FRANCHISE AGREEMENT

between

City of Las Vegas, Nevada

and

Nevada Power Company

Effective February 1, 2007

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FRANCHISE AGREEMENT

THIS AGREEMENT (the "Agreement") is entered into by and between the City of Las Vegas, Nevada, a municipal corporation ("City"), and Nevada Power Company, a Nevada corporation ("Franchisee"), collectively, the "Parties." In consideration of the covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby covenant and agree as follows:

Section 1. Definitions.

For the purposes of this Franchise Agreement, the following terms, phrases, words, and their derivations shall have the meanings set forth herein, unless the context clearly indicates that another meaning is intended. Words used in the present tense include the future, words in the plural number include the singular number and words in the singular number include the plural number. The words "shall" and "will" are mandatory, and "may" is permissive.

(A) "Abandoned" means Franchisee's voluntary relinquishment or transfer of its Facilities to the City.

(B) "Affiliate" means each person who falls into one or more of the following categories:

(1) Each person having, directly or indirectly, a controlling interest in Franchisee.

(2) Each person in which Franchisee has, directly or indirectly, a controlling interest.

(3) Each person that, directly or indirectly, is controlled by a third party which also directly or indirectly controls Franchisee.

(4) Affiliate shall in no event mean any creditor of Franchisee solely by virtue of its status as a creditor and which is not otherwise an affiliate by reason of owning a controlling interest in, being owned by, or being under common ownership, common management, or common control with, Franchisee.

(C) "Business License" means the written authorization of the City to engage in the business for which the license was issued.

(D) "City" means the City of Las Vegas, Nevada, a municipal corporation of the State of Nevada in its incorporated form or in any subsequent consolidated, reorganized, enlarged or reincorporated form.

(E) "City Council" means the elected governing body of the City.

(F) "City Manager" means the person appointed by the City Council to perform such administrative functions of the City government as may be required of him or her by the City Council or City Charter, or his or her designee.

(G) "Code" or "City Code" means the Las Vegas Municipal Code as amended from time to time.

(H) "CPI-U" means the Consumer Price Index, All Urban Consumers, U.S. City Average, as published by the U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.

(I) "Director" means the Director of the Public Works Department of the City, or any successor department, or his or her designee.

(J) "Easement" means an interest in and the right to use the real property of another, but not including licenses or leases.

(K) "Electrical Service" or "Electricity Service" means the provision, sale, distribution or transmission of electric energy and power in the Franchise Area over or through Electrical Distribution System Facilities located in the City's Rights-of-Way.

(L) "Electrical Distribution System" or "System" means any Facilities in the Rights-of-Way, in whole or in part used to provide Electrical Service.

(M) "Emergency" means those conditions which are not in the control of Franchisee, including, but not limited to, natural disasters, civil disturbance and severe weather.

(N) "Facility" or "Facilities" means, collectively, any and all electric transmission and distribution systems used or useful in the transmission and distribution of electrical light, heat and power, including but not limited to poles, wires, lines, conduits, ducts, cables, braces, guys, anchors and vaults, transformers, generators, switches, meter-reading devices, fixtures, studs, platforms, crossbars, manholes, cutouts, communication circuits, appliances, attachments, appurtenances and any other property to be located in, upon, along, across, under or over the City's Rights-of-Way.

(O) "Franchise" means the nonexclusive privilege granted by the City to Franchisee to construct, operate and maintain its Electrical Distribution System in the City's Rights-of-Way.

(P) "Franchise Agreement" or "Agreement" means this agreement.

(Q) "Franchise Area" means the area within the jurisdictional boundaries of the City and any area annexed by the City during the term of this Agreement.

(R) "Franchisee" means Nevada Power Company and its lawful successors or assigns.

(S) "Gross Revenue" means all cash, credits, property or other consideration of any kind or nature arising from, attributable to, or in any way derived directly or

indirectly by Franchisee or its affiliates from the operation of Franchisee's Electrical Distribution System in the City. Gross Revenue shall include by illustration and not limitation all revenue received by Franchisee from customers within the Franchise Area from charges, however denominated, for the following:

(1) Sales of electric energy to customers;
(2) Facility Charges Max Demand;
(3) Electric Adjustments;
(4) Facility Charge – Customer Specific Flat – LGS-XP;
(5) Facility Charge – Maintenance – LGS-XT;
(6) Broken Meter Charge;
(7) Broken Seal Charge;
(8) Connection Charge;
(9) Charges by Meter Validity (Meter Tampering);
(10) Facility Charge – Customer Specific Flat – (LGS-3P);
(11) Gold Band Charge;
(12) Facility Charge – Maintenance – LGS-1;
(13) Facility Charge – Maintenance – LGS-2P;
(14) Reconnect Charges;
(15) Remote Meter Charge;
(16) Returned Check Charge: and
(17) Same Day Service Charge.

Gross Revenue shall also include by illustration and not limitation all revenue received for Franchisee's transmission and distribution of electrical energy generated by others for sale within the Franchise Area. Gross Revenue shall not include: (a) any revenue or charges by Franchisee for transmission of electrical energy to customers outside of the Franchise Area; (b) any bad debt; provided, however, that any portion of such debt which is written off but subsequently collected shall be included in Gross Revenue in the period collected; or (c) any taxes on services furnished by Franchisee that are imposed directly on any customer or user by the State, the City or other governmental entity and which are collected by Franchisee on behalf of said governmental unit.

(T) "JPA" means the Joint Pole Agreement made between Nevada Power Company and Central Telephone Company–Nevada, dated June 1, 1964, as amended, which establishes pole ownership, operating practices and use.

(U) "NRS" means the Nevada Revised Statutes.

(V) "Person" means a natural person or any form of business or social organization, including but not limited to the estate of a natural person, a corporation, limited-liability company, partnership, association, trust, or any other form of legal entity.

(W) "Public Improvement" means any improvements for roadways and pavements, sidewalks, curbs and gutters, landscaping, street lights, foundations, poles and traffic signal conduits, water mains, sanitary and storm sewers, tunnels, subways, people movers, viaducts, bridges, underpasses, overpasses, public buildings or

public structures, or other public installations or improvements which are to be used by the general public.

(X) "Public Utilities Commission" or "PUCN" means the Public Utilities Commission of the State of Nevada, and its predecessors and successors.

(Y) "Rights-of-Way" means the surface of, and the space above and below, any and all public highways, streets, roads, alleys, avenues, tunnels, parkways, and Easements granted to the City (including Easements created or reserved in favor of the City for any road and public utility purposes in any patent granted by the United States of America, or in any other recorded map, plat or recorded document), as the same now or may hereafter exist within the City, including State highways now or hereafter established within the City to whatever extent the City may have jurisdiction to authorize the use of same for the purposes herein specified.

