 Phase II Interconnection Studies. The CAISO will advise Valley Electric in a timely manner of the expected completion date of the CAISO Cluster 4 Phase II Interconnection Studies, including any changes to the expected completion date. This cluster study process will, among other things, identify the network upgrades required on the Valley Electric System for generating facilities seeking Full Capacity Deliverability Status on the CAISO Controlled Grid. All customers in Valley Electric's interconnection queue will be required to execute an agreement to participate and fund the cost of this cluster study process, as well as other costs determined by Valley Electric, consistent with the timeline in the Transition Plan. This cluster study process will replace the existing Valley Electric serial interconnection study process. The CAISO will coordinate with Valley Electric with respect to this cluster study process in accordance with the Transition Plan and review results to ensure they are compatible with the ISO Cluster 4 Phase II Interconnection Studies.
- 5.3.1 Customers Entering Valley Electric Queue after August 1, 2011.** Interconnection customers that submit interconnection requests to Valley Electric after August 1, 2011 will be required to submit an Interconnection Request to the CAISO in the next CAISO Generation Interconnection Process Cluster Application Window. Any interconnection request received by Valley Electric after August 1, 2011 and before the Transition Date may also need to be included in a second cluster study conducted by Valley Electric as necessary to identify the network upgrades required

on the Valley Electric System for generating facilities seeking Full Capacity Deliverability Status on the CAISO Controlled Grid. This second cluster study would be conducted as provided in this Section 5.3, if required. Alternatively, the Parties may elect to merge the second cluster study conducted by Valley Electric into the ISO's Generator Interconnection Procedures and conduct a single study with respect to these interconnection customers if that would be more efficient and effective under the circumstances.

- 5.4 Valley Electric Generator Interconnection Agreements.** Upon the request of a Valley Electric interconnection customer, Valley Electric and the CAISO will offer to enter into a three-party agreement with the interconnection customer for network upgrades on the Valley Electric System that are identified in the Valley Electric cluster study process. These agreements will be consistent with the Interconnection Agreement included in the CAISO Tariff and will be made effective on the Transition Date.
- 5.5 Costs Associated with Network Upgrades on the Valley Electric System.** Network upgrades on the Valley Electric System will be separately identified through the Valley Electric cluster studies that Valley Electric will conduct pursuant to the new Valley Electric interconnection process described in Section 5.3 above. Any interconnection customer cost responsibility and transmission owner cost responsibility associated with network upgrades on the Valley Electric System necessary for customers in the Valley Electric queue seeking to obtain Full Capacity Deliverability Status on the CAISO Controlled Grid shall be treated consistent with the CAISO Generator Interconnection Procedures as provided in the CAISO Tariff, except as may be specifically provided below in Section 5.6.
- 5.6 Network Upgrades on the CAISO Controlled Grid, the CAISO Generator Interconnection Procedures, and Special Interconnection Requests.** Any customer in the Valley Electric queue as of August 1, 2011 that is not already a CAISO Interconnection Customer and that desires Full Capacity Deliverability Status on the CAISO Controlled Grid will be required to submit a "special" Interconnection Request to the CAISO within thirty (30) days following the release of the Cluster 4 Phase I Interconnection Study results. This Interconnection Request will enable these Interconnection Customers to be included in the CAISO Cluster 4 Phase II Interconnection Studies as provided below. This "special" Interconnection Request will afford the Interconnection Customer all rights and obligations of the CAISO Tariff. Any customer seeking interconnection to the Valley Electric System after August 1, 2011 will be required to submit a standard Interconnection Request to the CAISO in the next Cluster Application Window, if such customer desires Full Capacity Deliverability Status on the CAISO Controlled Grid. The CAISO will follow its Generator Interconnection Procedures with respect to all such Interconnection Requests except as provided below in this Section 5.6.
- 5.6.1 Study Deposits and Financial Security.** Interconnection Customers submitting a "special" Interconnection Request to the CAISO as provided in this Section 5.5 will be required to comply with all study deposit, financial security and other requirements of the CAISO Generator Interconnection Procedures as if the Interconnection Customer had submitted an Interconnection Request in the CAISO Cluster Application Window, Cluster 4, and participated in the Cluster 4 Phase I Interconnection Studies. Specifically, in accordance with Appendix Y, Section 3.5.1(i), the Study Deposit will be \$50,000 plus \$1,000 per MW up to a maximum of \$250,000, and the Interconnection Financial Security posting requirement for these Interconnection Customers will be determined in accordance with Appendix Y,

Section 9 of the CAISO Tariff and due at the time the “special” Interconnection Request is submitted to the CAISO. The initial Interconnection Financial Security posting provided in Appendix Y, Section 9.2.3 shall be determined at the rate of \$20,000 per megawatt electrical output of the Generating Facility, up to a maximum of \$7.5 million. Projects greater than 20 MW will have to post a minimum of \$500,000. Projects less than 20 MW would be able to post less depending upon their MW value, with a minimum required posting of \$50,000.

5.6.2 Incremental Network Upgrade Costs. Incremental costs for Network Upgrades on the CAISO Controlled Grid that are identified in the Cluster 4 Phase II Interconnection Studies and were not included in the Cluster 4 Phase I Interconnection Study results will be allocated to all Cluster 4 Interconnection Customers in accordance with the methodology provided in the CAISO Tariff.

