

July 30, 2015

By e-Tariff

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: *Nevada Power Co. and Sierra Pacific Power Co.*
Docket No. ER15-____-000
Amendment to Interim Joint Dispatch Agreement, Rate Schedule No. 139**

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act¹ (“FPA”) and Part 35 of the Regulations of the Federal Energy Regulatory Commission (“FERC” or “the Commission”),² Nevada Power Company d/b/a NV Energy (“Nevada Power”) and Sierra Pacific Power Company d/b/a NV Energy (“Sierra Pacific”) (collectively with Nevada Power the “Operating Companies”) hereby respectfully submit an amendment to their Interim Joint Dispatch Agreement (the “JDA”).³

Under its current terms, the JDA will expire at the end of calendar year 2015.⁴ The purpose of this filing is to amend the JDA so that it will no longer be an interim solution. The Operating Companies respectfully request that the Commission accept this amendment to the JDA to be effective September 29, 2015, on 60 days prior notice.

I. Description of Nevada Power and Sierra Pacific

Nevada Power and Sierra Pacific are direct, wholly owned subsidiaries of NV Energy, Inc. NV Energy, Inc. is a wholly owned subsidiary of Berkshire Hathaway Energy Company.⁵ Nevada Power and Sierra Pacific are vertically-integrated public utilities that generate, transmit

¹ 16 U.S.C. § 824e (2013).

² 18 C.F.R. Part 35 (2015).

³ JDA is currently designated as Rate Schedule No. 139 for Nevada Power, and the associated concurrence of Sierra Pacific is currently designated as Rate Schedule No. 63.

⁴ *Sierra Pacific Power Co. and Nevada Power Co.*, Docket Nos. ER15-11-000, ER15-14-000, Letter Order Accepting Extension of Interim Joint Dispatch Agreement (Nov. 5, 2014).

⁵ *Silver Merger Sub, Inc.*, 145 FERC ¶ 61,261 (2013).

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and distribute electric energy throughout Nevada. Nevada Power and Sierra Pacific own and operate transmission systems in northern and southern Nevada and jointly offer transmission service under the NV Energy OATT.⁶ The Operating Companies collectively own approximately 4,000 miles of transmission lines and other transmission facilities ranging from 55 kV to 500 kV.

Nevada Power, incorporated pursuant to the laws of the state of Nevada, is a public utility that serves retail and wholesale customers in Southern Nevada, and is subject to regulation by the Commission and the Public Utilities Commission of Nevada (“PUCN”). Nevada Power’s retail service territory covers approximately 4,500 square miles in Southern Nevada, and includes the cities of Las Vegas, North Las Vegas, and Henderson. Nevada Power serves approximately 859,000 retail residential, commercial, and industrial customers. Nevada Power also serves various wholesale customers pursuant to agreements on file with the Commission or in accordance with Nevada Power’s cost-based tariff or market-based rate tariff.

Sierra Pacific, also incorporated pursuant to the laws of the state of Nevada, is a public utility that serves retail and wholesale customers in Nevada, and is subject to regulation by the Commission and the PUCN. Sierra Pacific is also wholly owned by NV Energy, Inc. Sierra Pacific’s retail service territory covers approximately 50,000 square miles of western, central and northeastern Nevada, and includes the cities of Reno, Sparks, Carson City, and Elko. Sierra Pacific serves about 367,000 retail residential, commercial, and industrial customers. Sierra Pacific also serves various wholesale customers pursuant to agreements on file with the Commission or in accordance with Sierra Pacific’s cost-based tariff or market-based rate tariff. Additionally, Sierra Pacific provides natural gas service in Nevada’s Reno/Sparks area.

II. Background and History of the Joint Dispatch Agreement

In 2009, the Operating Companies, along with Great Basin Transmission, LLC, entered into discussions to jointly develop a multi-phase transmission line project. The initial phase of that project is what is now known as the One Nevada Transmission Line (“ON Line”), a 234-mile, 500 kV transmission project that would for the first time directly interconnect the transmission systems of the Operating Companies.⁷ As a result of these negotiations, the Operating Companies entered into and filed the ON Line Transmission Use and Capacity Exchange Agreement (“TUA”), which provided for the development, ownership, and usage arrangements with respect to the ON Line between Great Basin Transmission, on the one hand,

⁶ The Office of Energy Market Regulation accepted by Letter Order on December 15, 2014 the relocation of the NV Energy OATT to the Nevada Power tariff database effective November 1, 2014. *See* Docket No. ER15-179-000; *see also* *Sierra Pacific Power Co. and Nevada Power Co.*, 87 FERC ¶ 61,077 (1999).

⁷ The ON Line runs from the Robinson Summit Substation near Ely, Nevada, to the Harry Allen Substation near Las Vegas, Nevada.

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and the Operating Companies, on the other.⁸ In approving the TUA, this Commission explained that one of the benefits of ON Line was that the direct transmission interconnection between the two utilities would “facilitate cost savings as the result of joint dispatch of generation resources by combining the two separate Balancing Authority Areas (“BAA”).”⁹

ON Line was placed into service on January 1, 2014. As a result of the completion of ON Line, the Operating Companies consolidated the two previous BAAs into a single BAA (the “NEVP BAA”).

While developing ON Line, the Operating Companies envisioned merging into a single corporate entity on or about the time that ON Line was placed into service, such that Nevada Power and Sierra Pacific would operate as a single utility. In the proceedings then pending before this Commission and the PUCN, the Operating Companies proposed to merge into a single corporate entity.¹⁰ Once it became apparent that ON Line would enter commercial operation before all regulatory reviews of the proposed merger of the Operating Companies could be completed, the Operating Companies developed the JDA as an interim measure to permit joint economic dispatch when ON Line was placed into service, even though the Operating Companies would still be separate corporate entities.

This Commission authorized the proposed merger on November 26, 2013.¹¹ The JDA was originally filed by the Operating Companies in Docket No. ER14-146 and accepted by the Commission on December 19, 2013, to be effective January 1, 2014 for one calendar year.¹² In late 2014, the Operating Companies filed in Docket Nos. ER15-11 and ER15-14 to extend the JDA for another one-year term to allow the customers of the Operating Companies to continue to benefit from the joint economic dispatch while the Operating Companies continued to work with the PUCN on the possibility of merging the Operating Companies.¹³ The JDA is now set to expire by its terms at the end of 2015.

⁸ *Nevada Power Co. and Sierra Pac. Power Co.*, Docket No. ER10-3332-000, Tariff Filing of ON Line Transmission Use and Capacity Agreement, (Sept. 30, 2010).

⁹ *Nevada Power Co., et al.*, 133 FERC ¶ 61,166 at P 29 (2011).

¹⁰ *See NV Energy*, Docket No. EC13-113-000, Application for Approval of Internal Reorganization Under Section 203 of the Federal Power Act (May 31, 2013); *Nevada Power Co.*, PUCN Docket No. 13-05056, Application of NV Energy Inc., Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy to consolidate the utilities into a single jurisdictional utility, to transfer and modify certificates of public convenience and necessity to reflect the consolidated utility’s new legal name, NV Energy Operating Company, and to consolidate generation assets (May 31, 2013).

¹¹ *NV Energy et al.*, 145 FERC ¶ 61,170 (2013).

¹² *Nevada Power Co.*, 145 FERC ¶ 61,238 (2013).

¹³ *See Nevada Power Co., et al.*, Docket Nos. ER15-11, et al., Delegated Letter Order (Nov. 5, 2014) (accepting extension of the interim JDA for filing).

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As discussed in more detail below, there are two factors driving the instant filing seeking acceptance of amendments to the JDA. First, the Operating Companies have officially withdrawn their application at the PUCN to merge the Operating Companies.¹⁴ Therefore, in order to continue to jointly dispatch their generation, they need to extend the term of the JDA. Second, the Operating Companies are preparing to begin participation the Energy Imbalance Market (“EIM”) managed by the California Independent System Operator (“CAISO”) in the fall of 2015. Certain additional changes to the JDA are proposed to express and clarify that participation.

III. Description of the Joint Dispatch Agreement

A. Summary of the Current Joint Dispatch Agreement

The JDA establishes the rights and obligations of the Operating Companies with respect to the coordinated dispatch of their generation resources in order to: 1) most economically serve the native load customers of both Nevada Power and Sierra Pacific; and 2) equitably share the resulting cost savings between the two parties.¹⁵ The JDA identifies Nevada Power as the “Joint Dispatcher” and specifically enumerates its responsibilities in acting on behalf of the Operating Companies.¹⁶

1. Each Utility Recovers Its Production Costs

Since the implementation of the Interim JDA in January 2014, the Operating Companies have utilized a production cost model to determine the joint production costs of serving the combined native loads of both utilities, as well as to model the counterfactual scenario of production costs to serve the separate native loads of each respective utility. The joint production costs are then compared to the sum of both utilities’ stand-alone costs. These costs become the basis for the joint dispatch “transactions,” and the payments for the same flow through and are accounted for in the form of transfer payments from one utility to the other. Under this methodology, the customers of each utility recover the incurred costs of joint dispatch transactions.

2. Savings Are Allocated Based on Contribution Ratio

The difference between the production costs of the counterfactual stand-alone dispatch and the production costs of joint dispatch represent the joint dispatch savings. Once the joint dispatch savings have been determined for a given period, they must be allocated between the

¹⁴ The Operating Companies have advised the Commission that they will not be consummating the authorized merger. *See NV Energy, Inc., et al.*, Docket No. EC13-113, Informational Notice (filed July 29, 2015).

¹⁵ *See* JDA at Preliminary Recitations at 1.

¹⁶ *Id.* at Article IV, Section 4.1.

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Operating Companies. The method for allocation is the “contribution ratio.” The contribution ratio is the quantity of MWhs produced in a given hour by each utility’s generation divided by the sum of the MWhs produced in the same hour by both. The methodology accords each Operating Company an allocation of savings based on its contribution to the lowest-cost generation, which facilitated the savings.

3. Allocation of Non-Native Load Sales Revenue

Non-native load sales revenues are also allocated using the contribution method. Under paragraph 7.4(a), after-the-fact production cost modeling is used to determine the generators that served non-native load, i.e., the highest cost generation. The energy costs associated with non-native load sales are subtracted from revenues from such sales, and each utility is reimbursed for the costs incurred by its generators deemed to have served non-native load sales. Next, the allocation applies the remaining revenues associated with non-native load sales to each of Nevada Power and Sierra Pacific based on their respective ratio share of total power supply resources. This allocation recognizes that each utility’s ability to serve an off-system sale is a function of what power supply resources it has available as a result of joint dispatch. Thus, each utility shares in off-system revenue based on contribution to joint dispatch.

4. Allocation of Purchase Costs

The costs of existing and new long-term power purchases are addressed in paragraph 6.2, which provides that each utility shall continue to be responsible for its own power purchase resources, and be responsible for the capacity and energy costs of its own power purchase resources. Thus neither utility is responsible for the capacity or energy costs of the other’s existing or new long-term power purchase agreements.¹⁷

Paragraph 6.3(b)(ii) discusses the treatment of new short-term power purchases, allocating these costs between the utilities based on each utility’s share of the total native load of the combined systems.

5. Calculation of Transfer Payments

Article VII of the JDA establishes methods for the calculation of transfer payments for purchases and sales of energy between the parties as a result of joint dispatch. With respect to the calculation of transfer payments for purchase and sales of energy between the parties, there are two specific methods outlined in the JDA: 1) a method for payments for energy sales to meet non-native load sales; and 2) a method for payments for energy sales related to native load.

¹⁷ *Id.*

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B. The Proposed Modifications to the JDA

In seeking a longer term for the JDA, the Operating Companies have left these foundational provisions largely unchanged. The following explains the changes the Operating Companies believe to be necessary at this time.

1. Changes to Remove Interim Designation

To extend the JDA, the word “interim” is removed in certain places in the JDA, and Section 2.1 (Term) is amended to remove the current January 1, 2016 termination date.

As amended, the JDA will be effective through December 31, 2019. While the Operating Companies do not anticipate ceasing joint dispatch at that time, this termination date will provide an opportunity for the Operating Companies, its stakeholders, and regulators an ability to review a future renewal of the JDA to determine if it remains just and reasonable.

2. EIM-Related Changes

As noted above, because the Operating Companies are preparing to commence their participation in the EIM in the fall of 2015, the JDA is amended in various respects to incorporate the understanding between the Operating Companies as to how the JDA allocation methods should handle EIM transactions and functions.

- The definitions section in Article 1 is amended to include new defined terms related to the companies’ participation in EIM.
- Section 3.1 is amended to make clear that the cost savings and revenues to be allocated between the parties under the JDA will include certain EIM costs and revenues.
- Section 4.1 is amended to make clear that Nevada Power, as Joint Dispatcher, will perform certain EIM-related functions for both parties, including acting as the EIM Participating Resource Scheduling Coordinator.
- Section 5.1 is amended to include a reference to EIM participation because imbalances dispatches under EIM will be pursuant to dispatch instructions from the CAISO, not Nevada Power. It is further amended to require Nevada Power to comply with CAISO Tariff and NV Energy OATT as they relate to EIM participation.
- 7.4(v) is added to express that the Operating Companies will apply the same flexibility to address unforeseen circumstances impacting cost calculations underlying sales to native load and sales to non-native load.