(Z) "Transfer" or "Assignment" means any transaction in which: (1) any ownership or other right, title or interest of more than 5% in Franchisee or its Facilities is transferred, sold, assigned, leased or sublet, directly or indirectly, in whole or in part; (2) there is any change or transfer of control of Franchisee or its Facilities; (3) the rights and/or obligations held by Franchisee under this Agreement are transferred, directly or indirectly, to another party; or (4) any change or substitution occurs in the managing general partners of Franchisee, if applicable. A "transfer" or "assignment" shall not include a mortgage, pledge or other encumbrance as security for money owed.

Section 2. Term.

This Agreement shall commence on the first day of February, 2007 ("Effective Date"), and shall supersede all prior franchise agreements between the parties, including the parties' Franchise Agreement dated November 14, 1979 and the Renewal of Franchise Agreement dated November 3, 2004. This Agreement shall continue in full force and effect through January 31, 2025, or until this Agreement shall be terminated for noncompliance by Franchisee with the terms and conditions imposed herein, or with such reasonable restrictions, limitations and regulations as the City Council may from time to time impose by ordinance, or until the State of Nevada or other public corporation duly authorized shall purchase, by voluntary agreement or under the power of eminent domain, all property actually used and useful in the exercise of the Franchise situated within the City, or until Franchisee shall permit its corporate existence to expire without renewal, whichever of the foregoing shall first occur. The Franchise shall not terminate solely by reason of a merger, sale or other consolidation if the PUCN approves such merger, sale or other consolidation and a successor to Franchisee assumes the obligations of Franchisee hereunder.

Section 3. Non-Exclusivity.

3.1 NON-EXCLUSIVE GRANT OF FRANCHISE. The Franchise granted by this Agreement is not exclusive, and the City hereby reserves the right, power, and

authority to grant similar rights, privileges, permission and authority to any person at any time.

3.2 CITY OWNERSHIP OF ELECTRICAL DISTRIBUTION SYSTEM. The City reserves the right to acquire, including the property of Franchisee, construct, own, operate and maintain an Electrical Distribution System to serve all or any portion of the City at any time during the term of this Agreement, and to fully exercise such right in accordance with applicable law.

Section 4. Grant of Franchise.

4.1 FRANCHISE. Subject to the terms and conditions of this Agreement and applicable City ordinances, the City hereby grants Franchisee the right to own, construct, operate, maintain, upgrade, and repair an Electrical Distribution System along the Rights-of-Way within the Franchise Area, for the sole purpose of providing Electrical Service for which it holds a certificate of public convenience and necessity issued by the PUCN.

4.2 USE OF SYSTEM. Franchisee is authorized to allow a third party, including affiliates, to use capacity on its Electrical Distribution System for use in providing electrical service.

Section 5. Limitations on Grant of Franchise.

5.1 ELECTRICAL USE ONLY. Nothing contained in this Agreement shall be construed as authorizing Franchisee to use, or permit the use of, any portion of its Electrical Distribution System for any purpose other than those reasonably necessary for the transmission or distribution of Electrical Service, including Facilities necessary for intra-Company communications, unless prior written approval is obtained from the City.

5.2 SHARED USE OF RIGHTS-OF-WAY. The right of Franchisee to maintain Facilities in the Rights-of-Way pursuant to this Agreement and the City Code shall be equal to similar rights of other utilities, except that earlier-installed facilities shall have a prior right to occupy the necessary and reasonable amount of space in the Rights-of-Way.

5.3 PRIVILEGE/EXEMPTION. No privilege or exemption is granted by or to be inferred from this Agreement except those specifically described herein.

5.4 FRANCHISEE'S ACQUISITION OF PROPERTY RIGHTS. Franchisee shall not acquire as a result of the location of its Facilities in any existing or proposed Rights-of-Way, even though such location was approved by the City, any vested right or interest in any particular Rights-of-Way location by virtue of the Franchise.

5.5 AMERICANS WITH DISABILITIES ACT ("ADA").

(a) Facilities installed in the Rights-of-Way during the term of this Agreement, or Facilities in the Rights-of-Way which are altered such that application of the ADA is triggered, shall comply with the requirements of the ADA.

(b) With respect to existing Facilities located in Rights-of-Way which prevent disabled persons' use of and access to buildings, structures, facilities, sidewalks, streets, alleys or other paths of travel in violation of the requirements of the ADA, the Franchisee shall correct such violations in good faith, up to an annual maximum of $100,000, which amount shall escalate annually in accordance with the CPI-U, during the term of the Agreement so long as access barriers caused by the Facilities remain ("ADA Fund").

(c) Franchisee will meet periodically with the City to coordinate and establish plans and time frames for removal of access barriers caused by the Facilities, with priority given to more serious access barriers. Further, within thirty (30) days of the Franchisee's receipt of a notice of a third-party complaint from the City or others identifying Facilities that may cause access barriers in violation of the ADA, the Parties shall meet to review the complaint and determine an appropriate response and required repair, if any. If repair is required, the Parties shall establish plans and time frames for the repair. Franchisee's scope of work shall consist of removal and or relocation of Facilities, and the ADA Fund shall be limited to the costs to accomplish such work, including costs to acquire Easements for relocated Facilities, if necessary. The City's underground utility installations provisions, Chapter 13.52 of the City Code, shall not apply to repairs performed pursuant to this Section.

(d) Notwithstanding the Parties' efforts to eliminate access barriers in the City, Franchisee does not assume the City's duties and obligations under the ADA, and nothing in this Agreement shall be deemed by the Parties to modify the Franchisee's obligations with regard to its Facilities under the ADA.

Section 6. **Franchisee's Use of City Property.**

6.1 FRANCHISEE'S FUTURE ATTACHMENTS TO CITY PROPERTY.
The Franchise granted herein does not authorize Franchisee to attach any part of its Facilities to City property located within or outside of the Rights-of-Way until and unless Franchisee has entered into a separate written agreement (herein "Master Attachment Agreement") with the City for the rights of attachment and use. When such Master Attachment Agreement is effective for any particular City Property, such Master Attachment Agreement shall supersede the provisions of this Section 6 concerning Franchisee's attachments to and use of the particular City property. Nothing in this Agreement obligates the City to approve

Franchisee's attachments to any use of any particular City property, and the City may, in its sole discretion, withhold its consent to any such proposed attachments and use.

6.2 FRANCHISEE'S PRIOR ATTACHMENTS TO CITY PROPERTY. Franchisee acknowledges that, prior to the Effective Date of this Agreement, it has attached some of its Facilities to City property without separate written agreements with the City authorizing the attachments to and use of such property. No later than six months after the Effective Date of this Agreement, Franchisee shall provide the City a list of all City-owned, known facilities to which Facilities are attached. Franchisee shall notify the City of additional attachments to City facilities within a reasonable amount of time, as it becomes aware of them throughout the course of Franchisee's normal operations, but no less than semiannually.