5.6.3 CAISO Interconnection Customer Maximum Cost Responsibility for Network Upgrades. The cost responsibility for CAISO Interconnection Customers (as distinguished from Valley Electric interconnection customers) included in the Cluster 4 Phase I Interconnection Studies for Network Upgrades on the CAISO Controlled Grid will be limited to the Maximum Cost Responsibility that was established in their Cluster 4 Phase I Interconnection Study results. For these Interconnection Customers, any costs in excess of an Interconnection Customer’s Cluster 4 Phase I Interconnection Study Maximum Cost Responsibility for Network Upgrades on the CAISO Controlled Grid identified in the Cluster 4 Phase II Interconnection Studies shall be funded by the Participating Transmission Owner and included in the Transmission Access Charge consistent with the CAISO Tariff and Generator Interconnection Procedures.

5.6.4 Valley Electric Interconnection Customer Cost Responsibility for Network Upgrades to CAISO Controlled Grid. Costs for Network Upgrades on the CAISO Controlled Grid allocated to Valley Electric interconnection customers who submitted a “special” Interconnection Request to the CAISO would not be limited in any way by the Cluster 4 Phase I Interconnection Study results, since these interconnection customers were not included in the Cluster 4 Phase I Interconnection Studies. These Interconnection Customers would be responsible for their proportionate shares of costs for the Network Upgrades on the CAISO Controlled Grid up to their Maximum Cost Responsibility as determined by the Cluster 4 Phase II Interconnection Study results, in accordance with the CAISO Tariff and Generator Interconnection Procedures.

5.7 CAISO Generator Interconnection Agreements. The CAISO will enter into Interconnection Agreements with Interconnection Customers and the applicable Participating Transmission Owner with respect to Network Upgrades on the CAISO Controlled Grid associated with “special” Interconnection Request as described above on the same basis as with Interconnection Customers who participated in the Cluster 4 Phase I Interconnection Studies (i.e., in accordance with the CAISO Tariff), with the understanding that Network Upgrades on the Valley Electric System will be contracted for in accordance with Section 5.4.

5.8 Reimbursement of Interconnection Financial Security and Interconnection Study Deposits in the Event of Termination. If this Agreement is terminated for any reason, any Interconnection Customer who submitted a “special” Interconnection Request as provided in

Section 5.6 above will be entitled to a full refund of its Interconnection Financial Security, unless such Interconnection Customer utilizes the Network Upgrades on the CAISO Controlled Grid through construction of additional Interconnection Facilities. In this case, the Interconnection Customer would be entitled to a refund of Interconnection Financial Security in accordance with Appendix Y, Section 9.4.2.4 of the CAISO Tariff. If an Interconnection Customer withdraws its “special” Interconnection Request for any reason prior to termination of this Agreement, Interconnection Financial Security would be refunded in accordance with the CAISO Generator Interconnection Procedures. Interconnection Study Deposits will be refunded in accordance with the CAISO Generator Interconnection Procedures under all circumstances. All costs associated with any cluster study conducted by Valley Electric would be treated in accordance with the agreement between the interconnection customer and Valley Electric.

ARTICLE 6 TRANSMISSION PLANNING

- 6.1 Joint Transmission Planning.** The CAISO and Valley Electric each regularly perform transmission planning activities to ensure their respective systems meet applicable Reliability Standards. It is appropriate that development of the Transmission Interconnection, Transmission Upgrade, and the interconnection between the Valley Electric System and the CASIO Controlled Grid based on the Mead Rights, as well as planning for any additional reliability upgrades that may be needed to reinforce the transmission grid, be coordinated prior to the Transition Date. The CAISO’s Transmission Planning Process includes the opportunity to work with Transmission Owners outside of its Balancing Authority Area to jointly plan transmission development. It is anticipated that the Parties will utilize this process to engage in joint transmission planning activities prior to the Transition Date.
- 6.2 Exemption from CAISO Transmission Planning Process.** Since the Valley Electric System currently is not within the CAISO Balancing Authority Area, the Transmission Interconnection and the Transmission Upgrade projects are expressly exempt from the CAISO Transmission Planning Process and will not be studied as part of the CAISO Controlled Grid during the Transmission Planning Process cycles that have commenced prior to the Transition Date. As contemplated in Sections 4.3 and 4.4, the CAISO will consider these facilities New High Voltage Facilities when placed into service regardless of the fact they were not considered by the CAISO as part of the Transmission Planning Process or included in the CAISO’s Transmission Plans.
- 6.3 Network Upgrades on the Valley Electric System.** Network upgrades originally identified during the Valley Electric cluster study process described in Section 5.3, but for which no Interconnection Agreement has been executed, will be considered equivalent to Network Upgrades originally identified during the Cluster 4 Phase II Interconnection Study Process for purposes of determining whether such network upgrades should be assessed as part of the comprehensive Transmission Plan in accordance with CAISO Tariff section 24.4.6.5. The CAISO will review such network upgrades that meet the criteria under CAISO Tariff section 24.4.6.5 and reach determinations 30 days prior to the Transition Date as to whether further consideration of enhancements to these network upgrades is warranted. The CAISO will enter into Interconnection Agreements pursuant to Section 5.4 with respect to any such network upgrades that are not identified for further consideration in the CAISO Transmission Planning Process as part of the review conducted under this Section 6.3. The CAISO will not enter into Interconnection Agreements pursuant to Section 5.4 with respect to any such network upgrades that are identified for further consideration in the CAISO Transmission

Planning Process until such network upgrades have completed the review process consistent with CAISO Tariff section 24.4.6.5, which will be no later than the timeline for consideration and approval of the comprehensive Transmission Plan by the CAISO Governing Board as provided in the CAISO Tariff and Business Practice Manual, currently scheduled for March of 2013. Network upgrades on Valley Electric's system that are planned or under construction pursuant to an Interconnection Agreement executed pursuant to Section 5.4 or this Section 6.3 will not be subsequently considered as part of the comprehensive Transmission Plan in accordance with CAISO Tariff section 24.4.6.5.