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- Sections 9.1 and 9.2 are amended to require records and billing statements to reflect EIM participation.

IV. The Amended JDA Is Just and Reasonable

The Operating Companies respectfully request that the Commission accept the enclosed amendment to the JDA and find it just and reasonable. Except as noted above, the terms of the amended JDA are largely identical to those already on file with Commission. Second, failure to allow for an extension of the JDA would mean that joint dispatch would have to cease, depriving the Operating Companies and their customers of the efficiencies gained under the JDA. The Operating Companies continue to realize the expected level of economic benefits of joint dispatch and believe it is in their customers' best interest that the arrangement continues.

A. Joint Dispatch under the JDA is Producing Demonstrable Benefits

The Operating Companies are proposing to extend the JDA because the agreement is producing significant benefits for both parties. As discussed in the attached testimony of Mark Schackmuth, in calendar year 2014, joint dispatch under the JDA achieved approximately \$12 million in benefits. In that period, Nevada Power's generation contributed approximately seventy-five percent of these benefits, while Sierra Pacific's generation contributed approximately twenty-five percent of these benefits. In light of these benefits, the Operating Companies believe extending the JDA in its current form is more desirable than terminating the JDA or allowing it to expire. As discussed next, the Operating Companies also believe the JDA's current form is preferable to other alternate methods of joint dispatch benefit allocation.

B. The Companies Conducted a Thorough Review of JDA Alternatives Before Committing to Renewing the JDA in Its Current Form

In anticipation of extending the JDA, the Operating Companies reviewed alternative forms of joint dispatch agreements in use elsewhere and found the current form of JDA to be superior for purposes of the Operating Companies. As discussed in the Schackmuth testimony, the Operating Companies began assessing the reasonableness of the allocation methodologies that underpin the JDA immediately after first implementing the JDA on an interim basis. In addition to a stand-alone review of benefits accruing under the JDA, the Operating Companies reviewed alternative methodologies of allocating costs and benefits that might be employed. There are several basic reasons the Operating Companies concluded that the JDA in its current form allocates costs and benefits equitably and appropriately.

First, the method of allocating the benefits of joint dispatch between the Operating Companies accomplishes two important goals. It ensures that each company always recovers its operating costs. It also ensures that whatever savings accrue from joint dispatch are allocated to both companies. Under this method, the net "purchaser" in each hour retains a portion of the

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savings of the joint dispatch, and the “seller” in each hour recovers its costs of generating in excess of its native load demand, plus a portion of the savings of joint dispatch.

Second, the means of allocating costs and revenues of purchases and sales, respectively, were evaluated and deemed to be equitable and appropriate. As to off-system sales revenues, benefits accrue to each company in a proportion of their total contributed generation (the “contribution” method discussed above). The Operating Companies are aware that other such agreements may allocate these benefits on a load-ratio share basis, but the contribution method more fairly apportions benefits among the Operating Companies in a manner that reflects the contribution to the sales. As to off-system purchases, like other joint dispatch agreements reviewed, costs are allocated on a load ratio share basis. The hourly calculation of load ratio share – in contrast to, *e.g.*, a monthly calculation – appropriately aligns the purchase costs to load in the hour for which the purchase was made.

In sum, based on operating experience and a review of possible alternatives, the Operating Companies concluded that the JDA in its current form is both equitable and appropriate, and that there is no basis upon which to adopt a different allocation of costs, revenues, or savings.

C. Ongoing PUCN Review of Joint Dispatch

The prospect of extending the JDA was evaluated by the PUCN. Given the single-state nature of Sierra Pacific’s and Nevada Power’s operations, the PUCN explored in depth the question of whether the JDA presents the possibility that the customers of one company could subsidize those of the other by continuing to engage in joint dispatch. On July 27, 2015, the PUCN issued an order approving an extension of the JDA,¹⁸ as filed with the Commission herein.¹⁹

V. Additional Filing Information

A. Proposed Effective Date

The Operating Companies respectfully request that the Commission accept the proposed amendment to the JDA to be effective September 29, 2015, on 60 days prior notice.

¹⁸ See Public Utilities Commission of Nevada, Docket No. 15-03001, Order (July 27, 2015).

¹⁹ As part of that PUCN review, the Operating Companies committed to certain ongoing reporting to the PUCN during the proposed four-year term of the JDA. The Operating Companies will make monthly reports detailing various aspects of the joint dispatch calculations and allocations. The Operating Companies will also submit a one-time filing and subsequent annual reports detailing the accounting for and allocation of variable operation and maintenance costs of each of its generation units.

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B. Correspondence and Service

All communications with regard to this filing should be directed to the following persons:

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in NV pending.

C. Documents Included with this Filing

In accordance with the Commission's eTariff regulations,²⁰ the Operating Companies are submitting an eTariff XML filing package with the following materials:

- this Transmittal Letter;
- a clean copy of the JDA to serve as the tariff record;
- a marked copy of the JDA;
- a copy of the executed version of the JDA; and
- the Prepared Direct Testimony of Mark Schackmuth.

D. Waiver

This filing substantially complies with the requirements of the Commission's regulations applicable to filings of this kind. To the extent necessary, the Operating Companies respectfully request waiver of any applicable requirement of the Commission's regulations which is found not to be completely satisfied by this filing.

²⁰ *Electronic Tariff Filings*, Order No. 714, 124 FERC ¶ 61, 270 (2008).

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VI. Conclusion

Wherefore, for the reasons stated above, the Operating Companies respectfully requests that the Commission accept the amended JDA for filing.

Respectfully submitted,

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JOINT DISPATCH AGREEMENT
BETWEEN
NEVADA POWER COMPANY d/b/a NV ENERGY
AND
SIERRA PACIFIC POWER COMPANY d/b/a NV ENERGY

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JOINT DISPATCH AGREEMENT

THIS JOINT DISPATCH AGREEMENT (“Agreement”) is made and entered into as of the 30th day of _____, 2015 by and between Nevada Power Company, doing business as NV Energy (“Nevada Power”), and Sierra Pacific Power Company d/b/a NV Energy (“Sierra”) (collectively referred to herein as the “Parties” and individually as a “Party”).

WHEREAS, Nevada Power and Sierra are the owners and operators of electric generation, transmission and distribution facilities and are engaged in the business of generating, transmitting, distributing, and selling electric energy to the retail customers in their franchised service areas in Nevada and also at wholesale to municipalities, cooperatives, and other electric utilities; and

WHEREAS, Nevada Power and Sierra intend to jointly dispatch their Power Supply Resources in order to most economically serve the Native Load Customers of both Nevada Power and Sierra and participate in bilateral and organized energy markets; and

WHEREAS, the Parties desire to establish a framework under which the foregoing joint dispatch of the Nevada Power and Sierra Power Supply Resources, and the resulting cost savings and the profits from bilateral and organized energy market participation will be equitably shared between the Parties;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein set forth, the Parties mutually agree as follows:

ARTICLE I DEFINITIONS

Capitalized terms shall have the meanings set forth below in the Article I. If a capitalized term is not defined below, it shall have the meaning provided elsewhere in this Agreement or as commonly used in the electric utility industry.

“Balancing Authority” means the responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports interconnection frequency in real time.

“Balancing Authority Area” or **“BAA”** means the collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority within which the Balancing Authority maintains the load-resource balance.

“CAISO” means the California Independent System Operator.

“CAISO Tariff” means the FERC-jurisdictional energy markets tariff of the CAISO.

“Existing Power Purchases” has the meaning set forth in Article 6.2 of this Agreement.

“EIM” means the Energy Imbalance Market operated by the CAISO.

“EIM Participating Resource” means a resource or a portion of a resource (1) that has been certified in accordance with Attachment P by the NV Energy EIM Entity as eligible to participate in the EIM; and (2) for which the generator owner or operator enters into CAISO’s pro forma EIM Participating Resource Agreement.

“EIM Participating Resource Scheduling Coordinator” means the agent for one or more NV Energy EIM Participating Resource(s) that is certified by CAISO and enters into the CAISO’s pro forma EIM Participating Resource Scheduling Coordinator Agreement.

“EIM Participating Resource Scheduling Coordinator Agreement” has the meaning provided in the CAISO Tariff.

“EIM Non-Participating Resource” means a resource in NV Energy’s BAA that is not an EIM Participating Resource.

“Industry Standards” means all applicable national and regional electric reliability council principles, guides, criteria, and standards and industry standard practices, and is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

“Joint Dispatch” means the dispatch of the Power Supply Resources owned by Nevada Power and Sierra respectively on a least cost basis as described in Section 3.1.

“Joint Dispatcher” shall mean Nevada Power Company as described in Section 4.

“Must Run Resources” means generation units or power purchases that are dispatched out of merit order either due to contractual arrangements or to satisfy operational, reliability or regulatory requirements.

“Must Take Resources” means generation units whose output must be taken by Sierra Pacific Power or Nevada Power pursuant to contractual arrangements entered into in accordance with or to satisfy regulatory requirements.

“Native Load” means the load of a Party’s Retail Native Load Customers and the retail load of its wholesale customers or its wholesale customers’ members served by the Party, directly or indirectly, at Native Load Priority.

“Native Load Customers” means a Party’s Retail Native Load Customers plus its wholesale customers that have Native Load served by the Party, for which the Party has an obligation pursuant to current or future wholesale contracts, for the length of such contracts, to engage in planning and to sell and deliver electric capacity and energy in a manner comparable to the Party’s service to its Retail Native Load Customers.

“Native Load Priority” means a priority of service equivalent to that provided by the Party to

its Retail Native Load Customers.

“Non-Native Load Sales” means a Party’s sales of energy at wholesale, in the bilateral and organized markets, not including transactions between the Parties pursuant to this Agreement or service to Native Load.

“NV EIM Entity” means the Transmission Provider in performance of its role as an EIM Entity under the CAISO Tariff and the NV Energy OATT, including, but not limited to, Attachment P. The term “NV Energy EIM Entity” refers collectively to the EIM Entity for both SPPC and NPC.

“NV Energy OATT” means the joint Nevada Power Company/Sierra Pacific Power Company open access transmission tariff on file with the Federal Energy Regulatory Commission.

“Power Purchases” means purchases of energy at wholesale from sellers other than the other Party, including, but not limited to, Must Take Resources.

“Power Supply Resources” of a Party means the generating facilities owned by the Party, its Existing Power Purchases and Long Term Power Purchases, as further provided in this Agreement, and the allocation of New Short-Term Power Purchases, as further provided in this Agreement.

“PUCN” means the Public Utilities Commission of Nevada.

“Retail Native Load Customers” means the retail electric customers for which either Nevada Power or Sierra has an obligation under Nevada law to engage in long-term planning and to supply all generation, transmission, distribution, delivery and sales, and other related services, including installing or contracting for capacity, if needed to provide adequate and reliable service.

ARTICLE II TERM OF AGREEMENT

2.1 Term.

Subject to approval and any conditions imposed by state and federal regulatory authorities, this Agreement shall take effect upon such approval of the Agreement (the “Effective Date”) and shall continue in full force and effect until December 31, 2019 unless terminated earlier by mutual agreement of the Parties.

ARTICLE III SCOPE OF THE AGREEMENT

3.1 Purpose.

The primary purpose of this Agreement is to provide the contractual basis for the Joint Dispatch of the Power Supply Resources of both Nevada Power and Sierra for the purpose of reducing the cost of serving their Native Load Customers to the extent consistent with the

provision of reliable electric service, Industry Standards, and applicable laws and regulations (“Joint Dispatch”). This Agreement also shall provide the contractual basis for the allocation of the cost savings resulting from such Joint Dispatch and the costs and revenues from participation in EIM that apply exclusively to EIM Participating Resources.

3.2 Limits on Scope and Effect of the Agreement.

Nothing in this Agreement is intended to nor shall it be construed as:

- (a) Providing for or requiring a Party to construct generation or transmission facilities for the benefit of the other Party;
- (b) Transferring any rights to generation or transmission facilities from one Party to the other; or
- (c) Providing for or requiring any equalization of the Parties’ production costs or rates.

ARTICLE IV THE JOINT DISPATCHER

4.1 Joint Dispatch Function.

Nevada Power shall act as the Joint Dispatcher, on behalf of Nevada Power and Sierra, and shall have the following responsibilities:

- (a) Directing the economic dispatch of both Nevada Power’s and Sierra’s Power Supply Resources in the BAA and in the bilateral and organized markets, including acting as EIM Participating Resource Scheduling Coordinator for participation on behalf of both Parties’ generating resources in EIM;
- (b) Making Power Purchases for durations of less than one year (“New Short-Term Power Purchases” as defined in section 6.3), and also Non-Native Load Sales in the bilateral and organized markets, for the benefit of each Party’s Native Load Customers;
- (c) Taking transmission service, on behalf of both Nevada Power and Sierra, to serve both Parties’ Native Load obligations and make Non-Native Load Sales in order to implement the joint dispatch of the Parties’ Power Supply Resources under this Agreement;
- (d) Developing and providing bills, accounting, and billing, accounting-related information to effectuate the terms of this Agreement;
- (e) Performing all duties as the EIM Participating Resource Scheduling Coordinator for both Parties, including performing all duties required by

the CAISO under the CAISO Tariff and required by the NV EIM Entity under the NV Energy OATT;

- (f) Such other activities and duties as may be assigned from time to time by the mutual agreement of the Parties, including but not limited to administration of demand-side resources on behalf of the Parties, subject to applicable state and federal regulatory approvals; and
- (g) Incurring the costs necessary to perform its responsibilities under this Agreement, subject to applicable state and federal regulatory approvals.