6.3 MASTER ATTACHMENT AGREEMENT. No later than twelve months after the Effective Date of this Agreement, Franchisee shall either enter into a Master Attachment Agreement with the City for its attachments to and use of each particular City property or, if no such agreement is reached for a particular City property, remove such attachment at its own expense. Newly discovered attachments reported after the initial execution of the Master Agreement pursuant to Subsection 6.2 shall either be subject to the Master Attachment Agreement or removed at Franchisee's expense. Franchisee shall promptly repair and restore any City property from which one of Franchisee's attachments has been removed to as good condition as the City's property was in prior to the attachment.

6.4 NO RETROACTIVE EFFECT OF FEE REQUIREMENTS. City may charge the Franchisee an administrative fee for the purpose of reviewing an application and inspecting the installation. Nothing in this Section 6 shall require Franchisee to pay any attachment, rental, or other fees to the City for attachments to and the use of City property prior to the Effective Date or during the term of this Agreement.

6.5 INDEMNIFICATION OBLIGATIONS. Franchisee acknowledges that its indemnification obligations under Section 23 of this Agreement extend to any and all claims or liabilities of whatever nature arising out of Franchisee's attachments to or use of City property.

Section 7. **Third-Party Attachment to Franchisee's Facilities; Undergrounding; Pole Ownership.**

7.1 PRIOR AUTHORIZATION BY CITY REQUIRED FOR ATTACHMENT TO FRANCHISEE'S FACILITIES BY THIRD-PARTY. Franchisee shall not allow the attachment to any of its Facilities in the Rights-of-Way by a third party unless the third party is authorized by the City, as follows: 1) Upon a third party's initial request to enter into an attachment agreement, Franchisee shall notify City in writing of the name and address of such third party. 2) Upon verification by City that said third party is duly licensed, franchised or otherwise permitted to occupy the Rights-of-Way, or if no response is provided by City within 45 days after Franchisee's notification to City, Franchisee may permit such third party to attach

its facilities to Franchisee's Facilities within the Rights-of-Way. 3) If the third party presents written confirmation from the City of its legal right to use the Rights-of-Way, including but not limited to an appropriate franchise agreement, rights-of-way agreement, license agreement or similar agreement between the City and the third party, Franchisee shall not be required to verify the third party's status with the City.

7.2 UNAUTHORIZED USE OF RIGHTS-OF-WAY / ENFORCEMENT. Franchisee acknowledges that, notwithstanding any legal rights that a telecommunications provider, cable television provider or any other service provider may have to use the Franchisee's Facilities in Rights-of-Way, including pole attachments, the City retains a paramount interest in managing the Rights-of-Way. The City shall be solely responsible for enforcement of its permitting requirements as a result of a third party's use of Facilities. If Franchisee permits a third party to use its Facilities without satisfying the requirements of Subsection 7.1, it may be subject to a claim for liquidated damages pursuant to Section 22.

7.3 PERMISSION REQUIRED TO TRANSFER FRANCHISEE'S FACILITIES TO THIRD PARTY. Franchisee shall not transfer ownership of any of its Facilities in the Rights-of-Way that are no longer used by Franchisee for purposes of providing Electrical Service to any third party without the express written consent of the Director, which consent may be withheld or conditioned in his or her sole discretion. Such restriction does not apply to Facilities transferred pursuant to the JPA when such transfer is made to provide for pole parity and a sharing of costs between the parties to that agreement, unless the transfer has the effect of avoiding the application of the City's underground utility installations provisions, Chapter 13.52 of the City Code, or Franchisee's obligations pursuant to Subsection 5.5.

7.4 UNDERGROUND REQUIREMENTS. Whenever Franchisee intends to relocate and place underground any of its overhead Facilities which are in the Rights-of-Way, Franchisee shall, at the earliest date possible, provide written notice to the Director and to all third parties that have attached their own facilities to such overhead Facility of the anticipated relocation of the overhead Facility. Such notice shall include an estimated timetable for completion of the relocation and specify that all third-party attachments must be removed from the overhead Facilities no later than 30 days after Franchisee's Facilities are placed underground. Franchisee cannot transfer any ownership interest in its overhead Facility to any third party without the express written consent of the Director, which the Director may withhold or condition in his or her sole discretion, except that such restriction does not apply to Facilities, or portions thereof, transferred pursuant to the JPA, when such transfer is done to provide for pole parity and a sharing of costs between the parties to that agreement, unless the transfer has the effect of avoiding the application of the City's underground utility installations provisions, Chapter 13.52 of the City Code, or Franchisee's obligations pursuant to Subsection 5.5. As between the City and Franchisee, Franchisee shall remain responsible for all claims and liabilities of whatever nature related to the overhead Facility, excluding any claims caused solely by the overhead Facility remaining in

the Right-of-Way after properly noticed third parties have failed to remove their attachments therefrom, until such time as such Facility has been completely removed and the Rights-of-Way repaired and restored to the satisfaction of the Director, or until such time as ownership of the overhead Facility has been transferred to a third party with the Director's consent. If Franchisee has provided required notices to other users, Franchisee shall not be liable for liquidated damages, fines, or other penalties to City as a result of other users' failure to remove their attachments from the overhead Facilities, but Franchisee shall continue its good faith efforts to have the third-party attachments removed in order to fully implement the undergrounding requirements.

7.5 AGREEMENTS PERTAINING TO THIRD PARTY'S USE OF FRANCHISEE'S FACILITIES. Franchisee shall, upon request, promptly provide the City with a list of all third parties currently authorized to use any of Franchisee's Facilities in the Rights-of-Way and with copies of all pole attachment agreements or similar agreements concerning the use of Franchisee's Facilities by third parties.

Section 8. **Quality of Use; Construction; Maintenance; Expansion; Reconstruction.**

8.1 WORKMANLIKE MANNER. Franchisee agrees that all of its Electrical Distribution System within the City shall be installed, used and maintained in a good, workmanlike manner and in accordance with good engineering practices, and in compliance with all applicable laws, ordinances, rules and regulations of the United States, the State of Nevada, and the City from time to time in effect, including but not limited to applicable portions of the National Electrical Safety Code, all applicable City Code provisions and the "Uniform Standard Specifications for Off-Site Construction, Clark County Area."

8.2 SAFETY AND QUIET ENJOYMENT OF PROPERTY. Franchisee agrees that the installation, use, and maintenance of its Electrical Distribution System, including, but not limited to, all poles and power lines shall be attached and secured, or otherwise constructed and maintained, in such a manner as to avoid unreasonable danger to persons and property and as to cause minimum interference with the proper use of public roads or with any reasonable use and enjoyment of adjacent property by owners.

8.3 INTERFERENCE WITH CITY FACILITIES. The installation, use and maintenance of Franchisee's Electrical Distribution System within the Rights-of-Way shall be in a manner so as not to interfere with the placement, construction, use and maintenance of City street lighting, water pipes, drains, sewers, traffic signal systems or other City systems that have been, or may be, authorized by the City Council, City Manager or Director, or the City Council acting as the governing body of any special district or entity, now or hereafter created for any purpose.