ARTICLE 7 RESOURCE ADEQUACY REQUIREMENTS

- 7.1 General Resource Adequacy Requirements.** Valley Electric will need to meet the resource adequacy requirements of the CAISO Tariff applicable to Load Serving Entities as of the Transition Date. The Parties will rely mainly on the California Energy Commission ("CEC") coincident peak demand forecast for the entire CAISO system, which will include, after the Transition Date, the Valley Electric System for the resource adequacy process. Valley Electric will provide sufficient historical data to enable the CEC and the CAISO to perform a coincident peak historic demand analysis for purposes of determining the Valley Electric share of CAISO coincident system peak demand. Valley Electric will participate in the CEC demand forecasting process for the 2013 forecast year.
- 7.2 Valley Electric System Resource Adequacy Requirements.** Pursuant to the CAISO Tariff, the CAISO will recognize Valley Electric as a non-CPUC jurisdictional Load Serving Entity subject to the jurisdiction of its own Local Regulatory Authority. Valley Electric will establish its own planning reserve margin regarding system resource adequacy requirements for the Loads served by Valley Electric as a fraction of its coincident system peak demand, in accordance with Section 40 of the CAISO Tariff.
- 7.3 Valley Electric Local Resource Adequacy Requirements.** Valley Electric may or may not have local resource adequacy requirements, which the CAISO will determine as required by the CAISO Tariff not later than May 2012 (the year prior to the Transition Date), in accordance with Section 40 of the CAISO Tariff.
- 7.4 Resource Adequacy Demonstrations.** Valley Electric, through its Scheduling Coordinator, will participate in the year-ahead and month-ahead demonstrations in accordance with the CAISO Tariff to demonstrate that it has met its resource adequacy requirements. In addition, entities that supply resource adequacy capacity to Valley Electric will be considered Resource Adequacy Resources in accordance with the CAISO Tariff and will be subject to all applicable requirements related to such status.
- 7.5 Deliverability of Imports and Use of Mead Rights for Resource Adequacy Purposes.** Valley Electric historically has served its Load via imports over the Mead Point of Interconnection, utilizing the Mead Rights. Upon Valley Electric's transition to the CAISO as a Participating Transmission Owner, Valley Electric will turn the Mead Rights over to CAISO Operational Control. To enable Valley Electric to continue its reliance on imports using the Mead Rights for a reasonable period of time to meet its resource adequacy requirements after the Transition Date, the Parties agree that the resource adequacy import allocation on the Mead Intertie should provide Valley Electric an appropriate share of the import capacity without compromising allocations of Mead import capacity for resource adequacy purposes to other CAISO Load Serving Entities. Accordingly, even though the Transition Date will

occur after 2006, the CAISO will count a quantity of import capacity at the Mead Intertie as Pre-RA Import Commitments under the resource adequacy import allocation rules provided in the CAISO Tariff. The Mead Pre-RA Import Commitment Capability shall be determined by Valley Electric, in cooperation with the CAISO, in June for the following year's resource adequacy import allocation process, commencing in 2012, and shall adjust annually to account for load growth. Valley Electric's Mead Pre-RA Import Commitment Capability shall not exceed 150 MW in any given year. This amount reasonably covers Valley Electric's existing loads, load growth, and planning reserve margin. The Mead Pre-RA Import Commitment Capability shall expire on the earlier of the tenth anniversary of the Transition Date or the date that Valley Electric no longer has the ability to deliver to and receive power from the Mead substation pursuant to the Mead Rights or any substantially similar contract rights. The Mead Pre-RA Import Commitment Capability is intended to facilitate Valley Electric's transition to the CAISO and, as such, will not be eligible for transfer to other CAISO Load Serving Entities as provided in the CAISO Tariff.

