

SCHEDULE NO. LCSP86

**LONG-TERM RATES
COGENERATION AND SMALL POWER PRODUCTION**

APPLICABILITY

Pursuant to the Commission's Opinion and Order in Docket No. 85-1005, this schedule is applicable only to purchases from Qualifying Facilities as defined in Utility's Nevada Electric Tariff No. 1, Rule No. 15 under a Long-term Purchase Agreement with Utility and where no other schedules are specifically applicable.

RATES

For Qualifying Facilities that establish a Commercial Operation date prior to July 1, 1987. Utility will pay the sum of the following rates for the energy provided as determined by meter readings:

(1) ENERGY RATE

		<u>Contract Term</u>				
		<u>10 YEAR</u>	<u>15 YEAR</u>	<u>20 YEAR</u>	<u>30 YEAR</u>	
a.	Time-differentiated:					
	Winter					
	All On-Peak kWh, per kWh	\$0.11189	\$0.11808	\$0.12205	\$0.12738	(l)
	All Mid-Peak kWh, per kWh	0.10511	0.11093	0.11467	0.11966	(l)
	All Off-Peak kWh, per kWh	0.08301	0.08767	0.09063	0.09452	(l)
	Summer					
	All On-Peak kWh, per kWh	0.11089	0.11707	0.12105	0.12631	(l)
	All Off-Peak kWh, per kWh	0.09826	0.10375	0.10715	0.11188	(l)
b.	Non-time differentiated: (See Special Condition 7)					
	All kWh, per kWh	0.10037	0.10599	0.10951	0.111428	(l)

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Issued: 07-14-17 Effective: 09-01-17 Advice No.: 598 -E	Issued By: Douglas A. Cannon Senior Vice President	
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(2) CAPACITY RATE

Capacity payments for deliveries of power are restricted. (See Special Conditions 9 through 12)

		<u>Contract Term</u>				
		<u>10 YEAR</u>	<u>15 YEAR</u>	<u>20 YEAR</u>	<u>30 YEAR</u>	
a.	Time-differentiated:					
	Winter					
	All On-Peak kWh, per kWh	\$0.01712	\$0.02236	\$0.02529	\$0.02817	(l)
	All Mid-Peak kWh, per kWh	0.00287	0.00381	0.00429	0.00474	(l)
	All Off-Peak kWh, per kWh	0.00006	0.00011	0.00016	0.00020	(l)
	Summer					
	All On-Peak kWh, per kWh	0.02936	0.03830	0.04345	0.04843	(l)
	All Off-Peak kWh, per kWh	0.00245	0.00320	0.00368	0.00410	(l)
b.	Non-time differentiated: (See Special Condition 7)					
	All kWh, per kWh	\$0.00860	\$0.01117	\$0.01269	\$0.01406	(l)

(3) CUMULATIVE CAPACITY LIMIT

(See Special Conditions 9 through 12)

(4) Rates set forth in (1) and (2) above are subject to adjustment (See Special Condition 14)

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Issued: **07-14-17**

Effective: **09-01-17**

Advice No.: **598-E**

Issued By:
Douglas A. Cannon
Senior Vice President

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Special Conditions

1. The payment period for Utility purchases hereunder shall be the time interval between two consecutive meter readings that are taken for billing purposes.
2. The Utility and the Qualifying Facility shall have executed a Long-term Purchase Agreement for the purchase and sale of capacity and energy.
3. A Qualifying Facility is defined as a cogenerator or small power producer who meets the criteria set forth in Title 18, Code of Federal Regulations, Subpart B, Section 292.201 through 292.207 inclusive.
4. As used herein, the term "Commercial Operation Date" shall be as defined in the specific Purchase Agreement applicable to the individual Qualifying Facility.
5. As used herein, the term "Contract Rating" shall be as defined in the specific Purchase Agreement.
6. Payment for output produced between the effective date of the Long-term Purchase Agreement and the Commercial Operation Date shall be made pursuant to the Utility's current Schedule No. CSPP contained in Electric Tariff No. 2.
7. A Qualifying Facility that has a Contract Rating of 100 kW or less shall have the option to choose either flat or time-differentiated rates. A Qualifying Facility that has a Contract Rating in excess of 100 kW will receive payments based on the time-differentiated rates only.