ARTICLE V JOINT DISPATCH OF POWER SUPPLY RESOURCES

5.1 Joint Dispatch.

Upon the effective date of this Agreement, the Joint Dispatcher shall direct the dispatch and/or EIM participation of the Parties' Power Supply Resources in a manner that: (a) ensures the reliable fulfillment of each Party's service obligations to its Native Load Customers; (b) minimizes the total costs incurred to fulfill each Party's service obligations to its Native Load Customers; (c) economically satisfies any obligations of each of the Parties with respect to Non-Native Load Sales; and (d) complies with the CAISO Tariff and the NV Energy OATT as they relate to the Parties' participation in EIM. To these ends, the Joint Dispatcher shall direct the dispatch of the Power Supply Resources of both Parties consistent with Industry Standards for the safe and reliable operation of both of the Parties' electric systems, the safe and reliable operation of both of the Parties' generating resources, and all applicable laws and regulations, including but not limited to the applicable rules, regulations, orders, and conditions of the PUCN, the Federal Energy Regulatory Commission ("FERC"), the Western Electricity Coordinating Council, and the North American Electric Reliability Corporation.

5.2 Compliance with Contractual and Regulatory Obligations.

Nothing in this Agreement is intended to diminish or alter the jurisdiction or authority of the PUCN over the Parties, including, among other things, the jurisdiction and authority to establish the retail rates on a bundled basis for each of the Parties, to impose regulatory accounting and reporting requirements, to impose service quality standards, to require each of the Parties to engage separately in least cost integrated resource planning, or otherwise. In addition, nothing in this Agreement is intended to alter the Parties' contractual or regulatory obligations or to provide for Joint Dispatch in a fashion that is inconsistent with those obligations, including, without limitation, the following:

- (a) All of Nevada Power's and Sierra's respective obligations under wholesale purchase contracts, including contracts for the purchase of energy and capacity on a non-dispatchable basis;
- (b) All of Nevada Power's and Sierra's respective obligations under wholesale sales contracts, including obligations under full and partial

requirements sales contracts;

- (c) All of Nevada Power's and Sierra's respective obligations under reliability exchange agreements existing prior to the effective date of this Agreement; and
- (d) Nevada Power's and Sierra's respective obligations with respect to Must Run Resources and Must Take Resources to ensure that they are not dispatched in a manner inconsistent with the contractual, operational, reliability or regulatory requirements applicable to such Must Run Resources or Must Take Resources.

ARTICLE VI POWER SUPPLY RESOURCES AND NON-NATIVE LOAD SALES

6.1 Generating Resources.

As of the Effective Date, all generating resources including those that begin commercial operation after the effective date of this Agreement shall be a Power Supply Resource of the Party that owns it and that Party shall be responsible for the capacity costs and energy costs of such Power Supply Resources. If the Parties develop future generating resources jointly or enter into a reserve sharing agreement with respect to future generating resources, the Parties, at the time that they enter into such an arrangement, and subject to the receipt of all relevant state and federal regulatory approvals, shall agree, upon the allocation of the generation that is the subject of that arrangement for purposes of determining the Parties' Power Supply Resources and responsibility for capacity costs and energy costs.

6.2 Existing Power Purchases and New-Long Term Power Purchases.

The capacity costs (if any) and energy costs associated with Power Purchases contracted for by a Party prior to the effective date of this Agreement ("Existing Power Purchases") and with Power Purchases contracted for by a party after the effective date of this Agreement that are for one year or longer ("New Long-Term Power Purchases") shall be the responsibility of that Party. Existing Power Purchases and New Long-Term Power Purchases shall be Power Supply Resources of the contracting Party.

6.3 New Short-Term Power Purchases.

- (a) Power Purchases contracted for by either Party after the effective date of the Agreement for duration of less than one year ("New Short-Term Power Purchases") shall be treated as follows:
 - (i) For all New Short-Term Power Purchases, each Party shall be allocated a percentage of the MWh, capacity costs (if any) and the energy costs associated with such purchases equal to the Party's Native Load for the hours in which the purchase was made divided by the sum of both Parties' Native Loads for such hours.

- (b) The MWh of a New Short-Term Power Purchase that has been allocated to a Party pursuant to Section 6.3(a)(i) shall be a Power Supply Resource of that Party. To the extent that a Party incurs energy costs for a New Short-Term Power Purchase that differs from the allocations set forth in Section 6.3(a)(i), a transfer payment will be made to reconcile the difference.

6.4 Non-Native Load Sales.

Subject to Sections 7.2 and 7.4(a), each Party shall be responsible for the cost of the energy from its Power Supply Resources that serve Non-Native Load Sales.

ARTICLE VII CALCULATION OF JOINT DISPATCH SAVINGS

7.1 Overview.

- (a) For each hour, the energy produced as a result of the Joint Dispatch shall be allocated to the Parties' Native Load obligations and Non-Native Load Sales. The determination of how much energy is allocated to each Party shall be conducted on an after-the-fact basis as described below. Such energy allocation is solely for the purpose of calculating savings from the Joint Dispatch and the Parties payment obligations under this Article VII.
- (b) The least cost energy from each Party's Power Supply Resources, including Must Take Resources, shall be applied first to serve its own Native Load obligations. If it is determined after-the-fact that a Party's Power Supply Resources provided energy to serve the other Party's Native Load service obligations or Non-Native Load Sales obligations, then only such provision of energy shall be considered to be a wholesale power transaction between the Parties.
- (c) The transfer payments under this Agreement are intended to produce an energy cost for serving each Party's Native Load Customers that is the same as if such Native Load were served by that Party's Power Supply Resources (including each Party's own obligations with respect to its Must Take Resources and Must Run Resources), adjusted by the allocation of costs and savings of the Joint Dispatch as reflected in the payments set forth in Section 7.4.

7.2 Allocation of Energy to Non-Native Load Sales.

For each hour, Non-Native Load Sales shall be deemed to have been satisfied by the highest cost energy from the Parties' Power Supply Resources produced in that hour (other than from Must Run Resources and Must Take Resources).

7.3 Allocation of Energy to Native Load.

After the allocation of energy costs to Non-Native Load Sales has been performed pursuant to Section 7.2, the remaining least cost energy produced in an hour by the Parties' Power Supply Resources shall be deemed to have served the Parties' Native Loads. Each Party's Native Load also shall be allocated the total costs of energy produced and transmitted from its own Must Run Resources and Must Take Resources. Each Party shall be responsible initially for the energy costs of its Power Supply Resources deemed to have served the Parties Native Loads ("Incurred Native Load Costs").

7.4 Payments for Purchases and Sales of Energy Between the Parties.

A payment shall be calculated for the purchase and sale of energy between the Parties as a result of the Joint Dispatch of the Parties' Power Supply Resources. This payment shall be calculated as follows:

- (a) Payments for energy sales to meet Non-Native Load Sales
 - (i) After the fact for each hour, the Joint Dispatcher shall use production cost or related models to determine the energy costs allocated to the Non-Native Load Sales pursuant to Section 6.4 and 7.2. Such energy costs shall be subtracted from revenues generated from such sales and each Party reimbursed for the costs their Power Supply Resources incurred to serve Non-Native Load Sales as a result of the Joint Dispatch. The difference between such incurred energy costs and such revenues will be allocated to each Party on a pro rata basis equal to the MWh produced by the Party's Power Supply Resources during such hours divided by the total MWh produced by both Parties Power Supply Resources during those same hours.
 - (ii) To the extent that the Parties incur energy costs for and revenues from Non-Native Load Sales that produce a different result than the calculation set forth in Section 7.4 (a)(i), a transfer payment will be made between the Parties to reconcile that difference.
- (b) Payments for energy sales related to Native Load.
 - (i) After the fact, for each hour, the Joint Dispatcher shall use production cost or related models to determine the cost each Party would have incurred to serve its Native Load without the benefit of Joint Dispatch ("Stand Alone Native Load Costs"). The positive difference between the cost of all Power Supply Resources deemed to have served the Parties' Native Load pursuant to Section 7.3 and the sum of the Parties Stand Alone Native Load Costs shall be the "Native Load Joint Dispatch Savings."

- (ii) The Joint Dispatcher shall allocate to each Party a pro rata share of the Native Load Joint Dispatch Savings based on each Party's relative amount of MWh produced by their respective Power Supply Resources in the hour.
- (iii) The Joint Dispatcher shall then subtract each Party's allocated share of Native Load Joint Dispatch Savings for the hour from its Stand Alone Native Load Costs for that hour. The resulting cost figure for each Party shall be that Party's "Joint Dispatch Native Load Costs" for the hour.
- (iv) The Party whose Joint Dispatch Native Load Costs for an hour are more than its incurred Native Load Costs for that hour shall owe the other Party a payment for that hour equal to the difference between its Joint Dispatch Native Load Costs and its Incurred Native Load Costs.
- (v) To the extent one Party incurs costs for and receives benefits from Native Load Sales that produce a different result than the calculations required by Sections 7.4(b)(i) through 7.4(b)(iv), a transfer payment may be made between the Parties to reconcile the difference.

The Joint Dispatcher shall sum each Party's payment obligations reduced by its payment entitlements under Sections 7.4(a) and (b) above for that hour. The Party with a positive total shall owe that amount to the other Party as payment for energy sold to it during that hour.

ARTICLE VIII CAPACITY SALES

8.1 Capacity Sales.

If a Party requires additional capacity for reliability purposes, and the other Party has the ability to supply all or some capacity (with or without accompanying energy), without impacting reliability or service quality to the selling Party's Native Load Customers, then the Joint Dispatcher may enter into a capacity sale on behalf of the selling Party pursuant to an applicable FERC-filed rate tariff and such sale shall be priced in accordance therewith. However, nothing in this Agreement shall be construed as creating a right in either Party to the capacity of the other Party.

ARTICLE IX BILLING PROCEDURES

9.1 Records.

The Joint Dispatcher shall maintain such records as may be necessary to determine the assignment of costs savings resulting from Joint Dispatch, the costs and revenues from

participation in EIM that apply exclusively to EIM Participating Resources, and other payments required pursuant to this Agreement. Such records shall be made available to the Parties as reasonably required, including as needed for state and federal regulatory purposes.

9.2 Monthly Statements.

As promptly as practicable after the end of each calendar month, the Joint Dispatcher shall prepare a statement setting forth the monthly summary of costs for which each Party is responsible and revenues from Short-Term Non-Native Load Sales, including the costs and revenues from participation in EIM that apply exclusively to EIM Participating Resources, to be allocated to each Party in sufficient detail as may be needed for settlements under the provisions of this Agreement. As required, the Joint Dispatcher may provide such statements on an estimated basis and then adjust those statements for actual results.

9.3 Monthly Bills.

As promptly as practicable after the end of each calendar month, the Joint Dispatcher shall prepare a monthly bill for each Party based on the sum of that Party's payment obligations reduced by its payment entitlements. The Joint Dispatcher shall net each Party's hourly payment obligations against its hourly payment entitlements, and render a bill for the differences. The bill for each December shall also state an annual payment amount that nets out each Party's obligations and entitlements for the calendar year.

9.4 Billings and Payments.

The Joint Dispatcher shall handle all billing and accounting between the Parties and with other entities with which the Joint Dispatcher engages in activities pursuant to this Agreement. Payment between the Parties shall be by making remittance of the net amount billed or by making appropriate accounting entries on the books of the Parties. Payment of the bills for a calendar year shall be made no later than 30 days after the receipt of the bill for December of that calendar year.

9.5 Taxes.

Should any federal, state, or local tax, surcharge or similar assessment, in addition to those that may now exist, be levied upon the energy dispatched pursuant to the terms of this Agreement or for the Joint Dispatcher's services provided in connection with this Agreement, or upon either of the Parties measured by energy or service, or the revenue therefrom, any such additional amounts shall be included in the net billing as described in Section 9.4.

ARTICLE X FORCE MAJEURE

10.1 Events Excusing Performance.

Neither Party shall be liable to the other Party for or on account of any loss, damage, injury, or expense resulting from or arising out of a delay or failure to perform, either in whole

or in part, any of the agreements or obligations made by or imposed upon the Parties by this Agreement, by reason of or through strike, work stoppage of labor, failure of contractors or suppliers of materials (including fuel), failure of equipment, environmental restrictions, riot, fire, flood, ice, wind, invasion, civil war, commotion, insurrection, military or usurped power, order of any court granted in any bona fide adverse legal proceedings or action, or of any civil or military authority either de facto or de jure, explosion, Act of God or the public enemies, or any other cause reasonably beyond its control and not attributable to its neglect. A Party experiencing such a delay or failure to perform shall use due diligence to remove the cause or causes thereof; however, no Party shall be required to add to, modify or upgrade any facilities, or to settle a strike or labor dispute except when, according to its own best judgment, such action is advisable.

ARTICLE XI INDUSTRY STANDARDS

11.1 Adherence to Reliability Criteria.

The Parties agree to conform to Industry Standards as they affect the implementation or the Parties' performance of this Agreement.