ARTICLE 8 CONGESTION REVENUE RIGHTS

- 8.1 Eligibility for Allocation of Congestion Revenue Rights.** Valley Electric as a Load Serving Entity in the CAISO Balancing Authority Area will be eligible for an allocation of Congestion Revenue Rights ("CRRs") at a quantity based on its Load Metric. Tier 1 of the CAISO's annual CRR allocation process (the Priority Nomination Process) is restricted to Load Serving Entities who want to nominate renewal of CRRs they were allocated the previous year. Because Valley Electric will not have been allocated CRRs for periods prior to the Transition Date, it would be ineligible under the CAISO Tariff to participate in the Priority Nomination Process for its first full year as a CAISO Load Serving Entity. This may adversely affect Valley Electric's ability to acquire sufficient CRRs to hedge the Congestion cost of serving its Loads. In light of this, to provide Valley Electric the opportunity to nominate and obtain CRRs for its first year as a CAISO Load Serving Entity, the CAISO will permit participation by Valley Electric in Tier 1 nominations as if Valley Electric held a previously-allocated portfolio of CRRs.
- 8.2 Proxy Congestion Revenue Rights Portfolio.** The Parties will develop a historic proxy portfolio of CRRs consistent with the quantity of CRRs that Valley Electric would be eligible for based on the historical analysis of Valley Electric's Load. To construct such a CRR portfolio, the Parties will establish the eligible sources, sinks and MW quantities as follows. The sink will be the Valley Electric Custom Load Aggregation Point. Eligible sources will be determined based upon Valley Electric's historic pattern of acquiring energy to serve its Load, including but not limited to relevant energy contracts and the Mead Rights.
- 8.3 Load Forecast for the Monthly Congestion Revenue Rights Allocation.** For California Load Serving Entities wanting to participate in the monthly CRR allocation process, the CAISO obtains demand forecasts from the California Energy Commission. Here, the Parties will also rely upon the CEC demand forecast for the Valley Electric System, which the CEC has agreed to provide. The CAISO will use the monthly demand forecast provided by the CEC to validate demand forecast data submitted by Valley Electric for determining Valley Electric's eligibility for monthly CRRs. In the event the CEC no longer provides a demand forecast for the Valley Electric System, the Parties will develop and apply an alternative equivalent methodology.

- 8.4 Congestion Revenue Rights Allocation.** Valley Electric will participate in the CAISO's annual CRR allocation process for the 2013 calendar year, which is conducted over the summer of 2012, and will receive annual CRRs for 2013 assuming the Transition Date will occur on January 1, 2013, as initially targeted in the Transition Plan. Valley Electric will provide hourly historical Load data, for 2011, to the CAISO to participate in the annual CRR allocation process. Should the Transition Date be delayed past January 1, 2013 for any reason, any rights allocated to Valley Electric otherwise applicable prior to the actual Transition Date will not be settled during the period of delay, and such CRRs will become effective and eligible for settlement upon the actual Transition Date.
- 8.5 Congestion Revenue Rights Network Model.** The CAISO will modify its CRR network model to reflect the planned incorporation of the Valley Electric System and Mead Rights, effective as of the Transition Date, for purposes of the 2013 annual CRR allocation process. This will result in the allocation of CRRs to Valley Electric whose feasibility will be contingent on the incorporation of the Mead Rights to CAISO Operational Control on the Transition Date, which is expected to coincide with the date when 2013 CRRs normally become effective (i.e., January 1, 2013). Since the initial CRR annual allocation process that Valley Electric participates in will be prior to the Transmission Interconnection, only Valley Electric will be able to request CRRs to or from the new Mead Scheduling Point and to or from the new Valley Electric pricing nodes. Should the Transition Date not occur on January 1, 2013, the CAISO will not calculate Locational Marginal Prices for any locations associated with the Valley Electric System and will not settle on any CRRs terminating at the Valley Electric Default LAP. Once the Transmission Interconnection is in service, then the next available monthly CRRs process will include the Valley Electric System and the associated scheduling locations will be biddable by CAISO market participants. Any annual CRRs allocated to Valley Electric will become active as of the effective Transition Date.

ARTICLE 9 GREENHOUSE GAS REPORTING OBLIGATIONS

- 9.1 Load Served in Nevada.** The Parties recognize that although Valley Electric expects to become a CAISO Participating Transmission Owner and Load Serving Entity on the Transition Date, Valley Electric's Load is predominantly located within Nevada. The Parties agree to cooperate amongst themselves and with California agencies such as the California Air Resources Board to ensure that sufficient tracking and reporting procedures are put in place, and to advance properly designed implementing practices, such that Valley Electric will not incur a California specific carbon obligation for its Nevada Load as a result of Valley Electric becoming a CAISO Participating Transmission Owner or Load Serving Entity.

ARTICLE 10 PROVISION OF TECHNICAL INFORMATION

- 10.1 Network Model Updates and Market Simulation.** The CAISO operates the CAISO Controlled Grid and CAISO Markets utilizing the Full Network Model. This network model is updated approximately every other month, and there is approximately a two-month lead time to include updates in an upcoming release. In addition to including the Valley Electric System facilities in the CAISO's Full Network Model, the CAISO likely will find it prudent to add or modify Points of Interconnection and Scheduling Points reflected in the model. The Parties will cooperate to incorporate the Valley Electric System into the Full Network Model in advance of the Transition Date such that the revised model can be used in market simulation and be proven accurate and reliable prior to the Transition Date. The Parties will

make best efforts to initiate this process such that an applicable revised Full Network Model will also be available to the CAISO for the Generator Interconnection Procedures and the Transmission Planning Process. The Parties will also exchange any additional network related information needed to coordinate with NV Energy and Western– DSR to facilitate any necessary Balancing Authority Area boundary changes and to memorialize the CAISO's contractual arrangements with these entities.

- 10.2 Additional System Information.** Valley Electric will provide the CAISO with detailed information with respect to the Valley Electric System and any interconnection or transmission agreements between Valley Electric and NV Energy, Western - DSR or other entities that entitle Valley Electric to transmission service on these other entities' systems and that would be turned over to CAISO Operational Control in accordance with the Transmission Control Agreement.
- 10.3 Other Required Information.** Valley Electric will provide to the CAISO any additional transmission, generation, and load data reasonably required for the CAISO to update system data bases and other processes in a timely manner as may be requested in writing by the CAISO.