8.4 PERMITS. Prior to the installation, construction, reconstruction, replacement, extension or relocation of any portion of the Electrical Distribution System

authorized herein, Franchisee shall apply for and obtain from the City a permit. The City shall issue such permit to Franchisee on such conditions as are reasonable and necessary to ensure compliance with the terms and conditions of this Agreement.

8.5 NOTICE TO ADJOINING PROPERTIES. Except in the case of an emergency, before commencing a project (for which Franchisee, or its contractor, has pulled the applicable permit) in Rights-of-Way upon which residential property is located or is abutting thereto, Franchisee shall notify such abutting residents at least two (2) days prior to the date that Franchisee proposes to commence construction. Notice shall be in writing by one of the following methods: in person, by posted notice on the Rights-of-Way where the proposed project is scheduled to be built (which notice is to be capable of being read by passing motorists), by door hanger, or by mail, with a description of the proposed project and the name of Franchisee and its telephone number.

8.6 RESTORATION OF RIGHTS-OF-WAY. With respect to projects for which Franchisee, or its contractor, has pulled the applicable permit, Franchisee shall, at its own expense, after installation, construction, relocation, maintenance, removal or repair of any of Franchisee's Facilities within the Rights-of-Way, restore the surface of the Rights-of-Way and other City property which may be disturbed or damaged by such work, to at least the same condition as it was in immediately prior to any such work. The City shall have the final approval of the condition of the Rights-of-Way and any other City property after restoration pursuant to the provisions of applicable City Codes, ordinances, regulations standards and procedures, including the "Uniform Standard Specifications for Off-Site Construction, Clark County Area" as now exist or may be hereafter amended or suspended.

8.7 SURVEY MONUMENTS. All survey monuments which are disturbed or displaced by Franchisee in its performance of any work under this Agreement shall be referenced and restored by Franchisee in accordance with all pertinent federal, state and local standards and specifications.

Section 9. Work by Others; Abandonment of Rights-of-Way.

9.1 CITY AND OTHER UTILITY PROVIDERS. The City reserves the right to lay and permit to be laid, sewer, gas, water, electrical, telecommunications, cable television and other pipe lines or cables and conduits, and to do and permit to be done, any underground and overhead work, and any attachment, restructuring or changes in aerial facilities that the City Manager requires in, across, along, over or under any Rights-of-Way occupied by Franchisee, and to change any curb or sidewalk or the grade of any street. The City also reserves the right to lay, construct, erect, install, use, operate, repair, remove, relocate, re-grade, widen, realign or maintain any public roads or any surfaces or subsurface improvements. In allowing work to be performed, the City shall not be liable to Franchisee for any damages, except those caused by the willful misconduct of the City; provided, however, nothing herein shall relieve any other person or entity, including any

contractor, subcontractor, or agent of the City from liability for damages to Franchisee.

9.2 ADJACENT PROPERTY OWNERS / ABANDONMENT OF RIGHTS-OF-WAY. In the event that during the term of this Agreement, the City authorizes abutting landowners to occupy space under the surface of any Rights-of-Way, such grant to an abutting landowner shall be subject to the rights herein granted to Franchisee. In the event that the City abandons a segment of the Rights-of-Way that contains a portion of Franchisee's Facilities, the City shall grant to Franchisee an easement for the Facilities to allow Franchisee to use, operate, maintain, upgrade, and repair such Facilities in the abandoned Rights-of-Way.

Section 10. Undergrounding of Facilities.

UNDERGROUNDING POLICY. Franchisee acknowledges that the City desires to promote a policy of undergrounding of Facilities within the Franchise Area. The City acknowledges that Franchisee provides electrical service on a non-preferential basis subject to and in accordance with applicable tariffs on file with the PUCN. Subject to and in accordance with such tariffs, Franchisee shall cooperate and participate with the City in the formulation of policy and development of an underground management plan with respect to Franchisee's aerial Facilities within the City.

Section 11. Relocation of Facilities.

11.1 REMOVAL OR RELOCATION OF FACILITIES BY FRANCHISEE. Subject to Franchisee's rights set forth in the Franchise Agreement, including Subsection 11.12, upon written notice from the City, Franchisee shall, at its own expense, remove, relocate, or reconstruct any portion of its Facilities as reasonably necessary to accommodate the rights reserved by the City in the Franchise.

11.2 PERMITS FOR REMOVAL OF FACILITIES. Franchisee agrees to obtain a permit as required under Subsection 8.4, and to remove, relocate, or reconstruct said Facilities as provided herein. To the extent that relocation is required by the City for a City project, the City shall waive the permit fee.

11.3 NOTICE TO RELOCATE / FRANCHISEE'S ACKNOWLEDGMENT OF NOTICE TO RELOCATE / DESIGNATION OF NEW LOCATION.

(a) Upon initiation of a new public improvement project ("Improvement"), the City shall notify the Franchisee in a timely manner of the general scope of the Improvement and requirement to reconstruct, remove or relocate its Facilities ("Notice"). The Notice shall include the plans ("Plans") for the Improvement, including, but not limited to (as applicable) grading (current and future grades), channel and storm drainage, utility (current and future utility locations and depths), trails, bridge and wall, and other designs and construction plans for the Improvement. Within thirty (30) days after receiving the Notice and the Plans, the Franchisee shall meet with the City and establish a time schedule ("Schedule"), mutually agreeable to the

Parties, reasonable in the circumstances given the nature and scope of the work required for removal or relocation of said Facilities and based on standard practices in the construction industry. To the extent that the Plans require the relocation of critical Facilities, Franchisee may not be required to relocate such Facilities from June 1 to September 30, in Franchisee's sole discretion. Notwithstanding the foregoing, in order to expedite the completion of the relocation work, Franchisee shall in good faith perform such portions of the relocation work not affecting the reliability or safety of the critical Facilities and which work may reasonably be accomplished without materially increasing Franchisee's costs.

(b) The Schedule shall be reduced to writing by the City with the Franchisee to receive a copy in accordance with this Section. If Franchisee identifies a recommended location for its relocated Facilities within the Rights-of-Way, the Director shall provide that location or a reasonable alternate location within the Rights-of-Way, if sufficient space is available.

(c) To assist the City in scheduling the timing of the Improvement work and the potential effect of Franchisee's relocation work, the City will deliver to Franchisee project information equivalent in detail to thirty percent (30%) or more of final design for the Improvement. Within thirty (30) days of receipt of such information, Franchisee will notify the City of critical Facilities located in the area of the Improvement that might be affected by such work. For purposes of Subsection 11.3, "critical Facilities" shall mean: "(i) transmission Facilities and (ii) certain feeder distribution Facilities which, in the reasonable professional judgment of Franchisee, may suffer compromised reliability or safety if relocated during periods of peak loads that occur during summer months."

