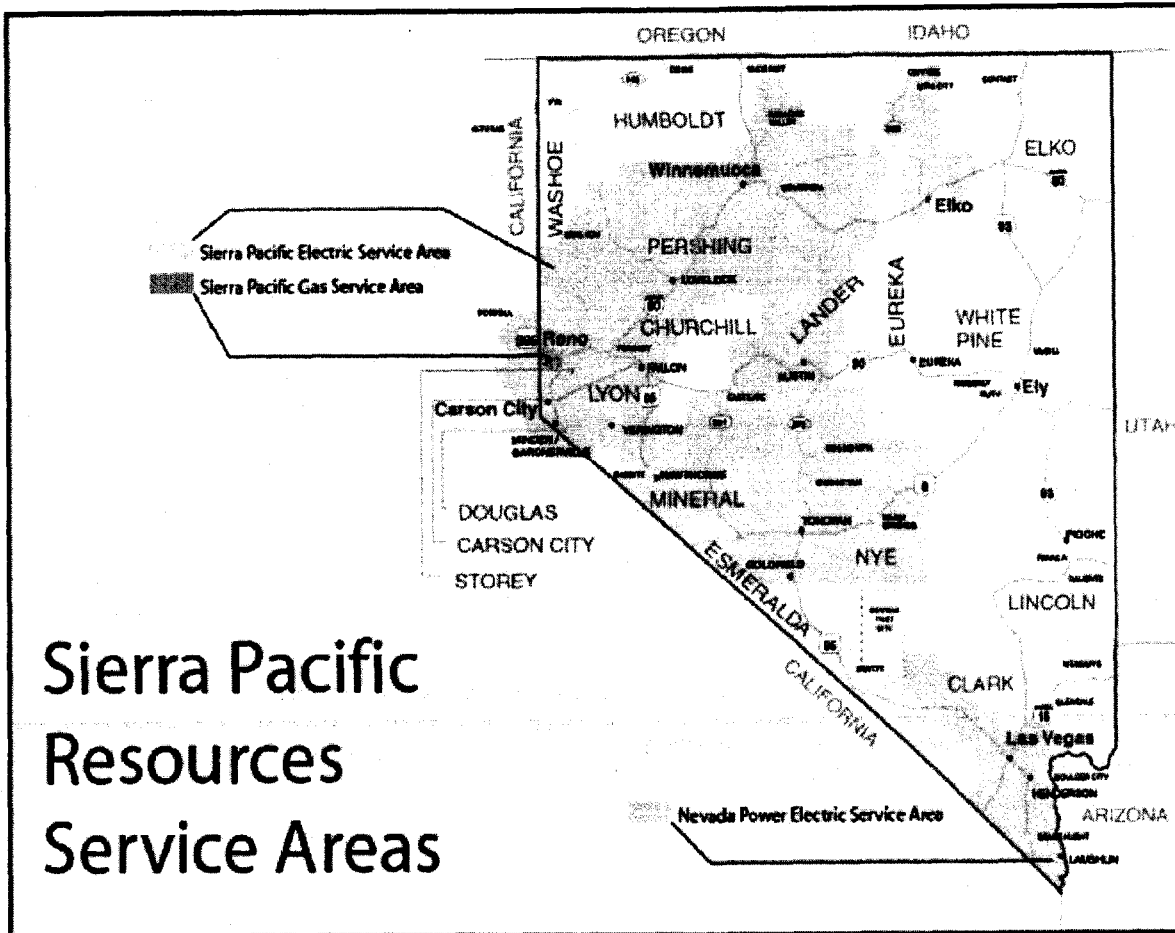


TECHNICAL APPENDIX

Carson Lake Project – Amendment to Related Purchase Power Agreement

**FIGURE 1
SIERRA AND NEVADA POWER SERVICE AREA**



Sierra Pacific Resources Service Areas

B. RESOURCE PLANNING STRATEGY

Sierra continues to pursue a three-part strategy for providing clean, safe, and reliable electricity to its customers at reasonable and predictable prices¹. This strategy includes the following:

1. Increasing energy efficiency and conservation programs. These programs are known also as demand side management (“DSM”) programs;
2. Expanding renewable energy initiatives and investments; and
3. Building new conventional generating plants.