ARTICLE 11 AGREEMENTS WITH THIRD PARTIES

- 11.1 Agreements with Third Parties.** The Parties intend to engage in discussions with third parties essential to achieving the Transition Date, including in particular interconnection customers, NV Energy, and Western – DSR as described in this Agreement. The Parties will likely enter into binding agreements with such third parties as may be necessary to implement the terms and conditions of this Agreement, which will be enforced in accordance with the terms and conditions of such agreements. In addition, the Parties will enter into interconnection agreements with customers in Valley Electric's queue, which may relate back to Interconnection Studies conducted by the CAISO and a cluster study conducted by Valley Electric prior to the Transition Date.
- 11.2 No Third Party Beneficiaries.** No right or obligation contained in this Agreement shall inure to the benefit of any person or entity which is not a Party. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

ARTICLE 12 LIABILITY AND INDEMNITY

- 12.1 Liability and Indemnification.** The provisions of Section 14 of the CAISO Tariff will apply to liability and indemnification arising under this Agreement, except that all references in Section 14 of the CAISO Tariff to Market Participants shall be read as references to Valley Electric and references to the CAISO Tariff shall be read as references to this Agreement.
- 12.2 Actions in the Event of Termination.** Article 2 provides for termination in the event of default and Adverse Order. The Parties rights and obligations under such circumstances will be as provided in this Agreement and in accordance with Section 12.1 above.

ARTICLE 13 UNCONTROLLABLE FORCES

- 13.1 Uncontrollable Forces.** Section 14.1 of the CAISO Tariff shall be incorporated by reference into this Agreement, except that all references in Section 14.1 of the CAISO Tariff to Market Participants shall be read as a reference to Valley Electric and references to the CAISO Tariff shall be read as references to this Agreement.

ARTICLE 14 DISPUTE RESOLUTION

- 14.1 Dispute Resolution.** Valley Electric and the CAISO shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, Valley Electric and the CAISO shall adhere to the CAISO ADR Procedures set forth in Section 13 of the CAISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the CAISO Tariff to Market Participants shall be read as a reference to Valley Electric and references to the CAISO Tariff shall be read as references to this Agreement.

ARTICLE 15 CONFIDENTIALITY

- 15.1 Confidentiality.** Confidential Information shall include, without limitation, all information relating to a Party's technology, research and development, business affairs, and pricing. Information is Confidential Information only if it is clearly designated or marked in writing as confidential on the face of the document, or, if the information is conveyed orally or by inspection, if the Party providing the information orally informs the Parties receiving the information that the information is confidential. If requested by any Party, the other Parties shall provide in writing, the basis for asserting that the information referred to in this Article 15 warrants confidential treatment, and the requesting Party may disclose such writing to the appropriate Governmental Authority. Each Party shall be responsible for the costs associated with affording confidential treatment to its information.

15.1.1 Term. During the term of this Agreement, and for a period of three (3) years after the expiration or termination of this Agreement, except as otherwise provided in this Article 15, each Party shall hold in confidence and shall not disclose to any person Confidential Information.

15.1.2 Scope. Confidential Information shall not include information that the receiving Party can demonstrate: (1) is generally available to the public other than as a result of a disclosure by the receiving Party; (2) was in the lawful possession of the receiving Party on a non-confidential basis before receiving it from the disclosing Party; (3) was supplied to the receiving Party without restriction by a third party, who, to the knowledge of the receiving Party after due inquiry, was under no obligation to the disclosing Party to keep such information confidential; (4) was independently developed by the receiving Party without reference to Confidential Information of the disclosing Party; (5) is, or becomes, publicly known, through no wrongful act or omission of the receiving Party or breach of this Agreement; or (6) is required, in accordance with Article 15.1.7 of this Agreement, order of disclosure, to be disclosed by any governmental authority or is otherwise required to be disclosed by law or subpoena, or is necessary in any legal proceeding establishing rights and obligations

under this Agreement. Information designated as Confidential Information will no longer be deemed confidential if the Party that designated the information as confidential notifies the other Parties that it no longer is confidential.

15.1.3 Release of Confidential Information. No Party shall release or disclose Confidential Information to any other person, except to its employees, consultants, Affiliates (limited by the Standards of Conduct requirements set forth in Part 358 of FERC's Regulations, 18 C.F.R. 358), subcontractors, or to parties who may be or considering providing financing to or equity participation with either Party, or to potential purchasers or assignees of the Party, on a need-to-know basis in connection with this Agreement, unless such person has first been advised of the confidentiality provisions of this Article 15 and has agreed to comply with such provisions. Notwithstanding the foregoing, a Party providing Confidential Information to any person shall remain primarily responsible for any release of Confidential Information in contravention of this Article 15.

15.1.4 Rights. Each Party retains all rights, title, and interest in the Confidential Information that each Party discloses to the other Parties. The disclosure by each Party to the other Parties of Confidential Information shall not be deemed a waiver by a Party or any other person or entity of the right to protect the Confidential Information from public disclosure.

15.1.5 No Warranties. The mere fact that a Party has provided Confidential Information does not constitute a warranty or representation as to its accuracy or completeness. In addition, by supplying Confidential Information, no Party obligates itself to provide any particular information or Confidential Information to the other Parties nor to enter into any further agreements or proceed with any other relationship or joint venture.