ARTICLE XII GENERAL

12.1 No Third Party Beneficiaries.

This Agreement does not create rights of any character whatsoever in favor of any person, corporation, association, entity or power supplier, other than the Parties, and the obligations herein assumed by the Parties are solely for the use and benefit of said Parties. Nothing in this Agreement shall be construed as permitting or vesting, or attempting to permit or vest, in any person, corporation, association, entity or power supplier, other than the Parties, any rights hereunder or in any of the resources or facilities owned or controlled by the Parties or the use thereof

12.2 Waivers.

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

12.3 Successors and Assigns.

This Agreement shall inure to the benefit of and be binding only upon the Parties and their respective successors and assigns, and shall not be assignable by any Party without the written consent of the other Party except to a successor in the operation of its properties by reason of a merger, consolidation, sale or foreclosure whereby substantially all such properties

are acquired by or merged with those of such a successor, subject to all relevant state and federal regulatory approvals.

12.4 Liability and Indemnification.

Subject to any applicable state or federal law which may specifically restrict limitations on liability, each Party shall release, indemnify, and hold harmless the other Party, its directors, officers and employees from and against any and all liability for loss, damage or expense alleged to arise from, or incidental to, injury to persons and/or damage to property in connection with its facilities or the production or transmission of electric energy by or through such facilities, or related to performance or non-performance of this Agreement, including any negligence arising hereunder. In no event shall any Party be liable to another Party for any indirect, special, incidental or consequential damages with respect to any claim arising out of this Agreement.

12.5 Section Headings.

The descriptive headings of the Articles and Sections of this Agreement are used for convenience only and shall not modify or restrict any of the terms and provisions thereof.

12.6 Notice.

Any notice or demand for performance required or permitted under any of the provisions of this Agreement shall be deemed to have been given on the date of such notice, in writing, is deposited in the U.S. mail, postage prepaid, certified or registered mail, addressed to:

For Nevada Power Company
Emmanuel Lopez
NPC Purchased Power Settlement Desk
775-834-5921
ELopez@nvenergy.com

For Sierra Pacific Power Company
Valerie Schneider
SPPC Purchased Power Settlement Desk
775-834-5278
ValerieSchneider@nvenergy.com

or in such other form or to such other address as the Parties may stipulate.

**ARTICLE XIII
REGULATORY APPROVAL**

13.1 Regulatory Authorization.

This effectiveness of this Agreement is subject to and conditioned upon Acceptance for filing without material condition or modification by the FERC;

13.2 Changes.

It is contemplated by the Parties that it may be appropriate from time to time to change, amend, modify or supplement this Agreement to reflect changes in operating practices or costs of operations or for other reasons. Any such changes to this Agreement shall be in writing executed by the Parties, subject to all necessary state and federal regulatory authorizations.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and attested by their duly authorized officers on the day and year first above written.

NEVADA POWER COMPANY d/b/a NV ENERGY

By: Paul Caudill
Title: President and CEO

Dated: _____, 2015

SIERRA PACIFIC POWER COMPANY d/b/a NV
ENERGY

By: Paul Caudill
Title: President and CEO

Dated: _____, 2015

MARKED

~~INTERIM~~ JOINT DISPATCH AGREEMENT
BETWEEN
NEVADA POWER COMPANY d/b/a NV ENERGY
AND
SIERRA PACIFIC POWER COMPANY d/b/a NV ENERGY

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~~INTERIM~~-JOINT DISPATCH AGREEMENT

THIS ~~INTERIM~~ JOINT DISPATCH AGREEMENT (“Agreement”) is made and entered into as of the 21st st day of ~~October, 2013 as amended this _____ day of September, 2014, _____, 2015~~ by and between Nevada Power Company, doing business as NV Energy (“Nevada Power”), and Sierra Pacific Power Company d/b/a NV Energy (“Sierra”) (collectively referred to herein as the “Parties” and individually as a “Party”).

WHEREAS, Nevada Power and Sierra are the owners and operators of electric generation, transmission and distribution facilities and are engaged in the business of generating, transmitting, distributing, and selling electric energy to the retail customers in their franchised service areas in Nevada and also at wholesale to municipalities, cooperatives, and other electric utilities; and

~~WHEREAS, Nevada Power and Sierra have entered into a merger agreement to consolidate the utilities into a single jurisdictional utility; and~~

WHEREAS, Nevada Power and Sierra intend to jointly dispatch their Power Supply Resources in order to most economically serve the Native Load Customers of both Nevada Power and Sierra and participate in bilateral and organized energy markets; and

WHEREAS, the Parties desire to establish a framework under which the foregoing joint dispatch of the Nevada Power and Sierra Power Supply Resources, and the resulting cost savings and the profits from bilateral and organized energy market participation will be equitably shared between the Parties;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein set forth, the Parties mutually agree as follows:

ARTICLE I DEFINITIONS

Capitalized terms shall have the meanings set forth below in the Article I. If a capitalized term is not defined below, it shall have the meaning provided elsewhere in this Agreement or as commonly used in the electric utility industry.

“Balancing Authority” means the responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports interconnection frequency in real time.

“Balancing Authority Area” or **“BAA”** means the collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority within which the Balancing Authority maintains the load-resource balance.

“CAISO” means the California Independent System Operator.

“CAISO Tariff” means the FERC-jurisdictional energy markets tariff of the CAISO.

“Existing Power Purchases” has the meaning set forth in Article 6.2 of this Agreement.

“EIM” means the Energy Imbalance Market operated by the CAISO.

“EIM Participating Resource” means a resource or a portion of a resource (1) that has been certified in accordance with Attachment P by the NV Energy EIM Entity as eligible to participate in the EIM; and (2) for which the generator owner or operator enters into CAISO’s pro forma EIM Participating Resource Agreement.

“EIM Participating Resource Scheduling Coordinator” means the agent for one or more NV Energy EIM Participating Resource(s) that is certified by CAISO and enters into the CAISO’s pro forma EIM Participating Resource Scheduling Coordinator Agreement.

“EIM Participating Resource Scheduling Coordinator Agreement” has the meaning provided in the CAISO Tariff.

“EIM Non-Participating Resource” means a resource in NV Energy’s BAA that is not an EIM Participating Resource.

“Industry Standards” means all applicable national and regional electric reliability council principles, guides, criteria, and standards and industry standard practices, and is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

“Joint Dispatch” means the dispatch of the Power Supply Resources owned by Nevada Power and Sierra respectively on a least cost basis as described in Section 3.1.

“Joint Dispatcher” shall mean Nevada Power Company as described in Section 4.

“Must Run Resources” means generation units or power purchases that are dispatched out of merit order either due to contractual arrangements or to satisfy operational, reliability or regulatory requirements.

“Must Take Resources” means generation units whose output must be taken by Sierra Pacific Power or Nevada Power pursuant to contractual arrangements entered into in accordance with or to satisfy regulatory requirements.

“Native Load” means the load of a Party’s Retail Native Load Customers and the retail load of its wholesale customers or its wholesale customers’ members served by the Party, directly or indirectly, at Native Load Priority.

“Native Load Customers” means a Party’s Retail Native Load Customers plus its wholesale customers that have Native Load served by the Party, for which the Party has an obligation pursuant to current or future wholesale contracts, for the length of such contracts, to engage in planning and to sell and deliver electric capacity and energy in a manner comparable to the Party’s service to its Retail Native Load Customers.

“Native Load Priority” means a priority of service equivalent to that provided by the Party to its Retail Native Load Customers.

“Non-Native Load Sales” means a Party’s sales of energy at wholesale, in the bilateral and organized markets, not including transactions between the Parties pursuant to this Agreement or service to Native Load.

“NV EIM Entity” means the Transmission Provider in performance of its role as an EIM Entity under the CAISO Tariff and the NV Energy OATT, including, but not limited to, Attachment P. The term “NV Energy EIM Entity” refers collectively to the EIM Entity for both SPPC and NPC.

“NV Energy OATT” means the joint Nevada Power Company/Sierra Pacific Power Company open access transmission tariff on file with the Federal Energy Regulatory Commission.

“Power Purchases” means purchases of energy at wholesale from sellers other than the other Party, including, but not limited to, Must Take Resources.

“Power Supply Resources” of a Party means the generating facilities owned by ~~the~~ Party ~~and~~, its Existing Power Purchases and Long Term Power Purchases, as further provided ~~herein to be used under~~ in this Agreement, and the allocation of New Short-Term Power Purchases, as further provided in this Agreement.

“PUCN” means the Public Utilities Commission of Nevada.

“Retail Native Load Customers” means the retail electric customers for which either Nevada Power or Sierra has an obligation under Nevada law to engage in long-term planning and to

supply all generation, transmission, distribution, delivery and sales, and other related services, including installing or contracting for capacity, if needed to provide adequate and reliable service.

ARTICLE II TERM OF AGREEMENT

2.1 Term.

Subject to approval and any conditions imposed by state and federal regulatory authorities, this Agreement shall take effect upon such approval of the Agreement (the “Effective Date”) and shall continue in full force and effect until ~~January 1, 2016~~December 31, 2019 unless terminated earlier by mutual agreement of the Parties.

ARTICLE III SCOPE OF THE AGREEMENT

3.1 Purpose.

The primary purpose of this Agreement is to provide the contractual basis for the Joint Dispatch of the Power Supply Resources of both Nevada Power and Sierra for the purpose of reducing the cost of serving their Native Load Customers to the extent consistent with the provision of reliable electric service, Industry Standards, and applicable laws and regulations (“Joint Dispatch”). This Agreement also shall provide the contractual basis for the sharing allocation of the cost savings resulting from such Joint Dispatch and the costs and revenues from participation in EIM that apply exclusively to EIM Participating Resources.

3.2 Limits on Scope and Effect of the Agreement.

Nothing in this Agreement is intended to ~~or~~nor shall it be construed as:

- (a) Providing for or requiring a Party to construct generation or transmission facilities for the benefit of the other Party;
- ~~(b)~~ (b) Transferring any rights to generation or transmission facilities from one Party to the other; or
- ~~(c)~~ (c) Providing for or requiring any equalization of the Parties’ production costs or rates.

ARTICLE IV

THE JOINT DISPATCHER

4.1 Joint Dispatch Function.

Nevada Power shall act as the Joint Dispatcher, on behalf of Nevada Power and Sierra, and shall have the following responsibilities:

- (a) (a) Directing the economic dispatch of both Nevada Power's and Sierra's Power Supply Resources in the BAA and in the bilateral and organized markets, including acting as EIM Participating Resource Scheduling Coordinator for participation on behalf of both Parties' generating resources in EIM;
- (b) (b) Making Power Purchases for durations of less than one year ("New Short-Term Power Purchases") to serve the Parties' Native Loads and making" as defined in section 6.3), and also Non-Native Load Sales for durations of less than one year from the Parties' Power Supply Resources in the bilateral and organized markets, for the benefit of each Party's Native Load Customers;
- (c) (c) Taking transmission service, on behalf of both Nevada Power and Sierra, to serve both Parties' Native Load obligations and make Non-Native Load Sales in order to implement the joint dispatch of the Parties' Power Supply Resources under this Agreement;
- (d) (d) Developing and providing bills, accounting, and billing, accounting-related information to effectuate the terms of this Agreement;
- (e) Performing all duties as the EIM Participating Resource Scheduling Coordinator for both Parties, including performing all duties required by the CAISO under the CAISO Tariff and required by the NV EIM Entity under the NV Energy OATT;
- (f) (f) Such other activities and duties as may be assigned from time to time by the mutual agreement of the Parties, including but not limited to administration of demand-side resources on behalf of the Parties, subject to applicable state and federal regulatory approvals; and
- (g) (g) Incurring the costs necessary to perform its responsibilities under this Agreement, subject to applicable state and federal regulatory approvals.

ARTICLE V JOINT DISPATCH OF POWER SUPPLY RESOURCES

5.1 Joint Dispatch.

Upon the effective date of this Agreement, the Joint Dispatcher shall direct the dispatch and/or EIM participation of the Parties' Power Supply Resources in a manner that: (a) ensures the reliable fulfillment of each Party's service obligations to its Native Load Customers; (b) minimizes the total costs incurred to fulfill each Party's service obligations to its Native Load Customers; ~~and~~ (c) economically satisfies any obligations of each of the Parties with respect to Non-Native Load Sales; and (d) complies with the CAISO Tariff and the NV Energy OATT as they relate to the Parties' participation in EIM. To these ends, the Joint Dispatcher shall direct the dispatch of the Power Supply Resources of both Parties consistent with Industry Standards for the safe and reliable operation of both of the Parties' electric systems, the safe and reliable operation of both of the Parties' generating resources, and all applicable laws and regulations, including but not limited to the applicable rules, regulations, orders, and conditions of the PUCN, the Federal Energy Regulatory Commission ("FERC"), the Western Electricity Coordinating Council, and the North American Electric Reliability Corporation.