¹ These efforts are also consistent with the state of Nevada’s renewable energy Portfolio Standard that mandates that by year 2015, 20 percent of the energy sold by providers of electricity must be from renewable energy resources (see NRS 704.7821(1)(f)). In addition, Nevada law allows that not more than 25 percent of that amount may be based on energy efficiency measures (see NRS 704.7821(2)(b)).

On June 29, 2007, Sierra filed its 2008-2027 Integrated Resource Plan ("2007 Resource Plan") with the Commission. In the 2007 Resource Plan, Sierra requested and received Commission approval to implement initiatives designed towards the execution of the three-part strategy. For example, Sierra will spend approximately \$28 million on DSM programs, \$85 million on transmission projects, and \$17 million for a generation project during the action plan period.

C. OVERVIEW OF PREVIOUS 2007 INTEGRATED RESOURCE PLAN AMENDMENTS

In the First Amendment filed February 1, 2008, Sierra requested and received Commission approval of a settlement agreement with Ormat Nevada. (Docket No. 08-02002, Stipulation submitted to the Commission March 12, 2008, Order issued April 2, 2008).

In the Second Amendment, as resubmitted on May 8, 2008 (Docket No. 08-03035), Sierra requested Commission approval of the following items: a related power purchase agreement ("Related PPA") between Sierra and Nevada Power for the output from Nevada Power's 50 percent share of the Carson Lake Project; continued research on CO₂ capture and sequestration in the amount of \$1,000,000 per year for each of the next five years, to be allocated between Sierra and Nevada Power on a 32 percent and 68 percent basis, respectively; and a revised electric load forecast for planning decisions over the remaining Action Plan period. By Order dated August 1, 2008, the Commission approved the continued research on CO₂ capture and sequestration (§191) and approved Sierra's revised electric load forecast (§205). The Commission directed the Company to submit additional information regarding the Related PPA between Nevada Power and Sierra (§§102-04).

In the Third Amendment, filed May 21, 2008 (Docket No. 08-05015), Sierra requested approval to modify the development budget and schedule for the Ely Energy Center. The third Amendment is scheduled for hearing in September 2008.

II. SUMMARY OF SPECIFIC APPROVALS

In this Fourth Amendment, Sierra respectfully requests that the Commission:

- Approve the Related PPA between Nevada Power and Sierra for the output from Nevada Power's ownership share of the Carson Lake Project. Charles A. Pottey, Manager of Long Term Resource Planning, and Patricia M. Franklin, Manager, Revenue Requirements, Regulatory Accounting and FERC, support the request for approval of the Related PPA.
- Find that Sierra has complied with §§ 102-104 of the Commission's August 1, 2008 Order in Docket No. 08-03035 by providing additional information regarding the Related PPA. The additional information is provided by Ms. Franklin.

III. DESCRIPTION OF CARSON LAKE GEOTHERMAL PROJECT

A. PROJECT DESCRIPTION

The Carson Lake geothermal resource spans across BLM and U.S. Navy properties in Churchill County, Nevada. ORNI 16 LLC ("Ormat"), an affiliate of Ormat Nevada Inc. ("ONI"), is currently developing the Carson Lake Project. The original project was sized at 24 MW (net nominal) and 31.5 MW (gross) capacity. In Docket No. 08-03034, the Commission authorized Nevada Power to acquire a 50 percent ownership interest in an expanded Carson Lake Project (from a net 24 MW to a net 40 MW).

B. RELATED PPA

After the acquisition of a 50% ownership interest in the Carson Lake Project by Nevada Power, Nevada Power and Ormat each will own an undivided 50% interest in the expanded Project as tenants-in-common. Each party will be entitled to 50% of the Carson Lake Project's net available output. Nevada Power will purchase Ormat's share of the net available output at the price established in the PPA between Nevada Power and Ormat that was approved by the Commission in Docket No. 06-10021. Amendments to that PPA were approved by the Commission in Docket No. 08-03034. Nevada Power will sell the output it purchases from Ormat to Sierra under a Related PPA that was approved by the Commission in Docket No. 06-10021.