15.1.6 Standard of Care. Each Party shall use at least the same standard of care to protect Confidential Information it receives as it uses to protect its own Confidential Information from unauthorized disclosure, publication or dissemination. Each Party may use Confidential Information solely to fulfill its obligations to the other Parties under this Agreement or its regulatory requirements.

15.1.7 Order of Disclosure. If a court or a government authority or entity with the right, power, and apparent authority to do so requests or requires any Party, by subpoena, oral deposition, interrogatories, requests for production of documents, administrative order, or otherwise, to disclose Confidential Information, that Party shall provide the other Parties with prompt notice of such request(s) or requirement(s) so that the other Parties may seek an appropriate protective order or waive compliance with the terms of this Agreement. Notwithstanding the absence of a protective order or waiver, the Party may disclose such Confidential Information which, in the opinion of its counsel, the Party is legally compelled to disclose. Each Party will use reasonable efforts to obtain reliable assurance that confidential treatment will be accorded any Confidential Information so furnished.

15.1.8 Termination of Agreement. Upon termination of this Agreement for any reason, each Party shall, within ten (10) calendar days of receipt of a written request from another Party, use reasonable efforts to destroy, erase, or delete (with such destruction, erasure, and deletion certified in writing to the other Party) or return to the other Party, without retaining copies thereof, any and all written or electronic

Confidential Information received from the other Party.

15.1.9 Remedies. The Parties agree that monetary damages would be inadequate to compensate a Party for another Party's breach of its obligations under this Article 15. Each Party accordingly agrees that the other Parties shall be entitled to equitable relief, by way of injunction or otherwise, if the first Party breaches or threatens to Breach its obligations under this Article 15, which equitable relief shall be granted without bond or proof of damages, and the receiving Party shall not plead in defense that there would be an adequate remedy at law. Such remedy shall not be deemed an exclusive remedy for the breach of this Article 15, but shall be in addition to all other remedies available at law or in equity. The Parties further acknowledge and agree that the covenants contained herein are necessary for the protection of legitimate business interests and are reasonable in scope. No Party, however, shall be liable for indirect, incidental, or consequential or punitive damages of any nature or kind resulting from or arising in connection with this Article 15.

15.1.10 Disclosure to FERC, its Staff, or a State. Notwithstanding anything in this Article 15 to the contrary, and pursuant to 18 C.F.R. section 1b.20, if FERC or its staff, during the course of an investigation or otherwise, requests information from one of the Parties that is otherwise required to be maintained in confidence pursuant to this Agreement, the Party shall provide the requested information to FERC or its staff, within the time provided for in the request for information. In providing the information to FERC or its staff, the Party must, consistent with 18 C.F.R. section 388.112, request that the information be treated as confidential and non-public by FERC and its staff and that the information be withheld from public disclosure. Parties are prohibited from notifying the other Parties to this Agreement prior to the release of the Confidential Information to FERC or its staff. The Party shall notify the other Parties to the Agreement when it is notified by FERC or its staff that a request to release Confidential Information has been received by FERC, at which time any of the Parties may respond before such information would be made public, pursuant to 18 C.F.R. Section 388.112. Requests from a state regulatory body conducting a confidential investigation shall be treated in a similar manner if consistent with the applicable state rules and regulations.

15.1.11 Subject to the exception in Article 22.1.10, Confidential Information shall not be disclosed by the other Parties to any person not employed or retained by the other Parties, except to the extent disclosure is (i) required by law; (ii) reasonably deemed by the disclosing Party to be required to be disclosed in connection with a dispute between or among the Parties, or the defense of litigation or dispute; (iii) otherwise permitted by consent of the other Parties, such consent not to be unreasonably withheld; or (iv) necessary to fulfill its obligations under this Agreement or as a transmission service provider or a Balancing Authority including disclosing the Confidential Information to CAISO or to a regional or national reliability organization. The Party asserting confidentiality shall notify the other Parties in writing of the information it claims is confidential. Prior to any disclosures of another Party's Confidential Information under this subparagraph, or if any third party or governmental authority makes any request or demand for any of the information described in this subparagraph, the disclosing Party agrees to promptly notify the other Party in writing and agrees to assert confidentiality and cooperate with the other Party in seeking to protect the Confidential Information from public disclosure by confidentiality agreement, protective order or other reasonable measures.

**ARTICLE 16
REPRESENTATIONS AND WARRANTIES**

- 16.1 Representations and Warranties.** Each Party represents and warrants that the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate or governmental actions, to the extent authorized by law.
- 16.2 Necessary Approvals.** Each Party represents that all necessary leases, approvals, licenses, permits, easements, rights of way or access to install, own or operate its facilities subject to this Agreement have been or will be obtained prior to the Effective Date of this Agreement.

