



California ISO,
P.O. Box 639014
Folsom, CA,
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Attn: Don Fuller

August 18, 2011

MOU August 1, 2011

VEA's potential membership in the California Independent System Operator

We refer to the August 12, 2011 stakeholder conference call held to address issues arising from the August 1, 2011 MOU, entered into between the CAISO and Valley Electric Association (VEA). In view of the fact that it was not possible to deal with all issues on the conference call within the allocated time, the CAISO offered to receive and respond to questions in writing, posting these on the CAISO website in advance of the August 25, 2011 CAISO Board meeting.

We appreciate the CAISO's diligence in extending this opportunity to interested parties and herewith submit a series of questions. These questions are submitted jointly by Solar Express Transmission, LLC; (Solar Express) and 21st Century Transmission, LLC.

Solar Express is developing a multi-user gen tie line to connect newly developed generation (primarily utility scale solar in Nye County, NV) with the CAISO Balancing Authority Area (BAA) at Eldorado as a first point of inter-connection. The project filed its Federal right of way application in January 2010; entered the Southwest Area Transmission (SWAT) planning process in July 2010; submitted its Plan of Development to the BLM in August 2010; signed an MOU with the Western Area Power Authority to access the TIP program in February 2011 and posted its first public open season announcement in April 2011.

Solar Express has agreements with a number of generation developers that have responded to the 2011 California RFP solicitation, on the basis of a connection through Solar Express.

Solar Express was conceived in response to an initiative of three economically depressed counties, comprising an area with exceptional solar energy potential (Nye County and Esmeralda County in NV and Inyo County, CA). The three counties have been engaged in a cooperative effort to attract inward private investment into the generation and transmission sectors in order to create clean energy jobs and stimulate economic activity. We believe Solar

Express is the most efficient transmission solution for renewable generation developed and built to serve California consumers, because the costs and risks of the transmission line are wholly born by private capital. Furthermore, multi-user gen ties offer a superior solution, as they avoid unnecessarily duplicative costs and make the best use of available rights of way. As the CAISO transmission planning process then had no reach into Nevada, the project was developed within the SWAT and WECC TEPPC planning processes, consistent with FERC policy. The project has received a high degree of support and cooperation from Nye County, in particular.

After reading the MOU, participating in last Friday's stakeholder call and with some additional due diligence, we respectfully request that the CAISO address the following questions:

1. One of the questions raised during the stakeholder call was with respect to a reported right of way filing made by VEA for a new 500kV transmission line. We are in the process of filing a FOIA request to confirm this, but reports suggest that VEA has filed a right of way application with the BLM for a new transmission line that's purpose is nearly identical to Solar Express (e.g. a 500kV connection to Eldorado, utilizing the same rights of way, connecting new generation to the CAISO with at least one new substation in a nearly identical location). The CAISO states that negotiations with VEA began "early in 2011" and the reports are that VEA made its right of way filing shortly after, in March 2011 (some fifteen months after the comparable filing for the Solar Express line).

Given the coincidence between the start of negotiations with the CAISO and VEA's right of way filing, can the CAISO clarify whether this new transmission line is the subject of any agreement with VEA and, if so, why neither the MOU nor CAISO's Webinar presentation nor the market notice make any mention of this proposed new investment?

2. Can the CAISO clarify what regulatory treatment is intended for this new transmission line? Is it:
 - a) intended to be designated as a network upgrade, de-facto approved as part of the CAISO planning processes and entitled to recovery under the TAC?; OR
 - b) deemed to be a radial line, required to serve new generation that has filed an interconnection and transmission service request and, if so, will the costs be allocated to the customer load serving entities served by that generator? OR
 - c) to be evaluated in a future CAISO transmission planning process and compared to alternative solutions, including Solar Express, such that if Solar Express is deemed a better solution, Solar Express is eligible for recovery under the TAC?
3. Does the CAISO intend to grant Valley Electric Association what would be, in effect, a retrospective Right of First Refusal (ROFR) to build this new line (regardless of the fact that Solar Express filed its right-of-way and was included in regional transmission planning processes first) and, if so, on what basis is such a decision justified?
4. Has VEA's proposed new transmission line been submitted to any of the applicable regional transmission planning processes (SWAT, TEPPC, CAISO) and if so, when were

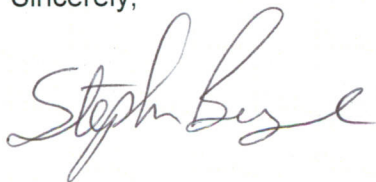
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the submittals made and where can copies of relevant documents be found? If VEA's proposed line has not yet been submitted in any of the relevant forums, by what process will it be compared with competing alternatives?

5. Given that Solar Express was developed solely for the purpose of providing generators located in the three counties with an opportunity to compete for PPA's with LSE's inside the CAISO footprint, in a manner that was wholly consistent with the CAISO and planning rules as then existed, what transition arrangements will be put in place such that Solar Express has a window of opportunity to complete its intended business plan?
6. Notwithstanding the response to the above questions, what is the intended position with any future generator applications? Given that VEA has no comparable RPS obligation; no utility scale embedded generation; has a total load of approximately 120 MW, supplied primarily by imports from the WAPA system, under long term contracts at advantageous wholesale rates, could any future new lines ever be justified as genuine network assets, given that new generation is clearly not intended for VEA's native load?
7. Can the CAISO clarify what due diligence it has conducted with respect to VEA's generator interconnection queue before agreeing to merge it with the CAISO queue? In particular, has the CAISO determined a) whether any of these requests have lapsed, and b) whether any requests were for transmission service to delivery points other than a CAISO node? If so, how many requests (and MW's) were lapsed, and how many requests (and MW's) were for service to delivery points other than CAISO nodes?
8. Will the VEA cluster study mentioned during the stakeholder call be conducted in accordance with VEA's OATT, or will it be conducted in accordance with the CAISO tariff. If in accordance with VEA's OATT, where can a copy of VEA's OATT be found?

We thank-you for your kind attention, and appreciate your diligence in agreeing to post written responses to these questions.

Sincerely,



Stephen Burnage
President

Copy:

Craig Knoell, TIP Program Manager, Western Area Power Administration
Gary Hollis, Chairman, Nye County Board of County Commissioners
Perry Cole, Managing Director, Energy Capital Partners II, LLC.