11.4 Intentionally Omitted.

11.5 REVISION IN SCOPE OF WORK / EXTENSION OF TIME / APPEAL OF EXTENSION DENIAL. If, following the delivery of the Plans for an Improvement in equivalent to one-hundred percent (100%) of final design, there is a substantial change in the scope of the relocation work related to the Improvement, or other circumstances beyond the control and without the fault or negligence of Franchisee, including, but not limited to, changes in elevation or changes affecting Rights-of-Way alignment and widths of alignment, the City shall notify Franchisee of the substantial changes. Based on the substantial changes, Franchisee may seek an extension of the Schedule by written application submitted to the Director along with relevant supporting information. The Director shall grant such request if he or she determines additional time is required due to circumstances beyond the control and without the fault or negligence of Franchisee, such as: (1) changes or revisions in the Plans which alter the relocation work subsequent to delivery of the Plans, (2) changes in required equipment or supplies or the delays in the delivery of such equipment and supplies, (3) changes in the scope of the relocation work that must be

completed, (4) the failure by others to timely complete work that must be completed as a pre-condition for Franchisee to complete its relocation work, (5) the inability to use Rights-of-Way or to secure necessary Easements for the relocated Facilities, and (6) interference by others with Franchisee's relocation work. If the request for extension of time is denied, Franchisee may appeal the denial to the City Council by notice to the City Manager within fourteen (14) days from the receipt of notice of denial. The decision of the City Council shall be final.

11.6 EMERGENCY RELOCATION / COST / CONTACT NUMBER. In the event an emergency posing a threat to public safety or welfare requires the relocation of Franchisee's Facilities, the City shall give Franchisee notice of the emergency as soon as reasonably practicable. Upon receipt of such notice from the City, Franchisee shall, at its own expense, respond as soon as reasonably practicable to relocate the affected Facilities. Franchisee shall at all times keep the City informed of Franchisee's contact persons for emergencies and their telephone numbers where they can be reached twenty-four (24) hours a day.

11.7 THIRD PARTY REQUEST. Whenever any third party requires the relocation of Franchisee's Facilities to accommodate work of such third party within the Franchise Area, including requests by the City on behalf of or for the benefit of such third party, Franchisee shall have the right as a condition of any such relocation to require payment by such third party to Franchisee, at times and upon terms acceptable to Franchisee, for any and all costs and expenses incurred by Franchisee in the relocation of the Facilities.

11.8 MANDATORY RELOCATION UPON THIRD PARTY REQUEST. Any condition or requirement imposed by the City upon any third party (including, without limitation, any condition or requirement imposed pursuant to any contract or in conjunction with approvals or permits obtained pursuant to any zoning, land use, construction or other development regulation) which requires the relocation of Franchisee's Facilities shall be a condition or requirement causing relocation of Franchisee's Facilities to occur in accordance with the provisions of Subsection 11.7 above.

11.9 REMOVAL OF FACILITIES BY CITY / DAMAGES. If Franchisee fails to remove or relocate its Facilities as required by this Section, the City may remove or relocate said Facilities and charge the cost of removal or relocation to Franchisee. The City will not be held liable for any losses or damages resulting from the City's removal or relocation of such Facilities. In addition to any other remedy for damages provided in this Agreement, the City may recover from Franchisee actual third-party damages incurred by the City if Franchisee fails to complete the reconstruction, removal or relocation of its Facilities within the time schedule established pursuant to this Section 11.

11.10 COOPERATION. The City and Franchisee will cooperate on the planning for the relocation and selection of a new location for any of Franchisee's Facilities to minimize the cost of such relocation.

11.11 TEMPORARY REMOVAL / RELOCATION. If applicable, Franchisee shall, on request of any person holding a permit to move a building, temporarily raise or lower its wires or cables to permit the movement of the building. The expense of temporary removal or raising or lowering of wires and cables shall be paid by the person requesting the same, and Franchisee shall have the authority to require such payment in advance. Franchisee shall be given at least thirty (30) days advance written notice to arrange for such temporary removal or relocation.

11.12 PRIOR RIGHTS OF FRANCHISEE. Notwithstanding any other provision of this Agreement to the contrary, if the City requires Franchisee to relocate any Facilities that are located in the Rights-of-Way and (1) the Franchisee holds an Easement on which such Facilities are located, such as but not limited to an Easement or a patent for utility use granted by the United States Bureau of Land Management; or (2) the Facilities were installed in such location prior to the time at which such location was dedicated to or otherwise acquired by the City as Rights-of-Way, the City shall be responsible for Franchisee's actual costs of relocating such Facilities pursuant to this Section 11. Franchisee shall not be required to relocate such Facilities until such time as the City Council has approved the expenditures for such relocation. Furthermore, in the event such Facilities are located on an Easement held by Franchisee, the City shall grant Franchisee a replacement Easement within the Rights-of-Way or acquire on Franchisee's behalf a replacement Easement outside the Rights-of-Way in the event there is not space within the Rights-of-Way for relocation. If the Facilities are not located on an Easement held by Franchisee, the City shall not be required to grant or acquire a replacement Easement on behalf of Franchisee as a condition of Franchisee's relocation pursuant to this Section 11. If the City requires that Franchisee relinquish an Easement it holds in the Rights-of-Way which does not have Franchisee's Facilities located thereon, Franchisee shall not be required to relinquish such Easement until the City has either granted Franchisee a replacement Easement within the Rights-of-Way or has compensated Franchisee for its Easement. All other provisions of this Section 11 shall apply to Franchisee's work in performing the relocation of any Facilities covered by this Subsection 11.12.

11.13 STATE CONTRIBUTIONS. Nothing in this Agreement shall be construed as to prohibit or restrict payment to Franchisee from the State of Nevada for relocation of all or any portion of Franchisee's Electrical Distribution System pursuant to the provisions of NRS 408.407.

11.14 PUCN TARIFFS. The Parties acknowledge and agree that this Agreement does not abrogate or modify the Parties' responsibility to comply with applicable PUCN tariffs with respect to services provided by Franchisee to the City.

Section 12. **City's Use of Facilities.**

12.1 JOINT USE AGREEMENT. During the term of this Agreement, and with respect to poles that are owned by Franchisee (in whole or part), the City may, subject to

the Franchisee's prior written consent, which shall not be unreasonably withheld, install and maintain City-owned, street lights, communications equipment, wires and/or fiber. The City's use of such wires or fibers shall be for noncommercial municipal lighting or communications purposes and such use will be administered under a joint facilities use agreement between Franchisee and the City.

12.2. INSTALLATION / MAINTENANCE. Installation and maintenance shall be done by the City at its sole risk and expense, in accordance with all applicable laws, and subject to such reasonable requirements as Franchisee may specify from time to time including, without limitation, requirements accommodating Franchisee's Facilities or the facilities of other parties having the right to use Franchisee's Facilities.

12.3 LIABILITY / DAMAGES. Except in the event of willful misconduct by Franchisee, Franchisee shall have no obligation arising under the indemnity and insurance provisions of this Agreement as to any circumstances directly or indirectly caused by or related to such City-owned lighting or communications equipment, wires and/or fiber or the installation or maintenance thereof.