**ARTICLE 17
MISCELLANEOUS**

- 17.1 Assignments.** No Party may assign its obligations under this Agreement except with the other Party's prior written consent which consent shall not be unreasonably withheld. Any such assignment shall be subject to Section 22.2 of the CAISO Tariff, which is incorporated by reference into this Agreement.
- 17.1.1 Valley Electric Transmission Association.** Valley Electric has created a wholly-owned subsidiary called Valley Electric Transmission Association, LLC, a Nevada limited liability company ("VETA"). Valley Electric is in the process of transferring all of its transmission assets to VETA, and the transaction is estimated to be completed prior to December 31, 2011. Following any such transfer of ownership rights, Valley Electric will (1) retain all entitlement to use of the transmission facilities necessary to become a CAISO Participating Transmission Owner, Utility Distribution Company, and Load Serving Entity pursuant to the Transmission Control Agreement and the CAISO Tariff, and (2) retain all rights and obligations under this Agreement.
- 17.2 Notices.** Any notice, demand or request which may be given to or made upon either Party regarding this Agreement shall be made in accordance with Section 22.4 of the CAISO Tariff, which is incorporated by reference, except that any reference in Section 22.4 of the CAISO Tariff to Market Participants shall be read as a reference to Valley Electric and any reference to the CAISO Tariff shall be read as a reference to this Agreement, and unless otherwise stated or agreed shall be made to the representative of the other Party indicated in Attachment 3. A Party must update the information relating to its address as that information changes in accordance with Section 22.4 of the CAISO Tariff. Such changes will not constitute an amendment to this Agreement.
- 17.3 Waivers.** Any waiver at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or matter arising in connection with this Agreement. Any delay short of the statutory period of limitations, in asserting or enforcing any right under this Agreement, shall not constitute or be deemed a waiver of such right.
- 17.4 Governing Law and Forum.** This 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 in its conflict of laws provisions. The Parties irrevocably consent that any legal action or proceeding arising under or in relation to this Agreement to which the CAISO ADR Procedures do not apply, shall be brought in any of the following forums, as appropriate: any court of the State of California, any federal court of the United States of America located in the State of California or Nevada, or where subject to its jurisdiction, before the Federal Energy Regulatory Commission.

- 17.5 Integration.** This Agreement constitutes the full agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements, whether written or oral, with respect to such subject matter.
- 17.6 Severability.** If any term, covenant, or condition of this 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 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 Agreement.
- 17.7 Amendments.** This Agreement and the Attachments hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. Nothing contained herein shall be construed as affecting in any way the right of the CAISO to unilaterally make application to FERC for a change in the rates, terms and conditions of this Agreement under Section 205 of the FPA and pursuant to FERC's rules and regulations promulgated thereunder, and Valley Electric shall have the right to make a unilateral filing with FERC to modify this Agreement pursuant to Section 206 or any other applicable provision of the FPA and FERC's rules and regulations thereunder; provided that each Party shall have the right to protest any such filing by the other Party and to participate fully in any proceeding before FERC in which such modifications may be considered. Nothing in this Agreement shall limit the rights of the Parties or of FERC under Sections 205 or 206 of the FPA and FERC's rules and regulations thereunder, except to the extent that the Parties otherwise mutually agree as provided herein.

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17.8 Counterparts. This 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 Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by and through their authorized representatives as of the date hereinabove written.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
250 Outcropping Way
Folsom, CA 95630

Signature: _____

Name: _____

Title: _____

Date: _____

VALLEY ELECTRIC ASSOCIATION, INC.
800 E. Highway 372
Pahrump, NV 89048

Signature: _____

Name: _____

Title: _____

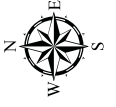
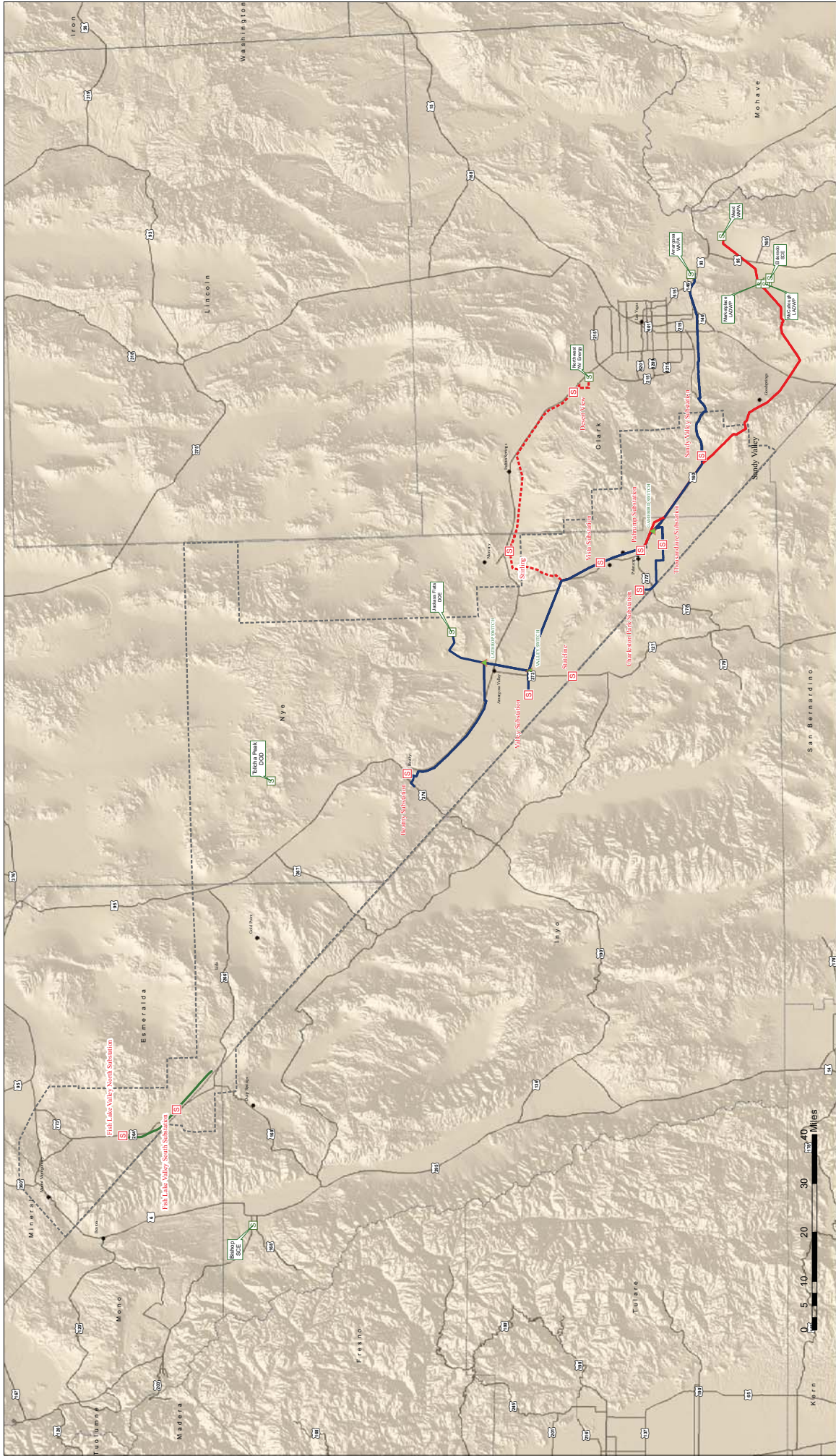
Date: _____