5.2 Compliance with Contractual and Regulatory Obligations.

Nothing in this Agreement is intended to diminish or alter the jurisdiction or authority of the PUCN over the Parties, including, among other things, the jurisdiction and authority to establish the retail rates on a bundled basis for each of the Parties, to impose regulatory accounting and reporting requirements, to impose service quality standards, to require each of the Parties to engage separately in least cost integrated resource planning, or otherwise. In addition, nothing in this Agreement is intended to alter the Parties' contractual or regulatory obligations or to provide for Joint Dispatch in a fashion that is inconsistent with those obligations, including, without limitation, the following:

- ~~(a)~~ (a) All of Nevada Power's and Sierra's respective obligations under wholesale purchase contracts, including contracts for the purchase of energy and capacity on a non-dispatchable basis;
- ~~(b)~~ (b) All of Nevada Power's and Sierra's respective obligations under wholesale sales contracts, including obligations under full and partial requirements sales contracts;
- ~~(c)~~ (c) All of Nevada Power's and Sierra's respective obligations under reliability exchange agreements existing prior to the effective date of this Agreement; and
- ~~(d)~~ (d) Nevada Power's and Sierra's respective obligations with respect to Must Run Resources and Must Take Resources to ensure that they are not dispatched in a manner inconsistent with the contractual, operational, reliability or regulatory requirements applicable to such Must Run Resources or Must Take Resources.

ARTICLE VI
POWER SUPPLY RESOURCES AND NON-NATIVE LOAD SALES

6.1 Generating Resources.

As of the Effective Date, all generating resources including those that begin commercial operation after the effective date of this Agreement shall be a Power Supply Resource of the Party that owns it and that Party shall be responsible for the capacity costs and energy costs of such Power Supply Resources. If the Parties develop future generating resources jointly or enter into a reserve sharing agreement with respect to future generating resources, the Parties, at the time that they enter into such an arrangement, and subject to the receipt of all relevant state and federal regulatory approvals, shall agree, upon the allocation of the generation that is the subject of that arrangement for purposes of determining the Parties' Power Supply Resources and responsibility for capacity costs and energy costs.

6.2 Existing Power Purchases and New-Long Term Power Purchases.

The capacity costs (if any) and energy costs associated with Power Purchases contracted for by a Party prior to the effective date of this Agreement ("Existing Power Purchases") and with Power Purchases contracted for by a party after the effective date of this Agreement that are for one year or longer ("New Long-Term Power Purchases") shall be the responsibility of that Party. Existing Power Purchases and New Long-Term Power Purchases shall be Power Supply Resources of the contracting Party.

6.3 New Short-Term Power Purchases.

- (a) Power Purchases contracted for by either Party after the effective date of the Agreement for duration of less than one year ("New Short-Term Power Purchases") shall be treated as follows:
 - (i) For all New Short-Term Power Purchases, each Party shall be allocated a percentage of the MWh, capacity costs (if any) and the energy costs associated with such purchases equal to the Party's Native Load for the hours in which the purchase was made divided by the sum of both Parties' Native Loads for such hours.
- (b) The MWh of a New Short-Term Power Purchase that has been allocated to a Party pursuant to Section 6.3(a)(i) shall be a Power Supply Resource of that Party. To the extent that a Party incurs energy costs for a New Short-Term Power Purchase that differs from the allocations set forth in Section 6.3(a)(i), a transfer payment will be made to reconcile the difference.

6.4 Non-Native Load Sales.

Subject to Sections 7.2 and 7.4(a), each Party shall be responsible for the cost of the energy from its Power Supply Resources that serve Non-Native Load Sales.

**ARTICLE VII
CALCULATION OF JOINT DISPATCH SAVINGS**

7.1 Overview.

- (a) For each hour, the energy produced as a result of the Joint Dispatch shall be allocated to the Parties' Native Load obligations and Non-Native Load Sales. The determination of how much energy is allocated to each Party shall be conducted on an after-the-fact basis as described below. Such energy allocation is solely for the purpose of calculating savings from the Joint Dispatch and the Parties payment obligations under this Article VII.
- (b) The least cost energy from each Party's Power Supply Resources, including Must Take Resources, shall be applied first to serve its own Native Load obligations. If it is determined after-the-fact that a Party's Power Supply Resources provided energy to serve the other Party's Native Load service obligations or Non-Native Load Sales obligations, then only such provision of energy shall be considered to be a wholesale power transaction between the Parties.
- (c) The transfer payments under this Agreement are intended to produce an energy cost for serving each Party's Native Load Customers that is the same as if such Native Load were served by that Party's Power Supply Resources (including each Party's own obligations with respect to its Must Take Resources and Must Run Resources), adjusted by the allocation of costs and savings of the Joint Dispatch as reflected in the payments set forth in Section 7.4.

7.2 Allocation of Energy to Non-Native Load Sales.

For each hour, Non-Native Load Sales shall be deemed to have been satisfied by the highest cost energy from the Parties' Power Supply Resources produced in that hour (other than from Must Run Resources and Must Take Resources).

7.3 Allocation of Energy to Native Load.

After the allocation of energy costs to Non-Native Load Sales has been performed pursuant to Section 7.2, the remaining least cost energy produced in an hour by the Parties' Power Supply Resources shall be deemed to have served the Parties' Native Loads. Each Party's Native Load also shall be allocated the total costs of energy produced and transmitted from its own Must Run Resources and Must Take Resources. Each Party shall be responsible initially for the energy costs of its Power Supply Resources deemed to have served the Parties Native Loads ("Incurred Native Load Costs").

7.4 Payments for Purchases and Sales of Energy Between the Parties.

A payment shall be calculated for the purchase and sale of energy between the Parties as a result of the Joint Dispatch of the Parties' Power Supply Resources. This payment shall be calculated as follows:

- (a) Payments for energy sales to meet Non-Native Load Sales
 - (i) After the fact for each hour, the Joint Dispatcher shall use production cost or related models to determine the energy costs allocated to the Non-Native Load Sales pursuant to Section 6.4 and 7.2. Such energy costs shall be subtracted from revenues generated from such sales and each Party reimbursed for the costs their Power Supply Resources incurred to serve Non-Native Load Sales as a result of the Joint Dispatch. The difference between such incurred energy costs and such revenues will be allocated to each Party on a pro rata basis equal to the MWh produced by the Party's Power Supply Resources during such hours divided by the total MWh produced by both Parties Power Supply Resources during those same hours.
 - (ii) To the extent that the Parties incur energy costs for and revenues from Non-Native Load Sales that produces a different result than the calculation set forth in Section 7.4 (a)(i), a transfer payment will be made between the Parties to reconcile that difference.
- (b) Payments for energy sales related to Native Load.
 - ~~(i)~~ (i) After the fact, for each hour, the Joint Dispatcher shall use production cost or related models to determine the cost each Party would have incurred to serve its Native Load without the benefit of Joint Dispatch ("Stand Alone Native Load Costs"). The positive difference between the cost of all Power Supply Resources deemed to have served the Parties' Native Load pursuant to Section 7.3 and the sum of the Parties Stand Alone Native Load Costs shall be the "Native Load Joint Dispatch Savings."
 - ~~(ii)~~ (ii) The Joint Dispatcher shall allocate to each Party a pro rata share of the Native Load Joint Dispatch Savings based on each Party's relative amount of MWh produced by their respective Power Supply Resources in the hour.
 - ~~(iii)~~ (iii) The Joint Dispatcher shall then subtract each Party's allocated share of Native Load Joint Dispatch Savings for the hour from its Stand Alone Native Load Costs for that hour. The resulting cost figure for each Party shall be that Party's "Joint Dispatch Native Load Costs" for the hour.

~~(iv)~~ (iv) The Party whose Joint Dispatch Native Load Costs for an hour are more than its ~~incurred~~incurred Native Load Costs for that hour shall owe the other Party a payment for that hour equal to the difference between its Joint Dispatch Native Load Costs and its Incurred Native Load Costs.

(v) To the extent one Party incurs costs for and receives benefits from Native Load Sales that produces a different result than the calculations required by Sections 7.4(b)(i) through 7.4(b)(iv), a transfer payment may be made between the Parties to reconcile the difference.

The Joint Dispatcher shall sum each Party's payment obligations reduced by its payment entitlements under Sections 7.4(a) and (b) above for that hour. The Party with a positive total shall owe that amount to the other Party as payment for energy sold to it during that hour.

ARTICLE VIII CAPACITY SALES

8.1 Capacity Sales.

If a Party requires additional capacity for reliability purposes, and the other Party has the ability to supply all or some capacity (with or without accompanying energy), without impacting reliability or service quality to the selling Party's Native Load Customers, then the Joint Dispatcher may enter into a capacity sale on behalf of the selling Party pursuant to an applicable FERC-filed rate tariff and such sale shall be priced in accordance therewith. However, nothing in this Agreement shall be construed as creating a right in either Party to the capacity of the other Party. _

ARTICLE IX BILLING PROCEDURES

9.1 Records.

The Joint Dispatcher shall maintain such records as may be necessary to determine the assignment of costs savings ~~of Joint Dispatch and the~~resulting from Joint Dispatch, the costs and revenues from participation in EIM that apply exclusively to EIM Participating Resources, and other payments required pursuant to this Agreement. Such records shall be made available to the Parties as reasonably required, including as needed for state and federal regulatory purposes.

9.2 Monthly Statements.

As promptly as practicable after the end of each calendar month, the Joint Dispatcher

shall prepare a statement setting forth the monthly summary of costs for which each Party is responsible and revenues from Short-Term Non-Native Load Sales, including the costs and revenues from participation in EIM that apply exclusively to EIM Participating Resources, to be allocated to each Party in sufficient detail as may be needed for settlements under the provisions of this Agreement. As required, the Joint Dispatcher may provide such statements on an estimated basis and then adjust those statements for actual results.

9.3 Monthly Bills.

As promptly as practicable after the end of each calendar month, the Joint Dispatcher shall prepare a monthly bill for each Party based on the sum of that Party's payment obligations reduced by its payment entitlements ~~calculated pursuant to Section 7.5.~~ The Joint Dispatcher shall net each Party's hourly payment obligations against its hourly payment entitlements, and render a bill for the differences. The bill for each December shall also state an annual payment amount that nets out each Party's obligations and entitlements for the calendar year.

9.4 Billings and Payments.

The Joint Dispatcher shall handle all billing and accounting between the Parties and with other entities with which the Joint Dispatcher engages in activities pursuant to this Agreement. Payment between the Parties shall be by making remittance of the net amount billed or by making appropriate accounting entries on the books of the Parties. Payment of the bills for a calendar year shall be made no later than 30 days after the receipt of the bill for December of that calendar year.

9.5 Taxes.

Should any federal, state, or local tax, surcharge or similar assessment, in addition to those that may now exist, be levied upon the energy dispatched pursuant to the terms of this Agreement or for the Joint Dispatcher's services provided in connection with this Agreement, or upon either of the Parties measured by energy or service, or the revenue therefrom, any such additional amounts shall be included in the net billing as described in Section 9.4.

ARTICLE X FORCE MAJEURE

10.1 Events Excusing Performance.

Neither Party shall be liable to the other Party for or on account of any loss, damage, injury, or expense resulting from or arising out of a delay or failure to perform, either in whole or in part, any of the agreements or obligations made by or imposed upon the Parties by this Agreement, by reason of or through strike, work stoppage of labor, failure of contractors or suppliers of materials (including fuel), failure of equipment, environmental restrictions, riot, fire, flood, ice, wind, invasion, civil war, commotion, insurrection, military or usurped power, order of any court granted in any bona fide adverse legal proceedings or action, or of any civil

or military authority either de facto or de jure, explosion, Act of God or the public enemies, or any other cause reasonably beyond its control and not attributable to its neglect. A Party experiencing such a delay or failure to perform shall use due diligence to remove the cause or causes thereof; however, no Party shall be required to add to, modify or upgrade any facilities, or to settle a strike or labor dispute except when, according to its own best judgment, such action is advisable.

ARTICLE XI INDUSTRY STANDARDS

11.1 Adherence to Reliability Criteria.

The Parties agree to conform to Industry Standards as they affect the implementation or the Parties' performance of this Agreement.

ARTICLE XII GENERAL

12.1 No Third Party Beneficiaries.

This Agreement does not create rights of any character whatsoever in favor of any person, corporation, association, entity or power supplier, other than the Parties, and the obligations herein assumed by the Parties are solely for the use and benefit of said Parties. Nothing in this Agreement shall be construed as permitting or vesting, or attempting to permit or vest, in any person, corporation, association, entity or power supplier, other than the Parties, any rights hereunder or in any of the resources or facilities owned or controlled by the Parties or the use thereof

12.2 Waivers.

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

12.3 Successors and Assigns.

This Agreement shall inure to the benefit of and be binding only upon the Parties and their respective successors and assigns, and shall not be assignable by any Party without the written consent of the other Party except to a successor in the operation of its properties by reason of a merger, consolidation, sale or foreclosure whereby substantially all such properties are acquired by or merged with those of such a successor, subject to all relevant state and federal regulatory approvals.

12.4 Liability and Indemnification.

Subject to any applicable state or federal law which may specifically restrict limitations on liability, each Party shall release, indemnify, and hold harmless the other Party, its directors, officers and employees from and against any and all liability for loss, damage or expense alleged to arise from, or incidental to, injury to persons and/or damage to property in connection with its facilities or the production or transmission of electric energy by or through such facilities, or related to performance or non-performance of this Agreement, including any negligence arising hereunder. In no event shall any Party be liable to another Party for any indirect, special, incidental or consequential damages with respect to any claim arising out of this Agreement.