12.4 COST / FEES. Franchisee shall not bear any cost or expense in connection with any such installation and/or maintenance by the City. Franchisee may charge the City an administrative fee for the purpose of reviewing an application and inspecting the installation, but shall not charge the City any attachment, rental, or other fees for the use of Franchisee's poles.

Section 13. <u>Coordination; Shared Excavations</u>.

13.1 COORDINATION. Franchisee and the City shall exercise reasonable efforts to coordinate any construction work that either may undertake within the Franchise Area so as to promote the orderly and expeditious performance and completion of such work as a whole. Such efforts shall include, at a minimum, reasonable and diligent efforts to keep the other party and other utilities within the Franchise Area informed of its intent to undertake such construction work. Franchisee and the City shall further exercise reasonable efforts to minimize any delay or hindrance to any construction work undertaken by the other party or other utilities within the Franchise Area.

13.2 SHARED EXCAVATIONS. If either Franchisee or the City shall cause excavations to be made within the Franchise Area, the party causing such excavation to be made shall afford the other, upon receipt of a written request to do so, an opportunity to use such excavation, provided that: (1) such joint use shall not delay the work of the party causing the excavation to be made; and (2) such joint use shall be arranged and accomplished on terms and conditions satisfactory to both parties.

Section 14. Business License.

Franchisee shall maintain a valid, unexpired business license and pay all applicable business license fees in accordance with the City Code during the entire term of this Agreement.

Section 15. Franchise Fee In Lieu of Business License Fee.

If the business license fee provisions of the City Code relative to Franchisee are repealed or declared invalid by a court of competent jurisdiction during the term of this Agreement, Franchisee agrees as compensation for the use of the Rights-of-Way to pay the City a franchise fee. The franchise fee shall be five percent (5%) of Franchisee's Gross Revenue as defined in this Agreement.

Section 16. Conflicts between City Code and Agreement.

This Agreement hereby incorporates all applicable provisions of the City Code. Any conflict between the provisions of this Agreement and the City Code, except as otherwise provided in this Agreement, shall be resolved in favor of the provisions of the City Code. The City represents that it is unaware of any conflicts between this Agreement and the City Code.

Section 17. Public Records.

17.1 ACKNOWLEDGMENT OF PUBLIC RECORDS LAW. Franchisee acknowledges that information submitted to the City is open to public inspection and copying under Nevada Public Record Law, Chapter 239 of the Nevada Revised Statutes.

17.2 IDENTIFYING CONFIDENTIAL RECORDS. Franchisee may identify information, such as trade secrets, proprietary financial records, customer information or technical information, submitted to the City as confidential. Franchisee shall prominently mark any information for which it claims confidentiality with the word "Confidential" on each page of such information prior to submitting such information to the City. The City shall treat any information so marked as confidential until the City receives any request for disclosure of such information. Within five (5) working days of receiving any such request, the City shall provide Franchisee with written notice of the request, including a copy of the request. Franchisee shall have five (5) working days within which to provide a written response to the City before the City may disclose any of the requested confidential information. The City retains the final discretion to determine whether to release the requested confidential information, in accordance with applicable laws.

Section 18. Records of Installation and Planning.

18.1 POTENTIAL IMPROVEMENTS. Upon the City's reasonable request, Franchisee shall provide to the City copies of any plans prepared by Franchisee for potential improvements, relocations and conversions of its Facilities within the Franchise Area; provided, however, any such plans so submitted shall be for

informational purposes only and shall not obligate Franchisee to undertake any specific improvements within the Franchise Area.

18.2 "AS-BUILT" DRAWINGS. The City may inspect Franchisee's drawings and maps at Franchisee's offices upon reasonable notice. At no cost to the City, Franchisee shall supply the City with a set of "as-built" drawings of its Facilities related to public works projects. Additional "as-built" drawings of other Facilities shall be provided to the City for its use as the Parties reasonably agree. The drawings shall be submitted in the Franchisee's standard format and may be delivered in either paper or electronic form at the discretion of the Franchisee. Such additional drawings remain the property of Franchisee and are to be held confidential for public safety and security concerns, are for the internal use of the City, and shall not be provided to third parties unless the third party is working for the City on related matters and the third party signs a confidentiality and non-disclosure agreement, subject to the requirements of public records disclosure laws.

18.3 LOCATION DRAWINGS. Upon the City's request, Franchisee shall provide to the City copies of available drawings in use by Franchisee showing the location of its Facilities at specific locations within the Franchise Area. As to any such drawings so provided, Franchisee does not warrant the accuracy thereof and, to the extent the locations of Facilities are shown, such Facilities are shown in their approximate location.

18.4 VOLTAGE INFORMATION. Upon the City's request, Franchisee shall provide to the City records, drawings and any other information reasonably requested by the City concerning the voltage capacities and usage of all of Franchisee's Facilities.

18.5 PUBLIC WORK PROJECTS. Upon the City's request, in connection with the design of any public works project, Franchisee shall verify the location of its underground Facilities within the Franchise Area in accordance with the requirements of applicable law, and may, in the City's discretion, excavate (e.g. pothole) to locate such Facilities, at no expense to the City, except where required by PUCN tariffs. In the event Franchisee performs such excavation, the City shall not require any restoration of the disturbed area in excess of restoration to the same condition as existed immediately prior to the excavation.

18.6 USE OF DRAWINGS. Any drawings and/or information concerning the location of Franchisee's Facilities provided by Franchisee shall be used by the City solely for management of the Franchise Area, exercising due care for Franchisee's safety and security concerns.

18.7 REQUIREMENT TO DISCLOSE LOCATION OF UTILITY FACILITIES. Notwithstanding the foregoing, nothing in this Section 18 is intended (nor shall be construed) to relieve either party of its respective obligations arising under applicable law with respect to determining the location of utility facilities.

Section 19. Service Interruption.

Whenever it is necessary to shut off or interrupt services for the purposes of installing, maintaining, or using any of its Facilities, Franchisee shall do so at such time as will cause the least amount of inconvenience to its customers, and unless such interruption is unforeseen and immediately necessary, it shall comply with all requirements set by the PUCN regarding service interruptions, including, if applicable, notice to its customers.

Section 20. Right of Acquisition.

This Agreement shall not in any way or to any extent impair or affect the right of the City to acquire the property of Franchisee, either by purchase or through the exercise of eminent domain, and nothing herein contained shall be construed to contract away, modify, or abridge the City's right to exercise the power of eminent domain.

Section 21. Transfers and Assignments.

The following conditions for transfer or assignment of this Agreement and the Franchise shall apply:

(A) Franchisee must give written notice to the City of its intent to sell, transfer, assign, lease or otherwise dispose of, in whole or in part, voluntary or involuntary, any of the rights, privileges, permission, or authority granted pursuant to the provisions of this Agreement.

(B) The intended buyer, transferee, assignee or lessee must hold a valid, unexpired City business license and furnish the same information required of other franchise applicants pursuant to the City Charter and City Code.

