

MEMORANDUM OF UNDERSTANDING
BETWEEN
NEVADA POWER COMPANIES AND SIERRA PACIFIC POWER COMPANIES
AND
STATE OF NEVADA

This Memorandum of Understanding ("MOU") between Nevada Power Companies and Sierra Pacific Power Companies ("the Companies") and the State of Nevada (State of Nevada – Department of Conservation & Natural Resources – Division of Environmental Protection or "NDEP") (each, a "Party" and collectively the "Parties") is entered into as of November 20, 2007.

I. RECITALS

WHEREAS, the Companies have proposed to construct an electrical generation facility in White Pine County, Nevada (the "Facility"). The Facility would produce electricity using coal. As with the combustion of any fossil fuel, by using coal, the Facility will produce carbon dioxide ("CO₂") emissions. CO₂ is a greenhouse gas ("GHG").

WHEREAS, there is concern that an increase in world-wide GHG emissions may contribute to a change in global climate. How to address GHG emissions - while balancing energy demand, economic growth, and national security - is a matter of considerable debate. Based on currently applicable laws and regulations there are no requirements that would impose emissions limitations or controls on CO₂.

WHEREAS, in the State of Nevada, the matter of GHGs is presently under review. By Executive Order on April 10, 2007, Governor Jim Gibbons formed a 15-member Nevada State Climate Change Advisory Committee. The Committee represents a wide spectrum of viewpoints in Nevada and is charged with providing a final report and recommendations to the Governor on how Nevada may further reduce GHG emissions, including through the use of renewable energy sources.

WHEREAS, the State of Nevada recognizes that electrical energy generation from coal is an important part of a diversified energy portfolio, providing greater assurance of sufficient, reliable, and cost-effective electrical energy.

WHEREAS, at present, there is no large scale technology currently available to capture CO₂ emissions ("CO₂ Capture Technology") from facilities of this type. Nor are there commercial prototypes of CO₂ Capture Technology available for such facilities. The Parties believe, however, that the Facility can be designed and constructed to be "Carbon Capture Ready" so that the Facility may in the future be retrofitted to capture CO₂ emissions and sequester (CC&S) and/or appropriately manage the emissions in a suitable manner when CO₂ Capture Technology is demonstrated to be feasible and commercially available and can be implemented in a cost effective manner.

NOW, THEREFORE, and in consideration of the foregoing, the Companies and NDEP enter into this MOU, whereby, the Companies commits to use commercially reasonable efforts to design the Facility in a manner that is "Carbon Capture Ready".

II. COMMITMENT FOR CARBON CAPTURE READY FACILITY

A. Facility Covered By the MOU. The Proponent is proposing to build the following Facility in Nevada that is subject to this MOU: an ultra super critical coal-fired generating plant in White Pine County, Nevada known as the Ely Energy Center ("EEC"). The Public Utilities Commission of Nevada ("PUCN") approved the development activities of the EEC, under the terms of an Order issued in Dockets No. 06-06051 and 06-07010 in November, 2006.

B. Other Facilities. NDEP will engage and negotiate with any applicant for a new coal-fired power plant in an effort to secure an MOU establishing a commitment whereby such applicant agrees to the design, installation, and operation of carbon capture and sequestration consistent with this MOU. Therefore, the NDEP agrees that if other person(s) propose additional coal-fired power projects in this State (including projects proposed as of the date of this MOU), NDEP will seek to reach an understanding with those persons regarding CO2 Capture Technology, as provided for in this MOU. If any new coal-fired facility goes forward with a less onerous commitment, a true and complete copy of such commitment shall be provided to the Companies and the less onerous aspects of such commitment will replace such commitment in this MOU. If any new coal-fired facility in the State of Nevada is allowed to proceed without such a commitment, this MOU will terminate effective immediately and without further action of the Parties upon the commencement of on-site construction of such facility.

C. The Companies' commitment to "Carbon Capture Ready" facilities.

1. CO2 Capture Technology for coal fired power plants has not been demonstrated on a large scale and it is not yet commercially available. There are no commercial prototypes available for facilities of this type. It is likely that significant improvements in CO2 Capture Technology will occur before CO2 Capture Technology is demonstrated on a large scale and is deemed commercially available. It is therefore understood and agreed that no CO2 Capture Technology or method can or should be specified at this time.

2. The Companies will, however, use commercially reasonable efforts to design and Construct the proposed Facility in a manner intended to be "Carbon Capture Ready" (as defined herein) so that the Facility may be retrofitted in the future with CO2 Capture Technology to capture and sequester and/or appropriately manage CO2 emissions from the Facility in a suitable and safe manner. Specifically for purposes of this MOU, "Carbon Capture Ready" means that the Companies will set aside sufficient real estate in the general vicinity of the pulverized coal boiler(s) stack(s) to allow for the design, installation and operation of future CO2 capture equipment and will design the Facility such that ducting can be configured and constructed to divert exhaust gases to a CO2 capture system.

3. The Companies' commitment to construct a Carbon Capture Ready plant is

contingent on the Companies receiving all necessary permits and approvals and financing for the Facility. The commitment is also subject to the Companies' own independent decision to proceed with the Facility.

4. Given that the Facility will be owned by a regulated utility serving customers within the State of Nevada, whether CO₂ Capture Technology is "commercially available" will be assessed by the Public Utilities Commission of Nevada ("PUCN") and any final approval to install CO₂ Capture Technology must include approval by the PUCN. Upon receiving final approval, the Companies will install the CO₂ Capture Technology.