12.5 Section Headings.

The descriptive headings of the Articles and Sections of this Agreement are used for convenience only and shall not modify or restrict any of the terms and provisions thereof.

12.6 Notice.

Any notice or demand for performance required or permitted under any of the provisions of this Agreement shall be deemed to have been given on the date of such notice, in writing, is deposited in the U.S. mail, postage prepaid, certified or registered mail, addressed to:

For Nevada Power Company
Emmanuel Lopez
NPC Purchased Power Settlement Desk
775-834-5921
ELopez@nvenergy.com

For Sierra Pacific Power Company
Valerie Schneider
SPPC Purchased Power Settlement Desk
775-834-5278
ValerieSchneider@nvenergy.com

or in such other form or to such other address as the Parties may stipulate.

**ARTICLE XIII
REGULATORY APPROVAL**

13.1 Regulatory Authorization.

This effectiveness of this Agreement is subject to and conditioned upon Acceptance for

filing without material condition or modification by the FERC;

13.2 Changes.

It is contemplated by the Parties that it may be appropriate from time to time to change, amend, modify or supplement this Agreement to reflect changes in operating practices or costs of operations or for other reasons. Any such changes to this Agreement shall be in writing executed by the Parties, subject to all necessary state and federal regulatory authorizations.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and attested by their duly authorized officers on the day and year first above written.

NEVADA POWER COMPANY d/b/a NV ENERGY

By: Paul Caudill

Title: ~~Vice President, Resource Optimization~~ President and CEO

Dated: _____, ~~2014~~ 2015

SIERRA PACIFIC POWER COMPANY d/b/a NV ENERGY

By: Paul Caudill

Title: President and CEO ~~Vice President, Resource Optimization~~

Dated: _____, ~~2014~~ 2015

JDA EXECUTED

JOINT DISPATCH AGREEMENT
BETWEEN
NEVADA POWER COMPANY d/b/a NV ENERGY
AND
SIERRA PACIFIC POWER COMPANY d/b/a NV ENERGY

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JOINT DISPATCH AGREEMENT

THIS JOINT DISPATCH AGREEMENT (“Agreement”) is made and entered into as of the 30th day of _____, 2015 by and between Nevada Power Company, doing business as NV Energy (“Nevada Power”), and Sierra Pacific Power Company d/b/a NV Energy (“Sierra”) (collectively referred to herein as the “Parties” and individually as a “Party”).

WHEREAS, Nevada Power and Sierra are the owners and operators of electric generation, transmission and distribution facilities and are engaged in the business of generating, transmitting, distributing, and selling electric energy to the retail customers in their franchised service areas in Nevada and also at wholesale to municipalities, cooperatives, and other electric utilities; and

WHEREAS, Nevada Power and Sierra intend to jointly dispatch their Power Supply Resources in order to most economically serve the Native Load Customers of both Nevada Power and Sierra and participate in bilateral and organized energy markets; and

WHEREAS, the Parties desire to establish a framework under which the foregoing joint dispatch of the Nevada Power and Sierra Power Supply Resources, and the resulting cost savings and the profits from bilateral and organized energy market participation will be equitably shared between the Parties;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein set forth, the Parties mutually agree as follows:

ARTICLE I DEFINITIONS

Capitalized terms shall have the meanings set forth below in the Article I. If a capitalized term is not defined below, it shall have the meaning provided elsewhere in this Agreement or as commonly used in the electric utility industry.

“Balancing Authority” means the responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports interconnection frequency in real time.

“Balancing Authority Area” or **“BAA”** means the collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority within which the Balancing Authority maintains the load-resource balance.

“CAISO” means the California Independent System Operator.

“CAISO Tariff” means the FERC-jurisdictional energy markets tariff of the CAISO.

“Existing Power Purchases” has the meaning set forth in Article 6.2 of this Agreement.

“EIM” means the Energy Imbalance Market operated by the CAISO.

“EIM Participating Resource” means a resource or a portion of a resource (1) that has been certified in accordance with Attachment P by the NV Energy EIM Entity as eligible to participate in the EIM; and (2) for which the generator owner or operator enters into CAISO’s pro forma EIM Participating Resource Agreement.

“EIM Participating Resource Scheduling Coordinator” means the agent for one or more NV Energy EIM Participating Resource(s) that is certified by CAISO and enters into the CAISO’s pro forma EIM Participating Resource Scheduling Coordinator Agreement.

“EIM Participating Resource Scheduling Coordinator Agreement” has the meaning provided in the CAISO Tariff.

“EIM Non-Participating Resource” means a resource in NV Energy’s BAA that is not an EIM Participating Resource.

“Industry Standards” means all applicable national and regional electric reliability council principles, guides, criteria, and standards and industry standard practices, and is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

“Joint Dispatch” means the dispatch of the Power Supply Resources owned by Nevada Power and Sierra respectively on a least cost basis as described in Section 3.1.

“Joint Dispatcher” shall mean Nevada Power Company as described in Section 4.

“Must Run Resources” means generation units or power purchases that are dispatched out of merit order either due to contractual arrangements or to satisfy operational, reliability or regulatory requirements.

“Must Take Resources” means generation units whose output must be taken by Sierra Pacific Power or Nevada Power pursuant to contractual arrangements entered into in accordance with or to satisfy regulatory requirements.

“Native Load” means the load of a Party’s Retail Native Load Customers and the retail load of its wholesale customers or its wholesale customers’ members served by the Party, directly or indirectly, at Native Load Priority.

“Native Load Customers” means a Party’s Retail Native Load Customers plus its wholesale customers that have Native Load served by the Party, for which the Party has an obligation pursuant to current or future wholesale contracts, for the length of such contracts, to engage in planning and to sell and deliver electric capacity and energy in a manner comparable to the Party’s service to its Retail Native Load Customers.

“Native Load Priority” means a priority of service equivalent to that provided by the Party to

its Retail Native Load Customers.

“Non-Native Load Sales” means a Party’s sales of energy at wholesale, in the bilateral and organized markets, not including transactions between the Parties pursuant to this Agreement or service to Native Load.

“NV EIM Entity” means the Transmission Provider in performance of its role as an EIM Entity under the CAISO Tariff and the NV Energy OATT, including, but not limited to, Attachment P. The term “NV Energy EIM Entity” refers collectively to the EIM Entity for both SPPC and NPC.

“NV Energy OATT” means the joint Nevada Power Company/Sierra Pacific Power Company open access transmission tariff on file with the Federal Energy Regulatory Commission.

“Power Purchases” means purchases of energy at wholesale from sellers other than the other Party, including, but not limited to, Must Take Resources.

“Power Supply Resources” of a Party means the generating facilities owned by the Party, its Existing Power Purchases and Long Term Power Purchases, as further provided in this Agreement, and the allocation of New Short-Term Power Purchases, as further provided in this Agreement.

“PUCN” means the Public Utilities Commission of Nevada.

“Retail Native Load Customers” means the retail electric customers for which either Nevada Power or Sierra has an obligation under Nevada law to engage in long-term planning and to supply all generation, transmission, distribution, delivery and sales, and other related services, including installing or contracting for capacity, if needed to provide adequate and reliable service.

ARTICLE II TERM OF AGREEMENT

2.1 Term.

Subject to approval and any conditions imposed by state and federal regulatory authorities, this Agreement shall take effect upon such approval of the Agreement (the “Effective Date”) and shall continue in full force and effect until December 31, 2019 unless terminated earlier by mutual agreement of the Parties.

ARTICLE III SCOPE OF THE AGREEMENT

3.1 Purpose.

The primary purpose of this Agreement is to provide the contractual basis for the Joint Dispatch of the Power Supply Resources of both Nevada Power and Sierra for the purpose of reducing the cost of serving their Native Load Customers to the extent consistent with the

provision of reliable electric service, Industry Standards, and applicable laws and regulations (“Joint Dispatch”). This Agreement also shall provide the contractual basis for the allocation of the cost savings resulting from such Joint Dispatch and the costs and revenues from participation in EIM that apply exclusively to EIM Participating Resources.

3.2 Limits on Scope and Effect of the Agreement.

Nothing in this Agreement is intended to nor shall it be construed as:

- (a) Providing for or requiring a Party to construct generation or transmission facilities for the benefit of the other Party;
- (b) Transferring any rights to generation or transmission facilities from one Party to the other; or
- (c) Providing for or requiring any equalization of the Parties’ production costs or rates.

**ARTICLE IV
THE JOINT DISPATCHER**

4.1 Joint Dispatch Function.

Nevada Power shall act as the Joint Dispatcher, on behalf of Nevada Power and Sierra, and shall have the following responsibilities:

- (a) Directing the economic dispatch of both Nevada Power’s and Sierra’s Power Supply Resources in the BAA and in the bilateral and organized markets, including acting as EIM Participating Resource Scheduling Coordinator for participation on behalf of both Parties’ generating resources in EIM;
- (b) Making Power Purchases for durations of less than one year (“New Short-Term Power Purchases” as defined in section 6.3), and also Non-Native Load Sales in the bilateral and organized markets, for the benefit of each Party’s Native Load Customers;
- (c) Taking transmission service, on behalf of both Nevada Power and Sierra, to serve both Parties’ Native Load obligations and make Non-Native Load Sales in order to implement the joint dispatch of the Parties’ Power Supply Resources under this Agreement;
- (d) Developing and providing bills, accounting, and billing, accounting-related information to effectuate the terms of this Agreement;
- (e) Performing all duties as the EIM Participating Resource Scheduling Coordinator for both Parties, including performing all duties required by

the CAISO under the CAISO Tariff and required by the NV EIM Entity under the NV Energy OATT;

- (f) Such other activities and duties as may be assigned from time to time by the mutual agreement of the Parties, including but not limited to administration of demand-side resources on behalf of the Parties, subject to applicable state and federal regulatory approvals; and
- (g) Incurring the costs necessary to perform its responsibilities under this Agreement, subject to applicable state and federal regulatory approvals.

ARTICLE V JOINT DISPATCH OF POWER SUPPLY RESOURCES

5.1 Joint Dispatch.

Upon the effective date of this Agreement, the Joint Dispatcher shall direct the dispatch and/or EIM participation of the Parties' Power Supply Resources in a manner that: (a) ensures the reliable fulfillment of each Party's service obligations to its Native Load Customers; (b) minimizes the total costs incurred to fulfill each Party's service obligations to its Native Load Customers; (c) economically satisfies any obligations of each of the Parties with respect to Non-Native Load Sales; and (d) complies with the CAISO Tariff and the NV Energy OATT as they relate to the Parties' participation in EIM. To these ends, the Joint Dispatcher shall direct the dispatch of the Power Supply Resources of both Parties consistent with Industry Standards for the safe and reliable operation of both of the Parties' electric systems, the safe and reliable operation of both of the Parties' generating resources, and all applicable laws and regulations, including but not limited to the applicable rules, regulations, orders, and conditions of the PUCN, the Federal Energy Regulatory Commission ("FERC"), the Western Electricity Coordinating Council, and the North American Electric Reliability Corporation.

5.2 Compliance with Contractual and Regulatory Obligations.

Nothing in this Agreement is intended to diminish or alter the jurisdiction or authority of the PUCN over the Parties, including, among other things, the jurisdiction and authority to establish the retail rates on a bundled basis for each of the Parties, to impose regulatory accounting and reporting requirements, to impose service quality standards, to require each of the Parties to engage separately in least cost integrated resource planning, or otherwise. In addition, nothing in this Agreement is intended to alter the Parties' contractual or regulatory obligations or to provide for Joint Dispatch in a fashion that is inconsistent with those obligations, including, without limitation, the following:

- (a) All of Nevada Power's and Sierra's respective obligations under wholesale purchase contracts, including contracts for the purchase of energy and capacity on a non-dispatchable basis;
- (b) All of Nevada Power's and Sierra's respective obligations under wholesale sales contracts, including obligations under full and partial

requirements sales contracts;

- (c) All of Nevada Power's and Sierra's respective obligations under reliability exchange agreements existing prior to the effective date of this Agreement; and
- (d) Nevada Power's and Sierra's respective obligations with respect to Must Run Resources and Must Take Resources to ensure that they are not dispatched in a manner inconsistent with the contractual, operational, reliability or regulatory requirements applicable to such Must Run Resources or Must Take Resources.

ARTICLE VI POWER SUPPLY RESOURCES AND NON-NATIVE LOAD SALES

6.1 Generating Resources.

As of the Effective Date, all generating resources including those that begin commercial operation after the effective date of this Agreement shall be a Power Supply Resource of the Party that owns it and that Party shall be responsible for the capacity costs and energy costs of such Power Supply Resources. If the Parties develop future generating resources jointly or enter into a reserve sharing agreement with respect to future generating resources, the Parties, at the time that they enter into such an arrangement, and subject to the receipt of all relevant state and federal regulatory approvals, shall agree, upon the allocation of the generation that is the subject of that arrangement for purposes of determining the Parties' Power Supply Resources and responsibility for capacity costs and energy costs.

6.2 Existing Power Purchases and New-Long Term Power Purchases.

The capacity costs (if any) and energy costs associated with Power Purchases contracted for by a Party prior to the effective date of this Agreement ("Existing Power Purchases") and with Power Purchases contracted for by a party after the effective date of this Agreement that are for one year or longer ("New Long-Term Power Purchases") shall be the responsibility of that Party. Existing Power Purchases and New Long-Term Power Purchases shall be Power Supply Resources of the contracting Party.