(C) If Franchisee holds a certificate of convenience and necessity issued by the PUCN, and transfer or assignment of its certificate of public convenience and necessity has been approved by the PUCN, the Franchise may be transferred or assigned to the same person to whom the certificate of public convenience and necessity was transferred or assigned, or to such other person as approved by the PUCN, without the prior approval of the City Council, except that the transferee or assignee must obtain a valid City business license pursuant to the City Code within thirty (30) days of the transfer or assignment, and Franchisee and its transferee or assignee must provide a notarized document to the City Manager acknowledging the transfer or assignment and the assumption by the transferee or assignee of all terms and conditions of this Agreement, including all obligations and/or defaults under this Agreement occurring prior to the transfer (whether known or unknown), signed by Franchisee's and its transferee's or assignee's respective officers duly authorized to do so, on a form approved by the City Manager.

Section 22. Violation; Default; Remedies; Liquidated Damages.

22.1 VIOLATION. This Franchise is granted upon each and every condition herein, and each of the conditions is a material and essential condition to the granting of this Franchise. Except for causes beyond the reasonable control of Franchisee, if Franchisee fails to comply with any of the conditions and obligations imposed hereunder the City shall deliver to Franchisee a reasonably detailed written notice describing the violation on the part of the Franchisee. If Franchisee fails to correct such defect within thirty (30) days, the City shall have the right to terminate this Agreement, in addition to any other rights or remedies set forth in this Agreement or provided by law.

22.2 CONDITIONS BEYOND REASONABLE CONTROL OF FRANCHISEE. If the nature of the violation is such that it cannot be fully cured within thirty (30) days, the period of time for Franchisee to cure the violation is extended for such additional time reasonably necessary to complete the cure, provided that: (1) Franchisee promptly begins its efforts to cure, and (2) Franchisee diligently pursues its efforts to cure.

22.3 LIQUIDATED DAMAGES. If a violation has not been cured within the time allowed under Subsections 22.1 or 22.2, Franchisee shall be liable for liquidated damages as follows:

(a) Failure to comply with the City's requirements concerning the usage of the City's Rights-of-Way: FIVE HUNDRED DOLLARS ($500.00) per day, and for each day such failure continues.

(b) Failure to comply with any other provisions of this Agreement, including but not limited to failure to promptly provide data, documents, reports or information to the City, or to provide insurance or security for the performance of Franchisee's obligations hereunder: TWO HUNDRED AND FIFTY DOLLARS ($250.00) per day, and for each day such failure continues.

22.4 NOT EXCLUSIVE REMEDY. No provision in this Agreement made for the purpose of securing enforcement of the terms and conditions of this Agreement shall be deemed an exclusive remedy or to afford the exclusive procedure for the enforcement of said terms and conditions, but the remedies herein provided are deemed to be cumulative.

22.5 WAIVER. The City reserves the right to waive any specific breach of the terms and conditions imposed by this Agreement, and such waiver shall not be deemed to be continuous with respect to any future breaches on the part of Franchisee.

22.6 DENIAL OF PERMITS. When in default of this Agreement, Franchisee may be denied further encroachment, excavation or similar permits until such time as Franchisee comes in compliance.

Section 23. **Indemnification and Hold Harmless.**

23.1 INDEMNIFY / DEFEND / HOLD HARMLESS. Franchisee, for itself and its agents, employees, subcontractors, and the agents and employees of any subcontractors, shall, at its own expense and throughout the term of this Agreement, indemnify, defend, and hold harmless the City, and any of its elected or appointed officers and employees, from any and all claims, demands, actions, damages, decrees, judgments, attorney fees, costs, and expenses which the City, or such elected or appointed officers or employees, may suffer, or which may be recovered from, or obtainable against the City, or such elected or appointed officers or employees, as a result of, by reason of, or arising out of the installation, use, or maintenance by Franchisee of its Electrical Distribution System, or the exercise by Franchisee of any or all of the rights, privileges, permission, and authority conferred herein, or as a result of any alleged act or omission on the part of Franchisee in performing or failing to perform any of its obligations under this Agreement. Franchisee is not, however, liable and is not required to indemnify or hold harmless the City for any damages caused by the negligence of any agents, servants and/or employees of the City.

23.2 RISKS ASSOCIATED WITH OPERATION OF FRANCHISEE'S FACILITIES / LIABILITY LIMITS. Franchisee shall assume all risks in its operations of Facilities and shall be solely responsible and answerable for any and all injuries to persons or property arising out of the existence or performance of this Agreement. The amounts and types of required insurance coverages, as set forth in this Agreement, shall in no way be construed as limiting the scope of indemnity or liability set forth in this Section.

23.3 RECOURSE FOR LOSS. Franchisee shall have no recourse whatsoever against the City for any loss, cost, expense, or damage arising out of the enforcement or lack of enforcement of any provision or requirement of the City Code or this Agreement.

23.4 DAMAGES RELATED TO UNTIMELY REMOVAL / RELOCATION. Franchisee shall indemnify, hold harmless, and defend the City, its elected or appointed officers and employees from claims for damages asserted by third parties against the City, including but not limited to costs, expenses, fees, and the actual amount of damage asserted by third parties, arising from delays of reconstruction, removal, or relocation work of Franchisee, beyond the time period provided for completion of such work by this Agreement.

23.5 NOTICE OF CLAIM / TERMINATION OF CLAIM. In the event a claim against Franchisee and the City is received first by the City, the City will promptly notify Franchisee of such claim. The parties will fully cooperate with each other in defense of such claim. The City will not settle or otherwise compromise any claim covered by Franchisee's indemnity without Franchisee's written consent. Any claim against the City which is covered by this Section which is settled or compromised by Franchisee shall contain written provisions in

such settlement or compromise terminating with prejudice such claim against the City.

23.6 The following procedures shall apply to all claims for indemnification under this Section 23.

(a) If the City receives notice of or otherwise has actual knowledge of a claim which it believes is within the scope of indemnification owed to it under this Section 23 by Franchisee, it shall by writing as soon as practicable:

(i) Inform the Franchisee of such claim;

(ii) Send to Franchisee a copy of all written materials the City has received asserting such claims; and

(iii) Notify Franchisee that either (1) the defense of such claims is being tendered to the Franchisee or (2) the City has elected to conduct its own defense for a reason set forth in Subsection 23.6 (e) below.

(b) If the insurer under any applicable insurance policy accepts tender of defense, the Franchisee and the City shall cooperate in the defense as required by the insurance policy. If no defense is provided by insurers under potentially applicable insurance policies, then Subsections 23.6 (c), (d), (e) and (f) below shall apply.

(c) If the defense is tendered to the Franchisee, it shall within 45 days of said tender deliver to the City a written notice stating that the Franchisee:

(i) Accepts the tender of defense and confirms that the claims are subject to full indemnification hereunder without any "reservation of rights" to deny or disclaim full indemnification thereafter;

(ii) Accepts the tender of defense but with a "reservation of rights" in whole or in part; or

(iii) Rejects the tender of defense if it reasonably determines it is not required to indemnify against the claims under this Section 23.