Nevada Power and Sierra have entered into a new Related PPA for the output associated with Nevada Power's 50% ownership share of the Carson Lake Project. Under the new Related PPA, Sierra will purchase from Nevada Power the output, excluding portfolio credits ("PCs"), associated with Nevada Power's 50% ownership share of the Project. As with the existing Related PPA, upon the completion and commercial operation of a North-South Intertie with sufficient available capacity between the Sierra and Nevada Power systems, either company may decide to terminate the Related PPA. At that time, the output of the Project will be delivered to the Nevada Power control area.

The proposed transfer pricing methodology contained in the Related PPA will provide Sierra's customers with additional energy at a "lower of" price. Energy is priced at the lower of the cost of market purchases and the running cost of the new, highly efficient Tracy combined cycle plant, but Sierra's customers will only pay the capacity charge associated with that low-cost energy when they have an open position. Total annual payments by Sierra to Nevada Power will be capped at the lower of the FERC approved rates for capacity and energy from the Carson Lake Project or the rate paid by Nevada Power to Ormat for Ormat's half of the output from the facility. This provision provides Sierra's customers with a substantial hedge against increases in fuel costs that would not be available with the ownership of additional combined cycle capacity.

The Related PPA also benefits Nevada Power's customers. Nevada Power's customers receive the benefit of the PCs without having to pay the cost of delivering the

renewable energy from which the PCs are generated into its own system. The Related PPA results in a fair balance of the benefits between Sierra and Nevada Power.

Sierra requested Commission approval of the Related PPA in Docket No. 08-03035. The Commission stated in ¶ 103 of its Order:

The Commission finds that the Related PPA is inadequate because it is unclear how the accounting mechanism for the PPA would work. NPC and SPPC shall refile the Related PPA between NPC and SPPC, and support the filing with testimony including without limitation the following information:

- i) The deferred energy regulations applicable to implement the proposed reclassification of FERC jurisdictional firm sales for resale as Nevada jurisdictional revenues for deferred energy purposes;³
- ii) The deferred energy jurisdictional sale allocation ratio calculation necessary to implement the proposed reclassification of FERC jurisdictional firm sales for resale as Nevada jurisdictional revenues for deferred energy purposes; and
- iii) The general rate case allocation ratios to reflect the proposed reclassification of FERC jurisdictional firm sales for resale as Nevada jurisdictional revenues for deferred energy purposes.

Nevada Power may also consider and propose alternative approaches such as the one discussed by the BCP or any other alternative accounting approaches NPC deems adequate to address these issues.⁴

³ The parties did not address alternatives to reclassifying firm sales for resale as Nevada jurisdictional sales, the firm sales to SPPC could be treated as non-firm sales for deferred energy purposes. Non-firm sales are used to reduce the purchased power costs allocated to the various jurisdictions. However, NAC 704.101 appears not to allow for this option.

⁴ The issues raised in this proceeding regarding the regulatory treatment of the Related PPA between NPC and SPPC suggest the need to modify the Commission's deferred energy regulations. These issues were not addressed in similar Related PPAs between NPC and SPPC approved by the Commission. Therefore, the Commission may open a rulemaking to modify the deferred energy regulations accordingly.

As Ms. Franklin explains, the Company does not believe that any reclassification is necessary to achieve the proper assignment of revenues associated with the Carson Lake

Project. A number of transactions made under a sale for resale umbrella are not assigned to the FERC jurisdiction for the purpose of allocated cost of service. Instead, these transactions are treated as revenue credits in an allocated cost of service calculation. This determination is made based on the nature of the transaction and the obligation of the utility to provide service. Whether the revenue credit is applicable to deferred energy accounting or to a general rate case depends on where the utility accounts for the associated revenue requirement.