6.3 New Short-Term Power Purchases.

- (a) Power Purchases contracted for by either Party after the effective date of the Agreement for duration of less than one year ("New Short-Term Power Purchases") shall be treated as follows:
 - (i) For all New Short-Term Power Purchases, each Party shall be allocated a percentage of the MWh, capacity costs (if any) and the energy costs associated with such purchases equal to the Party's Native Load for the hours in which the purchase was made divided by the sum of both Parties' Native Loads for such hours.

- (b) The MWh of a New Short-Term Power Purchase that has been allocated to a Party pursuant to Section 6.3(a)(i) shall be a Power Supply Resource of that Party. To the extent that a Party incurs energy costs for a New Short-Term Power Purchase that differs from the allocations set forth in Section 6.3(a)(i), a transfer payment will be made to reconcile the difference.

6.4 Non-Native Load Sales.

Subject to Sections 7.2 and 7.4(a), each Party shall be responsible for the cost of the energy from its Power Supply Resources that serve Non-Native Load Sales.

ARTICLE VII CALCULATION OF JOINT DISPATCH SAVINGS

7.1 Overview.

- (a) For each hour, the energy produced as a result of the Joint Dispatch shall be allocated to the Parties' Native Load obligations and Non-Native Load Sales. The determination of how much energy is allocated to each Party shall be conducted on an after-the-fact basis as described below. Such energy allocation is solely for the purpose of calculating savings from the Joint Dispatch and the Parties payment obligations under this Article VII.
- (b) The least cost energy from each Party's Power Supply Resources, including Must Take Resources, shall be applied first to serve its own Native Load obligations. If it is determined after-the-fact that a Party's Power Supply Resources provided energy to serve the other Party's Native Load service obligations or Non-Native Load Sales obligations, then only such provision of energy shall be considered to be a wholesale power transaction between the Parties.
- (c) The transfer payments under this Agreement are intended to produce an energy cost for serving each Party's Native Load Customers that is the same as if such Native Load were served by that Party's Power Supply Resources (including each Party's own obligations with respect to its Must Take Resources and Must Run Resources), adjusted by the allocation of costs and savings of the Joint Dispatch as reflected in the payments set forth in Section 7.4.

7.2 Allocation of Energy to Non-Native Load Sales.

For each hour, Non-Native Load Sales shall be deemed to have been satisfied by the highest cost energy from the Parties' Power Supply Resources produced in that hour (other than from Must Run Resources and Must Take Resources).

7.3 Allocation of Energy to Native Load.

After the allocation of energy costs to Non-Native Load Sales has been performed pursuant to Section 7.2, the remaining least cost energy produced in an hour by the Parties' Power Supply Resources shall be deemed to have served the Parties' Native Loads. Each Party's Native Load also shall be allocated the total costs of energy produced and transmitted from its own Must Run Resources and Must Take Resources. Each Party shall be responsible initially for the energy costs of its Power Supply Resources deemed to have served the Parties Native Loads ("Incurred Native Load Costs").

7.4 Payments for Purchases and Sales of Energy Between the Parties.

A payment shall be calculated for the purchase and sale of energy between the Parties as a result of the Joint Dispatch of the Parties' Power Supply Resources. This payment shall be calculated as follows:

- (a) Payments for energy sales to meet Non-Native Load Sales
 - (i) After the fact for each hour, the Joint Dispatcher shall use production cost or related models to determine the energy costs allocated to the Non-Native Load Sales pursuant to Section 6.4 and 7.2. Such energy costs shall be subtracted from revenues generated from such sales and each Party reimbursed for the costs their Power Supply Resources incurred to serve Non-Native Load Sales as a result of the Joint Dispatch. The difference between such incurred energy costs and such revenues will be allocated to each Party on a pro rata basis equal to the MWh produced by the Party's Power Supply Resources during such hours divided by the total MWh produced by both Parties Power Supply Resources during those same hours.
 - (ii) To the extent that the Parties incur energy costs for and revenues from Non-Native Load Sales that produce a different result than the calculation set forth in Section 7.4 (a)(i), a transfer payment will be made between the Parties to reconcile that difference.
- (b) Payments for energy sales related to Native Load.
 - (i) After the fact, for each hour, the Joint Dispatcher shall use production cost or related models to determine the cost each Party would have incurred to serve its Native Load without the benefit of Joint Dispatch ("Stand Alone Native Load Costs"). The positive difference between the cost of all Power Supply Resources deemed to have served the Parties' Native Load pursuant to Section 7.3 and the sum of the Parties Stand Alone Native Load Costs shall be the "Native Load Joint Dispatch Savings."

- (ii) The Joint Dispatcher shall allocate to each Party a pro rata share of the Native Load Joint Dispatch Savings based on each Party's relative amount of MWh produced by their respective Power Supply Resources in the hour.
- (iii) The Joint Dispatcher shall then subtract each Party's allocated share of Native Load Joint Dispatch Savings for the hour from its Stand Alone Native Load Costs for that hour. The resulting cost figure for each Party shall be that Party's "Joint Dispatch Native Load Costs" for the hour.
- (iv) The Party whose Joint Dispatch Native Load Costs for an hour are more than its incurred Native Load Costs for that hour shall owe the other Party a payment for that hour equal to the difference between its Joint Dispatch Native Load Costs and its Incurred Native Load Costs.
- (v) To the extent one Party incurs costs for and receives benefits from Native Load Sales that produce a different result than the calculations required by Sections 7.4(b)(i) through 7.4(b)(iv), a transfer payment may be made between the Parties to reconcile the difference.

The Joint Dispatcher shall sum each Party's payment obligations reduced by its payment entitlements under Sections 7.4(a) and (b) above for that hour. The Party with a positive total shall owe that amount to the other Party as payment for energy sold to it during that hour.

ARTICLE VIII CAPACITY SALES

8.1 Capacity Sales.

If a Party requires additional capacity for reliability purposes, and the other Party has the ability to supply all or some capacity (with or without accompanying energy), without impacting reliability or service quality to the selling Party's Native Load Customers, then the Joint Dispatcher may enter into a capacity sale on behalf of the selling Party pursuant to an applicable FERC-filed rate tariff and such sale shall be priced in accordance therewith. However, nothing in this Agreement shall be construed as creating a right in either Party to the capacity of the other Party.

ARTICLE IX BILLING PROCEDURES

9.1 Records.

The Joint Dispatcher shall maintain such records as may be necessary to determine the assignment of costs savings resulting from Joint Dispatch, the costs and revenues from

participation in EIM that apply exclusively to EIM Participating Resources, and other payments required pursuant to this Agreement. Such records shall be made available to the Parties as reasonably required, including as needed for state and federal regulatory purposes.

9.2 Monthly Statements.

As promptly as practicable after the end of each calendar month, the Joint Dispatcher shall prepare a statement setting forth the monthly summary of costs for which each Party is responsible and revenues from Short-Term Non-Native Load Sales, including the costs and revenues from participation in EIM that apply exclusively to EIM Participating Resources, to be allocated to each Party in sufficient detail as may be needed for settlements under the provisions of this Agreement. As required, the Joint Dispatcher may provide such statements on an estimated basis and then adjust those statements for actual results.

9.3 Monthly Bills.

As promptly as practicable after the end of each calendar month, the Joint Dispatcher shall prepare a monthly bill for each Party based on the sum of that Party's payment obligations reduced by its payment entitlements. The Joint Dispatcher shall net each Party's hourly payment obligations against its hourly payment entitlements, and render a bill for the differences. The bill for each December shall also state an annual payment amount that nets out each Party's obligations and entitlements for the calendar year.

9.4 Billings and Payments.

The Joint Dispatcher shall handle all billing and accounting between the Parties and with other entities with which the Joint Dispatcher engages in activities pursuant to this Agreement. Payment between the Parties shall be by making remittance of the net amount billed or by making appropriate accounting entries on the books of the Parties. Payment of the bills for a calendar year shall be made no later than 30 days after the receipt of the bill for December of that calendar year.

9.5 Taxes.

Should any federal, state, or local tax, surcharge or similar assessment, in addition to those that may now exist, be levied upon the energy dispatched pursuant to the terms of this Agreement or for the Joint Dispatcher's services provided in connection with this Agreement, or upon either of the Parties measured by energy or service, or the revenue therefrom, any such additional amounts shall be included in the net billing as described in Section 9.4.

ARTICLE X FORCE MAJEURE

10.1 Events Excusing Performance.

Neither Party shall be liable to the other Party for or on account of any loss, damage, injury, or expense resulting from or arising out of a delay or failure to perform, either in whole

or in part, any of the agreements or obligations made by or imposed upon the Parties by this Agreement, by reason of or through strike, work stoppage of labor, failure of contractors or suppliers of materials (including fuel), failure of equipment, environmental restrictions, riot, fire, flood, ice, wind, invasion, civil war, commotion, insurrection, military or usurped power, order of any court granted in any bona fide adverse legal proceedings or action, or of any civil or military authority either de facto or de jure, explosion, Act of God or the public enemies, or any other cause reasonably beyond its control and not attributable to its neglect. A Party experiencing such a delay or failure to perform shall use due diligence to remove the cause or causes thereof; however, no Party shall be required to add to, modify or upgrade any facilities, or to settle a strike or labor dispute except when, according to its own best judgment, such action is advisable.

ARTICLE XI INDUSTRY STANDARDS

11.1 Adherence to Reliability Criteria.

The Parties agree to conform to Industry Standards as they affect the implementation or the Parties' performance of this Agreement.

ARTICLE XII GENERAL

12.1 No Third Party Beneficiaries.

This Agreement does not create rights of any character whatsoever in favor of any person, corporation, association, entity or power supplier, other than the Parties, and the obligations herein assumed by the Parties are solely for the use and benefit of said Parties. Nothing in this Agreement shall be construed as permitting or vesting, or attempting to permit or vest, in any person, corporation, association, entity or power supplier, other than the Parties, any rights hereunder or in any of the resources or facilities owned or controlled by the Parties or the use thereof

12.2 Waivers.

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

12.3 Successors and Assigns.

This Agreement shall inure to the benefit of and be binding only upon the Parties and their respective successors and assigns, and shall not be assignable by any Party without the written consent of the other Party except to a successor in the operation of its properties by reason of a merger, consolidation, sale or foreclosure whereby substantially all such properties

are acquired by or merged with those of such a successor, subject to all relevant state and federal regulatory approvals.

12.4 Liability and Indemnification.

Subject to any applicable state or federal law which may specifically restrict limitations on liability, each Party shall release, indemnify, and hold harmless the other Party, its directors, officers and employees from and against any and all liability for loss, damage or expense alleged to arise from, or incidental to, injury to persons and/or damage to property in connection with its facilities or the production or transmission of electric energy by or through such facilities, or related to performance or non-performance of this Agreement, including any negligence arising hereunder. In no event shall any Party be liable to another Party for any indirect, special, incidental or consequential damages with respect to any claim arising out of this Agreement.

12.5 Section Headings.

The descriptive headings of the Articles and Sections of this Agreement are used for convenience only and shall not modify or restrict any of the terms and provisions thereof.

12.6 Notice.

Any notice or demand for performance required or permitted under any of the provisions of this Agreement shall be deemed to have been given on the date of such notice, in writing, is deposited in the U.S. mail, postage prepaid, certified or registered mail, addressed to:

For Nevada Power Company
Emmanuel Lopez
NPC Purchased Power Settlement Desk
775-834-5921
ELopez@nvenergy.com

For Sierra Pacific Power Company
Valerie Schneider
SPPC Purchased Power Settlement Desk
775-834-5278
ValerieSchneider@nvenergy.com

or in such other form or to such other address as the Parties may stipulate.

ARTICLE XIII REGULATORY APPROVAL

13.1 Regulatory Authorization.

This effectiveness of this Agreement is subject to and conditioned upon Acceptance for filing without material condition or modification by the FERC;

13.2 Changes.

It is contemplated by the Parties that it may be appropriate from time to time to change, amend, modify or supplement this Agreement to reflect changes in operating practices or costs of operations or for other reasons. Any such changes to this Agreement shall be in writing executed by the Parties, subject to all necessary state and federal regulatory authorizations.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and attested by their duly authorized officers on the day and year first above written.

NEVADA POWER COMPANY d/b/a NV ENERGY



By: Paul Caudill

Title: President and CEO

Dated: 7/29, 2015

SIERRA PACIFIC POWER COMPANY d/b/a NV ENERGY



By: Paul Caudill

Title: President and CEO

Dated: 7/29, 2015

MARK SCHACKMUTH

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Nevada Power Company
Sierra Pacific Power Company

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Docket No. ER15-____-000

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**PREPARED DIRECT TESTIMONY OF
MARK SCHACKMUTH**

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, OCCUPATION, BUSINESS ADDRESS, AND PARTY FOR WHOM YOU ARE FILING TESTIMONY.

A. My name is Mark Schackmuth. I am the Manager of Commercial and Trading Strategy of the Resource Optimization organization for Nevada Power Company and Sierra Pacific Power Company (the “Operating Companies”). I have been employed by one or both of the Operating Companies for seven years. I was appointed to my current position in November 2013. I work primarily out of NV Energy’s offices at 6226 West Sahara Avenue, Las Vegas, Nevada.

