Geothermal Opportunities in Nevada
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Good morning, I am Gary Porter the Executive Director of Transmission for both Sierra Pacific Power Company and Nevada Power Company. On behalf of our companies, I would like to welcome you to Nevada, welcome you to Reno, and welcome you to this fine university, the University of Nevada.

In the summer of 1999, Sierra Pacific and Nevada Power completed their merger. Sierra Pacific and Nevada Power are the two operating utilities of our parent, Sierra Pacific Resources. After the merger, the transmission functions for both companies were organized into a single line of business. Both companies provide transmission service under the same FERC (Federal Energy Regulatory Commission) approved "pro-forma" tariff, called our Open Access Transmission Tariff or OATT.

Nevada Power's transmission system serves most of southern Nevada and Las Vegas, while Sierra Pacific's transmission system serves nearly all of northern Nevada.

Interestingly, Sierra Pacific's service territory overlays the vast majority of known geothermal sites and it is likely that as you develop your project, we will be working together to make your project successful.

Sierra Pacific already has over 100 Mws of developed geothermal plants that provide nearly 10% of our energy requirements.

Nevada Power and Sierra Pacific are doing everything we can to provide as much transmission access as possible while not harming our Native Load customers.

As evidence of this, in southern Nevada, largely driven by the development of new Independent Power Producers (IPPs), Nevada Power has embarked on an aggressive plan to construct three 500kV transmission lines in and around Las Vegas by the summer of 2003. The investment required is approximately $300 million.

Here in the northern Nevada, this past summer Sierra Pacific interconnected a new 360 megawatt (Mw) IPP and we have agreements with another IPP to build the associated 345kV transmission lines and substations for a 540 Mw plant scheduled to be in service by summer 2004. As well, we recently received the draft Environmental Impact Statement (EIS) from the Bureau of Land Management (BLM) to construct 180 miles of 345 kV transmission line between Battle Mountain and Ely, Nevada.

Currently, there are six geothermal projects under various stages of development totaling 116 Mw that have made application to Sierra Pacific to interconnect.

As far as other renewables, two wind developers have made interconnection requests to build nearly 800 Mw of wind generation in northern Nevada and several 100 Mw in southern Nevada.

<u>Interconnection Procedures</u>

I would like to take a few moments to discuss our interconnection procedures as well as the Interconnection and Operating Agreement (IOA) that must be entered into prior to interconnecting with us.

Effective September 2000, Sierra Pacific and Nevada Power modified its transmission tariff to include standardized interconnection procedures applicable for new generators. The procedures were approved by the FERC and they define the process that the new generator and our companies must undertake to accomplish the interconnection of the new generator.

You can find our tariff and these procedures at our OASIS site, SWOASIS.com.

If I could summarize the procedures, they first call for the IPP to send us a written time stamped application to interconnect. The easiest way to do this is to either email or fax us the application.

If the application has all of the required information specified in our tariff, it will be deemed a completed application and placed in a queue on a first in time basis.

The procedures go on to define a timeline for certain events to occur between the new generator and our company. If the fully allotted time is used, the process could take 315 days, however our experience has been shorter.

The key events in this process include the generator signing an agreement to pay for the required engineering studies our company must perform. The generator pays only actual costs incurred by our utility and we are required to use existing studies to the extent they are applicable. We have a graduated scale based on generator size for the up front study deposit.

The interconnection study will define the interconnection point, what facilities are directly assigned to the generator, and whether there are upgrades on our system as a result of increased short circuit current or stability problems.

After the interconnection study is complete, if the generator notifies us to proceed, a 90 day negotiation period begins, whereby the generator and our company negotiate an Interconnection and Operating Agreement. The IOA defines ownership, operating matters, who pays for what, and legal obligations/protections for both parties.

Today our companies do not have a pro-forma IOA that is included in our tariff. However, we have designed a standard IOA that has been modeled after other companies' IOAs which have undergone FERC scrutiny and approval. Generally, we do not deviate from our standard IOA except for good reason.

If agreement cannot be reached between the generator and our company within the required timeline, our tariff procedures provide for the agreement to be filed unexecuted with the FERC for resolution of any disputed matters.

The FERC is now in the process of standardizing the Interconnection and Operating Agreements of all jurisdictional Investor Owned Utilities as part of a rulemaking.

Interconnection Service vs. Transmission Service

If I could change gears for a moment, I'd like to take the opportunity to point out a very important decision the generator must make.

The generator must decide if it wants Interconnection only Service or if it wants Interconnection and Firm Transmission Service.

This is very important because the process I described so far would only provide the generator the right to interconnect with our utility. It does not provide the generator rights to transmit its power anywhere on our transmission grid on a firm basis.

If the power is intended to be delivered to anyone other than our companies' Native Load customers using our companies' transmission rights, the generator must apply for Firm Transmission Service.

The process for applying for Transmission Service is different, although similar, to the Interconnection process. This process is defined in our tariff as well. The Transmission Service process is managed on a first in time basis to determine if transmission capacity is available, and if not, what upgrades and costs would be necessary to accommodate the request.

Alternatively, the generator could transmit or wheel its output to a 3rd party other than the utility, if the 3rd party applies and makes arrangements for transmission service.

I would like to wrap this up by introducing Brian Whalen with our company whom you will undoubtedly be working with as you develop your project. If you have difficulties maneuvering our web site, Brian can be reached at bwhalen@sppc.com and he will provide you with written web site instructions or answers to any other questions you may have.

Thankyou for the opportunity to share my thoughts with you today, and we look forward to doing business with you.