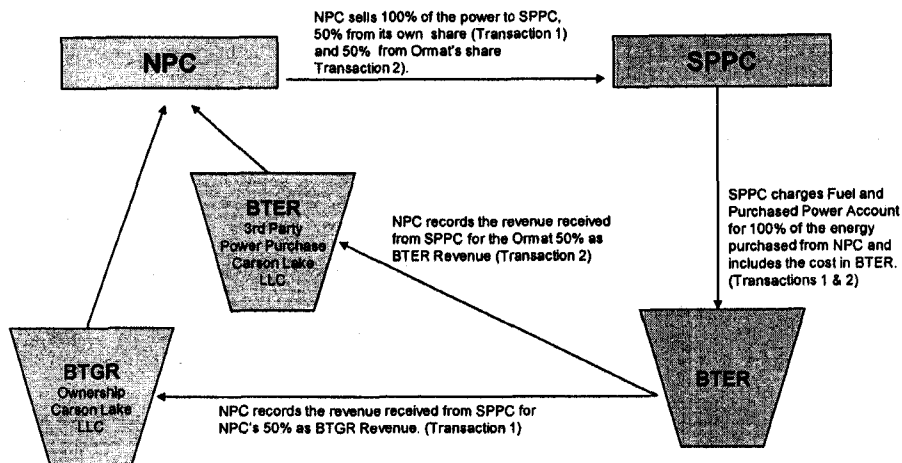
In determining cost of service, all costs are allocated to Native Load customers and long term firm transmission customers. Native Load customers are the wholesale and retail power customers on whose behalf by statute, franchise, regulatory requirement or contract, the Company has undertaken an obligation to plan, construct and/or purchase resources sufficient to meet load on demand. Similarly, long-term firm transmission customers are those customers for whom the Company has an obligation to plan, construct and operate the transmission system. These transmission customers include Native Load, Network and point-to-point customers. The revenues from these customers (referred to hereafter as requirements customers) are directly assigned to the applicable jurisdiction.

There are several other types of transactions that the Company enters into which utilize the facilities allocated to the requirements customers. Such transactions include off-system sales, non-firm and short-term firm transmission service (both of which are made on an "as available" basis) and ancillary services. The revenues from these types of transactions are flowed back to the requirements customers in the form of revenue credits either in a general rate case or through deferred energy accounting, depending on which proceeding generated the revenue requirement. For example, off-system sales revenue contains two components: (1) the fuel cost plus a small margin for incremental O&M and (2) the cost of point-to-point transmission used to deliver the energy out of our Balancing Area. The first component is credited against fuel and purchased power expense which is recovered through the deferred energy accounting mechanism. The second component is credited against the transmission system revenue requirement which is set in a general rate case.

In its Ninth Amendment to the Action Plan of its 2006 Resource Plan (filed concurrently herewith), Nevada Power proposes to offset the revenues from Sierra against the regulatory asset until Nevada Power's ownership share of the Carson Lake Project is included in rates, and thereafter, to account for the revenues as a revenue credit in the general rate case. Sierra will treat the amounts it pays Nevada Power under the Related PPA as BTER costs. Figure 2, below, illustrates the flow of revenues under the proposed arrangement.

FIGURE 2

**Carson Lake Geothermal Project
Treatment of Revenue Paid by Sierra ("SPPC") to Nevada Power ("NPC")**



Transaction 1: NPC sells energy/capacity from its ownership share to SPPC. Revenue Requirement for plant is in BTGR. Revenue from SPPC is credited against NPC's BTGR revenue requirement.
 Transaction 2: NPC purchases energy/capacity from 3rd party and resells energy to SPPC. Revenue Requirement for purchase is BTER. Revenue from SPPC is credited against NPC's BTER revenue requirement.

IV. AMENDED ACTION PLAN

1. Approval of the related PPA between Nevada Power and Sierra pursuant to which Sierra will purchase the output from Nevada Power's 50% share of the Carson Lake Project,
2. A finding pursuant to NAC §704.8885(2) that the terms and conditions of the Related PPA are just and reasonable,
3. A finding that Sierra has complied with §§ 102-104 of the Commission's August 1, 2008 Order in Docket No. 08-03035,
4. A finding in accordance with NRS §704.746(3) that the Fourth Amendment adequately demonstrates the economic, environmental and other benefits to the State of Nevada and Nevada Power's customers associated with the requested approvals.