Q. WHAT ARE YOUR DUTIES IN YOUR CURRENT POSITION?

A. The Resource Optimization organization is responsible for forecasting the optimal dispatch of generation resources to meet the needs of customers. Resource Optimization also purchases and sells electricity, fuel and financial products to reduce the overall costs of serving the native load of the Companies’ customers. As the Manager of Commercial and Trading Strategy in the Resource Optimization organization, my role

1 includes developing procedures, protocols, and strategies for ensuring Resource
2 Optimization operates in a prudent manner, while maintaining compliance with all
3 applicable regulatory requirements.

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A. After two consecutive “interim” terms of the Operating Companies’ Joint Dispatch
6 Agreement (“JDA”), the Operating Companies are proposing to extend the JDA for a
7 period of four years. My testimony supports the Operating Companies’ request for
8 acceptance by the Federal Energy Regulatory Commission (“FERC” or the “Commission”)
9 of that renewal of the JDA. Specifically, I will discuss the Operating Companies’
10 experience with the JDA to date, including the benefits realized by both Operating
11 Companies. I will also discuss the process the operating Companies undertook before
12 deciding to renew the JDA on a long-term basis.

13 **Q. WHAT IS THE PRIMARY PURPOSE OF THE JDA?**

14 A. The primary purpose of the JDA is to provide the contractual basis for the efficient and
15 economical joint dispatch of the power supply resources of both Nevada Power and
16 Sierra Pacific made possible by the 2014 energization of the “One Nevada” transmission
17 line project, or “ON Line.”

18 **Q. PLEASE EXPLAIN THE BASIC OPERATION OF THE COMPANIES’ JOINT**
19 **DISPATCH UNDER THE JDA.**

20 A. Under the JDA, Nevada Power is designated as the “Joint Dispatcher,” and thus is
21 responsible for directing the joint dispatch of both Nevada Power and Sierra Pacific’s
22 power supply resources, as well as transacting for and taking transmission service on
23 behalf of each utility. As the Joint Dispatcher, Nevada Power begins by forecasting the

1 native load requirements for both Nevada Power and Sierra Pacific. These native load
2 requirements are inputs to the production cost model, as well as commercial and
3 technical factors such as fuel price, generation availability, contractual obligations, and
4 transmission availability over the ON Line. The Company uses its production model to
5 forecast its energy position and owned generation costs of the combined resource
6 portfolio for the relevant upcoming period. These costs are then compared to
7 opportunities available in the energy market. If energy is available in the market below
8 the cost of the owned generation in the combined resource portfolio, the Company
9 purchases energy from the market, displacing more expensive generation resources.
10 Similarly, if opportunities are available to sell energy to the market above the cost of the
11 owned generation of the combined resource portfolio, the Company sells energy to the
12 market. The avoided cost of displaced generation, as well as revenues from off-system
13 sales, ultimately lower the cost of fuel and purchased power to serve the native load
14 customers of both Nevada Power and Sierra Pacific.

15 **Q. PLEASE EXPLAIN THE PROCESS FOR DETERMINING JOINT DISPATCH**
16 **SAVINGS UNDER THE JDA.**

17 A. The same production cost model that is utilized for joint dispatch optimization was
18 configured to perform post-transaction analysis. Actual data regarding native load
19 demand, contractual obligations, actual generation production values from non-
20 dispatchable resources, generation outages, and reserve requirements all serve as inputs
21 to the production cost model to replicate actual operating conditions. The production
22 cost model then simulates a base case from which comparison cases may be made. For
23 each day, the Company models a native load joint dispatch scenario simulating power

1 system operations of the combined resource portfolio to meet the native load obligations
2 of both Nevada Power and Sierra Pacific. Similarly, the Company models stand-alone
3 scenarios simulating how each utility (Nevada Power and Sierra Pacific) would have
4 dispatched its power supply resources independently to meet its respective native load
5 obligations. Native load joint dispatch savings are then calculated by comparing the
6 production cost differences between these joint dispatch and stand-alone scenarios.
7 These savings are allocated between Nevada Power and Sierra Pacific pursuant to the
8 Interim JDA. The Resource Optimization organization performs this analysis and
9 provides the underlying data to the Accounting organization, which utilizes this
10 information to allocate costs and revenues from joint dispatch savings, short-term power
11 purchases and off-system sales.

12 **Q. PLEASE DESCRIBE THE BASIC PRINCIPLES OF THE JDA.**

13 A. The following are the basic principles of the JDA.

14 **Each Utility Recovers Its Production Costs.** Since the implementation of the Interim
15 JDA in January 2014, the Companies have utilized a production cost model to determine
16 the joint production costs of serving the combined native loads of both utilities, as well
17 as the counterfactual production costs to serve the separate native loads of each
18 respective utility. The joint production costs are then compared to the sum of both
19 utilities' counterfactual stand-alone costs. These costs become the basis for the joint
20 dispatch "transactions," and the payments for the same flow through and are accounted
21 for in the form of "transfer payments" from one utility to the other. Under this
22 methodology, the customers of each utility recover the incurred costs of joint dispatch

1 transactions, ensuring that utility customers do not subsidize one another's joint dispatch
2 costs.

3 **Savings Are Allocated Based on Contribution Ratio.** Once the joint dispatch savings
4 have been determined for a given period, they must be allocated between the
5 Companies. The methodology utilized when allocating the joint dispatch savings is the
6 "contribution ratio." The contribution ratio is the quantity of MWhs produced in a given
7 hour by each utility's generation divided by the sum of the MWhs produced in the same
8 hour by both Companies' generation. Under this methodology, joint dispatch savings
9 are allocated based on which generation is producing joint dispatch savings.

10 **Q. PLEASE DESCRIBE THE MANNER IN WHICH THE COSTS OF**
11 **GENERATING RESOURCES ARE ALLOCATED OR ASSIGNED BETWEEN**
12 **NEVADA POWER AND SIERRA PACIFIC UNDER THE JDA.**

13 A. The costs of generating resources are allocated pursuant to paragraph 6.1 of the Interim
14 JDA. This provision is the first protection against the potential for subsidization between
15 the two companies' retail ratepayers. Paragraph 6.1 provides that each utility shall
16 continue to own its generating resources, and be responsible for the capacity and energy
17 costs of its own generating resources. Thus neither utility is responsible for the capacity
18 or energy costs of the other's generating resources.

19 **Q. PLEASE DESCRIBE THE MANNER IN WHICH THE COSTS OF EXISTING**
20 **AND NEW LONG-TERM POWER PURCHASES ARE ALLOCATED OR**
21 **ASSIGNED BETWEEN NEVADA POWER AND SIERRA PACIFIC UNDER**
22 **THE JDA.**

1 A. The costs of existing and new long-term power purchases are addressed in paragraph
2 6.2. Paragraph 6.2 provides that each utility shall continue to be responsible for its own
3 power purchase resources, and be responsible for the capacity and energy costs of its
4 own power purchase resources. Thus neither utility is responsible for the capacity or
5 energy costs of the other’s existing or new long-term power purchase agreements.

6 **Q. PLEASE DESCRIBE THE MANNER IN WHICH SHORT-TERM POWER**
7 **PURCHASES ARE ALLOCATED BETWEEN NEVADA POWER AND**
8 **SIERRA PACIFIC UNDER THE JDA.**

9 A. Paragraph 6.3(b)(ii) discusses an additional category of resources subject to joint
10 dispatch: new short-term power purchases. Under paragraph 6.3(b)(ii), the costs of new
11 short-term power purchases are allocated between Nevada Power and Sierra Pacific
12 based on each utility’s share of the total native load of the combined systems.

13 **Q. PLEASE DESCRIBE THE ALLOCATION METHODOLOGIES USED IN**
14 **DETERMINING THE COSTS OF ENERGY TO SERVE NATIVE LOAD AND**
15 **NON-NATIVE LOAD SALES.**

16 A. Under paragraph 7.1, the first allocation performed in determining joint dispatch savings
17 is to distinguish the cost of energy produced to serve the utilities’ native load from the
18 cost of energy produced to serve non-native load sales. Under paragraph 7.1(b), this
19 allocation is performed by first applying the least cost energy from each utility’s
20 generating resources, existing and long-term power purchases (*i.e.*, “Power Supply
21 Resources”) and must-take resources to serve each utility’s native load. Any energy
22 provided above the requirements of a utility’s native load is considered a joint dispatch
23 transaction and subject to a transfer payment.

1 Under paragraph 7.2 of the JDA, the costs of non-native load sales are deemed to be
2 satisfied from the highest cost energy produced in that hour. Under paragraph 7.3 of the
3 JDA, after the allocation of energy costs to non-native load sales is performed, the
4 remaining least cost energy produced in an hour are deemed to have served native load.

5 **Q. PLEASE DESCRIBE THE METHODOLOGY FOR ALLOCATING THE**
6 **BENEFITS OF NON-NATIVE LOAD SALES ORIGINALLY SELECTED FOR**
7 **USE IN THE JDA.**

8 A. Under paragraph 7.4(a), after-the-fact production cost modeling is used to determine the
9 energy costs to be allocated to non-native load sales. First, the energy costs associated
10 with non-native load sales are subtracted from revenues from such sales, and each utility
11 is reimbursed for the costs it incurred to serve non-native load sales. Next, the difference
12 between incurred energy costs and revenues associated with non-native load sales are
13 allocated between Nevada Power and Sierra Pacific based on the ratio of each utility's
14 MWh Power Supply Resources divided by the total MWh Power Supply Resources of
15 the both utilities. This methodology is termed the "contribution ratio" methodology.

16 **Q. HAVE CUSTOMERS REALIZED ANY BENEFITS FROM JOINT DISPATCH?**

17 A. Yes. During calendar year 2014 alone (the first year of operations under the JDA), the
18 Operating Companies achieved benefits of approximately \$12 million.

19 **Q. HAVE THE COMPANIES EXPERIENCED CIRCUMSTANCES OVER THE**
20 **2014 CALENDAR YEAR THAT HAVE LED THEM TO QUESTION THE**
21 **REASONABLENESS OF THE "CONTRIBUTION RATIO" METHODOLOGY**
22 **FOR ALLOCATING NON-NATIVE LOAD SALES AND JOINT DISPATCH**
23 **BENEFITS?**

1 A. No. The Companies continue to view the contribution ratio methodology as a
2 reasonable and equitable manner in which to allocate the benefits of non-native load
3 sales and joint dispatch. Additionally, the Companies believe the contribution ratio
4 methodology avoids cross-subsidization by rewarding each utility for its contribution to
5 the relative benefits created.

6 **Q. DURING YOUR EVALUATION OF OPERATIONS UNDER THE INTERIM**
7 **JDA, DID YOU ASSESS WHETHER THE COST ALLOCATIONS BETWEEN**
8 **NEVADA POWER AND SIERRA PACIFIC UNDER THE INTERIM JDA**
9 **WERE REASONABLE?**

10 A. Yes. I participated in regular management reviews of the cost allocations between
11 Nevada Power and Sierra Pacific under the Interim JDA. Those reviews included
12 assessments of joint dispatch savings and related transfer payments, along with
13 allocations of costs and revenues from short-term purchase and sales transactions.
14 Through my participation in that review process, I am familiar with the costs allocations
15 between Nevada Power and Sierra Pacific and have concluded that those allocations are
16 reasonable. This process also involved comparing the JDA to other joint dispatch
17 agreements in use by other utilities.

18 **Q. WILL THE COST ALLOCATIONS UNDER THE RENEWED JDA RESULT IN**
19 **A REASONABLE ALLOCATION OF COSTS BETWEEN NEVADA POWER**
20 **AND SIERRA PACIFIC?**

21 A. Yes. The cost allocations proposed in the JDA are nearly identical to the methodology
22 used in the current interim JDA. Like its predecessor, which results in reasonable
23 allocations of joint dispatch costs and benefits between Nevada Power and Sierra

1 Pacific, the renewed JDA provides a reasonable allocation of joint dispatch costs and
2 benefits between Nevada Power and Sierra Pacific. The renewed JDA extends these
3 allocations to include costs and revenues attributed to the Companies' participation in
4 the EIM. For this reason, no changes were made to the mechanics of the calculation and
5 allocation of joint dispatch savings, costs for purchases, or revenue from off-system
6 sales.

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 A. Yes.

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Nevada Power Company)
Sierra Pacific Power Company)

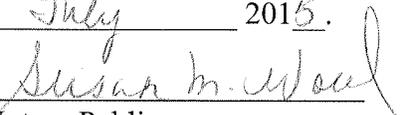
Docket No. ER15-__-000

**PREPARED DIRECT TESTIMONY OF
MARK SCHACKMUTH**

I, Mark Schackmuth, being first duly sworn, deposes and states that I am the Mark Schackmuth referred to in the document entitled "Prepared Direct Testimony of Mark Schackmuth ," that I have read the same and am familiar with the contents thereof, and that the facts set forth therein are true and correct to the best of my knowledge, information, and belief in this proceeding.


Mark Schackmuth

Subscribed and sworn to before me, the undersigned notary public, this 29 day July 2015.


Notary Public

My Commission expires: 12/17/15