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<p>Issued: 6/23/86</p> <p>Effective: 6/23/86</p> <p>Advice No.: 249-E (Revised)</p>	<p>Issued By: Austin W. Stedham President</p>	
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(Continued)

Special Conditions, (Continued)

8. Daily time periods will be based on Pacific time and are defined as follows:

Winter Period	On-Peak	5:01 p.m. to 10:00 p.m. daily
	Mid-Peak	7:00 a.m. to 5:00 p.m. daily
	Off-Peak	All other hours
Summer Period	On-Peak	10:01 a.m. to 10:00 p.m. daily
	Off-Peak	All other hours

The winter period will consist of eight months from October through May. The summer period will consist of four months from June through September.

9. Payment for capacity hereunder is limited to those Qualifying Facilities who contribute to the Cumulative Capacity Limit as set forth in the "Rates" section, part 3 of this Schedule. Eligibility within the Cumulative Capacity Limit will be determined as of the Qualifying Facility's Commercial Operation Date.

10. For each Qualifying Facility, the amount of capacity eligible to receive capacity payments (Eligible Capacity) shall be limited to the lesser of (a) the amount of the Qualifying Facility's Contract Rating or (b) the difference between the Cumulative Capacity Limit and sum of the Cumulative Contract Ratings of Qualifying Facilities with earlier Commercial Operation Dates.

11. The capacity payment in any time period will be equal to the product of the applicable capacity rate for such period, and the kilowatt hours produced and metered for that time period. However, the capacity payments in any time period shall not exceed the product of: (the Eligible Capacity) (the applicable capacity rate) and (the number of hours in each of the time periods.)

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<p>Issued: 6/23/86</p> <p>Effective: 6/23/86</p> <p>Advice No.: 249-E (Revised)</p>	<p>Issued By: Austin W. Stedham President</p>	
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(Continued)**

SPECIAL CONDITIONS (Continued)

12. If the Eligible Capacity is less than the Contract Rating, the Qualifying Facility has the option at the time that the remaining Contract Rating becomes eligible for capacity payments pursuant to a future Public Service Commission of Nevada, (PSCN) Opinion and Order to **(a)** continue to be paid for capacity and energy delivered to Sierra from the Facility pursuant to this rate schedule and the provisions of the Purchase Agreement or **(b)** receive payments for such capacity and energy pursuant to the terms and conditions of the PSCN Opinion and Order in effect at the time of such eligibility.

13. The energy payment in any time period shall be equal to the product of the energy rate for such time period times the kilowatt hours produced and metered during such period. The maximum number of kilowatt hours for which energy rates will be paid in any time period shall not exceed the product of the number of hours in each of the time periods and the Contract Rating unless otherwise provided for pursuant to the Purchase Agreement. Any excess kilowatt hours will be paid for at the Schedule No. CSPP energy rate.

14. In compliance with the Public Service Commission of Nevada's Opinion and Order in Docket No. 85-1005 and as amended in Advice Letter No. 270-E, the rates contained herein shall be adjusted on September 1 of each year based on the change in the applicable index during the prior calendar year. The adjustment shall be calculated as follows:

Where,

$$R_n = (I_{n-1}/I_{n-2}) R_{n-1}$$

R = the indexed rate
 I = the absolute level of the appropriate year end index
 n = the calendar year in which the adjustment takes place

The energy rates will be adjusted using the Producer Price Index for the Coal Subcategory of the Fuels and Related Products. The capacity rates will be adjusted using the Handy-Whitman price index, total steam production plant category. Such rates shall become effective on September 1 of each year.

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<p>Issued: 12-30-98 Effective: 12-30-98 Advice No.: 376-E</p>	<p>Issued By: Malyn K. Malquist President</p>	
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(Continued)

Special Conditions, (Continued)

15. The rates contained herein have been increased by 6% to reflect the system losses that the Utility can reasonably expect to avoid as a result of the interconnection of the Qualifying Facility. Metered deliveries may be subject to an adjustment as determined on a facility specific basis in appropriate engineering studies if avoided losses are expected to be less than 6%. Such adjustments will be set forth in the Purchase Agreement.

16. The capacity related costs used to calculate the rates herein have been stated on a kWh basis using an upward adjustment which reflects an overall capacity factor of 80%.

17. Qualifying Facilities providing energy to Utility hereunder shall be entitled to receive electric service from Utility on the filed rates schedule(s), as contained in Utility's Nevada Electric Tariff No. 1, applicable to the type and location of the Qualifying Facility and the service being provided by the Utility.

18. All purchases made under this schedule are subject to the provisions of Rule No. 15 as contained in Utility's Nevada Electric Tariff No. 1.

Issued: 6/23/86

Effective: 6/23/86

Advice No.: 249-E
(Revised)

Issued By:
Austin W. Stedham
President