5. In addition, the Parties anticipate that the applicable legal requirements may be very different at the time a final determination may be made that CC&S is technically feasible and commercially available. Accordingly, notwithstanding the commitment set forth in paragraph C(4) above, in the event that state or federal laws regulating CO₂ emissions, including but not limited to the establishment of CO₂ emission limitations, CO₂ capture and storage requirements, or the establishment of a cap-and-trade or carbon tax program, are enacted that are applicable to the Facility, the Companies' compliance with such laws may satisfy and supersede the commitment set forth above and this MOU shall terminate. For purposes of this paragraph, laws regulating CO₂ emissions shall not be deemed to include laws that simply create GHG monitoring and reporting requirements or laws that impose other, nonsubstantive or administrative requirements. If either of the Parties believes that changes in state or federal law have occurred that may result in termination of this MOU, the Parties agree to meet and discuss the change(s). The Parties agree to compare the change(s) in state or federal law with the requirements of this MOU. The MOU will not be terminated if the Parties agree that the change in state or federal law results solely in a GHG monitoring and reporting requirement or a nonsubstantive or administrative requirement.

6. The Parties note that development of this Facility, including associated transmission lines and equipment, may require the federal government to prepare an Environmental Impact Statement (EIS) under National Environmental Policy Act (NEPA). The Parties agree that nothing in this Memorandum of Understanding should be read to require the original EIS for the Facility to consider CO₂ Capture Technology in the course of the review of potential impacts of the proposed Facility. This is due in part because of the uncertainty of the exact technology to be adopted, as well as the fact that the timeline for implementing CO₂ Capture Technology is unknown. However, it is understood that the CO₂ Capture Technology may be evaluated, where applicable and as required under NEPA, before the Facility makes the transition from "Carbon Capture Ready" to actual implementation of CO₂ Capture Technology. The Parties also recognize that the scope of the EIS is a matter for the federal government, including the Bureau of Land Management of the Department of Interior.

7. This MOU is intended to be binding only as to the specific obligations of the Parties set forth herein. This MOU does not commit the Companies to proceed with the implementation of CO₂ Capture Technology at the Facility, unless or until a final determination has been made subject to the conditions set forth in paragraphs C(4) and C(5) above.

D. Advancement of Research. The Parties acknowledge that much research is underway

by the public, academic and private sector to advance CO2 Capture Technology and to increase understanding of sequestration opportunities. The NDEP encourages the Companies to pool resources with the public, academic and/or private sector to advance such research. The Companies will provide the NDEP with periodic reports summarizing the results of the research the Companies, or its affiliates, are involved with that has the potential to be applicable to CC&S at the Facility.

III. MISCELLANEOUS

A. Notices. Any notices required under this MOU shall be in writing and shall be deemed to have been duly given if sent via a national overnight courier service or by certified mail, return receipt requested, postage prepaid, addressed to the Parties as follows:

Companies: Mr. Michael W. Yackira
Chief Executive Officer
Nevada Power Company
Sierra Pacific Power Company
6226 West Sahara Avenue
Las Vegas, Nevada 89146

Nevada: State of Nevada - Division of Environmental Protection
Attn: Administrator
901 So. Stewart Street, Ste 4001
Carson City, NV 89701-5249
(775) 687-4670

State of Nevada - Division of Environmental Protection
Bureau of Air Quality Planning
Attn: Section Chief
901 So. Stewart Street, Ste 4001
Carson City, NV 89701-5249
(775) 687-9329

B. Amendments. This MOU may not be amended, changed or modified except by a written document signed by each of the Parties.

C. Limitation. Nothing contained in this MOU shall be construed as a defense against any future statutory or regulatory requirement.

D. Regulations. Nothing in this MOU shall be deemed as prohibiting the State Environmental Commission from promulgating regulations applicable to greenhouse gas emissions and the Facility.

E. Successors and Assigns. This MOU shall apply to the Parties and their respective successors and assigns.

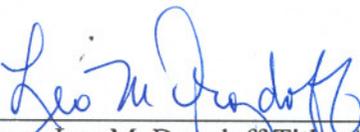
F. No Third Party Beneficiaries. This MOU is intended for the sole benefit of the Parties, and the Parties do not intend to create any other third party beneficiaries or otherwise create privity of contract with any other person.

G. Authorized Representative. Each undersigned representative of the Parties certifies that he or she is fully authorized to enter into this MOU and to execute this document for the Party he or she represents.

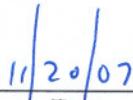
H. Counterparts. This MOU may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

NOW, THEREFORE, and in consideration of the foregoing, the Companies and NDEP enter into this MOU, whereby, the Companies commits to use commercially reasonable efforts to design the Facility in a manner that is "Carbon Capture Ready".

STATE OF NEVADA [acting by and through the Nevada Division of Environmental Protection]

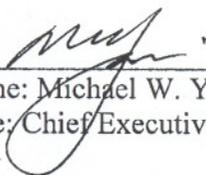


Name: Leo M. Drozdoff Title: Administrator

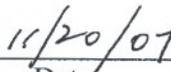


Date

NEVADA POWER COMPANY
SIERRA PACIFIC POWER COMPANY



Name: Michael W. Yackira
Title: Chief Executive Officer



Date