Attachment 1 to the Transition Agreement

TRANSITION PLAN

Start Date	Due Date	Milestones
	December 15, 2011	Effective Date of Transition Agreement
January 2012	February 2012	Valley Electric customers submit "special" Interconnection Request to the CAISO
January 2012	March 2012	Valley Electric conducts phase 1 of its cluster study
January 2012	June 2012	Integration of Valley Electric System into CAISO network model
January 2012	December 2012	Design and implement metering and telemetry changes at Mead substation and other Points of Interconnection
April 2012	September 2012	Valley Electric conducts phase 2 of its cluster study
April 2012	October 2012	CAISO conducts Cluster 4 Phase II Interconnection Studies
	June 2012	Valley Electric submits Participating TO application to the CAISO (no later than)
	July 2012	CAISO includes Valley Electric in Tier 1 CRR allocation and Resource Adequacy intertie allocation processes
	October 2012	Valley Electric submits request to become Utility Distribution Company
	October 2012	Transmission Control Agreement finalized to include Valley Electric as a Participating TO
	October 2012	CAISO Board of Governors advised 60 days before Transmission Control Agreement effective date
	October 2012	Valley Electric files TO Tariff and Transmission Revenue Requirement with FERC (no later than)
	October 2012	CAISO files Transmission Control Agreement with FERC (no later than)
	October 2012	CAISO files Western – DSR and NV Energy Interconnected Balancing Authority Area Operating Agreements with FERC (no later than)
	January 1, 2013	Transition Date: Valley Electric integrated into CAISO Balancing Authority Area as a UDC and Participating TO

Attachment 2 to the Transition Agreement



July 22, 2011

THIS MAP IS FOR ILLUSTRATIVE PURPOSES ONLY.
NO LIABILITY IS ASSUMED BY VALLEY ELECTRIC
ASSOCIATION AS TO THE ACCURACY OF THE
INFORMATION SHOWN.

Map Created by: The VEI Mapping Department

Valley Electric Association Transmission Lines

Transmission Lines

VEA Sub Station

Other Substations

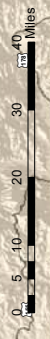
Switching Station

138 kV

230 kV

55 kV

230 kV Transmission in Construction



Attachment 3 to the Transition Agreement

CONTACTS FOR NOTICES

Valley Electric

Name of Primary Representative: Curt R. Ledford, Esq.
Title: General Counsel
Company: Valley Electric Association, Inc.
Address: 800 E. Highway 372; PO Box 237
City/State/Zip Code: Pahrump NV 89041
Email Address: curtl@vea.coop
Phone: 775-727-5312
Fax No: 775-7276320

Name of Alternative Representative: S. Bradley Van Cleave
Title: Attorney
Company: Davison Van Cleave
Address: 333 SW Taylor St., Suite 400
City/State/Zip Code: Portland, OR 97204
Email Address: bvc@dvclaw.com
Phone: 503-241-7242
Fax No: 503-241-8160

CAISO

Name of Primary Representative: Ms. Roni Reese
Title: Senior Contracts Analyst
Address: 250 Outcropping Way
City/State/Zip Code: Folsom, CA 95630
Email Address: rreese@caiso.com
Phone: (916) 608-7027
Fax No: (916) 608-7292

Name of Alternative Representative: Christopher J. Sibley
Title: Lead Contract Negotiator
Address: 250 Outcropping Way
City/State/Zip Code: Folsom, CA 95630
Email Address: csibley@caiso.com
Phone: (916) 608-7030
Fax No: (916) 608-7292