If such notice is not delivered within such 45 days, the tender of defense shall be deemed rejected.

(d) If the City gives notice under Subsection 23.6 (a)(iii)(1) above, the Franchisee shall have the right to select legal counsel for the City, and the Franchisee shall otherwise control the defense of such claims, including settlement, and bear the fees and costs of defending and settling such claims. During such defense:

(i) The Franchisee shall at the Franchisee's expense, fully and regularly inform the City of the progress of the defense and of any settlement discussions; and

(ii) The City shall, at the Franchisee's expense, (1) fully cooperate in said defense, (2) provide to the Franchisee all materials and access to personnel it requests as necessary for defense, preparation and trial and which or who are under the control of or reasonably available to the City, and (3) maintain the confidentiality of all communications between it and the Franchisee concerning such defense.

(e) City shall be entitled to select its own legal counsel and otherwise control the defense of such claims if:

(i) The defense is tendered to the Franchisee and it refuses the tender of defense, or fails to accept such tender within 45 days, or reserves any right to deny or disclaim such full indemnification thereafter; or

(ii) City, at the time it gives notice of the claims or at any time thereafter, reasonably determines that (1) a conflict exists between it and the Franchisee which prevents or potentially prevents the Franchisee from presenting a full and effective defense, (2) the Franchisee is otherwise not providing an effective defense in connection with the claims or (3) the Franchisee lacks the financial capacity to satisfy potential liability or to provide an effective defense.

(iii) City may assume its own defense pursuant to this Subsection 23.6 (e) by delivering to the Franchisee written notice of such election and the reasons therefor. A refusal of, or failure to accept, a tender of defense may be treated by City as claims against the Franchisee.

(f) If City is entitled and elects to conduct its own defense pursuant hereto, all reasonable costs and expenses it incurs in investigating and defending claims for which it is entitled to indemnification hereunder shall be reimbursed by the Franchisee on a current basis. In the event the City is entitled to and elects to conduct its own defense, then it shall have the right to settle or compromise the claims with the Franchisee's prior written consent, which shall not be unreasonably withheld or delayed, or with approval of the court, and with the full benefit of the Franchisee's indemnity.

Section 24. Insurance.

24.1 SECURING AND MAINTAINING INSURANCE. Franchisee shall procure and maintain for the duration of the Franchise insurance against all claims for injuries

to persons or damages to property which may arise from or in connection with the exercise of the rights, privileges and authority granted hereunder to Franchisee, its agents, representatives or employees.

24.2 PROOF OF INSURANCE / POLICY LIMITS. Franchisee shall provide evidence of an insurance certificate, together with an endorsement naming the City, its elected and appointed officers and employees as additional insureds, to the City for its inspection prior to the commencement of any work or installation of any Facilities pursuant to this Agreement or not later than ten (10) days after approval of this Agreement by the City Council, whichever comes sooner, and such insurance certificate shall evidence the following minimum coverages:

(a) General liability insurance, with minimum limits of FIVE MILLION DOLLARS ($5,000,000.00) per occurrence, which includes coverage for products liability, completed operations, blanket contractual liability and broad form property damage, including but not limited to coverage for explosion, collapse and underground hazard;

(b) Automobile liability insurance, with a minimum combined single limit occurrence of FIVE MILLION DOLLARS ($5,000,000.00), and which includes coverage for non-owned and hired automobile liability. Automobile liability insurance may be included as part of the general liability insurance; and

(c) Workers' compensation insurance in accordance with NRS Chapters 616A, 616B, 616C, 616D and 617.

24.3 SINGLE PRIMARY / UMBRELLA POLICY. The minimum limits may be provided for through a single primary insurance policy providing such coverage or through addition of an umbrella policy written in excess of the general liability and automobile liability policies.

24.4 CERTIFICATE OF INSURANCE REQUIREMENTS. Any certificate of insurance required by this Section 24 shall provide that:

"The described policies and coverages in this certificate will not be canceled or modified before the expiration date thereof, without the issuing company giving sixty (60) days written notice to the certificate holder and those named as additional insureds."

In the event of said cancellation, modification or intent not to renew, Franchisee shall obtain and furnish to the City evidence of replacement insurance policies meeting the requirements of this Section 24 by the cancellation or modification date.

24.5 CLAIMS-MADE FORM. If insurance coverage is obtained on a claims-made form, Franchisee shall provide proof of coverage for "prior acts" and proof of coverage for claims reported within two years of any occurrence.

24.6 POLICY LIMIT INCREASES. The insurance policy limits required by this Section 24 shall be adjusted every five (5) years after the Effective Date of this Agreement based upon the percentage of change in the CPI-U. Policy limits changes shall be effective as of July 1 following the fifth, tenth, and fifteenth anniversary dates of this Agreement, and shall be based upon the percentage change in the CPI-U for the preceding five calendar years.

24.7 COMPLIANCE WITH STATE REQUIREMENTS. All primary and excess insurance obtained for meeting the requirements of this Section 24 must be provided in compliance with NRS Title 57, and any commercial insurance carrier providing any required coverage must have an A.M. Best rating of A-VII or higher.

Section 25. Security for Performance.

25.1 CASH DEPOSIT / PLEDGE OF CERTIFICATE OF DEPOSIT / LETTER OF CREDIT / PERFORMANCE BOND. No later than ten (10) days after approval of this Agreement by the City Council, Franchisee, as security for compliance with the terms of this Agreement and applicable City Code provisions, shall provide security to the City in the form of either cash deposited with the City Manager, or an irrevocable pledge of certificate of deposit, an irrevocable letter of credit, or a performance bond, payable in each instance to the City, in an amount of FIVE HUNDRED THOUSAND DOLLARS ($500,000.00), to remain in full force and effect for the term of this Agreement, any or all of which may be claimed by the City as payment for fees, liquidated damages and penalties, and to recover losses resulting to the City from Franchisee's failure to perform its duties pursuant to this Agreement.

25.2 BOND CONDITIONS. If bonds are used to satisfy these security requirements, they shall be in accordance with the following:

(a) All bonds shall, in addition to all other costs, provide for payment of reasonable attorneys' fees.

(b) All bonds shall be issued by a surety company authorized to do business in the State of Nevada, and which is listed in the U.S. Department of the Treasury Fiscal Service (Department Circular 570, Current Revision): companies holding certificates of authority as acceptable sureties on federal bonds and as acceptable reinsuring companies.

(c) Franchisee shall require the attorney-in-fact who executes the bonds on behalf of the surety to affix thereto a certified and current copy of his or her power of attorney.

(d) All bonds shall guarantee the performance of all of Franchisee's obligations under this Agreement and all applicable laws.

25.3 REPLENISH SECURITY. If at any time the City draws upon such performance security, Franchisee shall within thirty (30) days of notice from the City replenish such performance security to the original minimum amount required by this Section 25.

25.4 ADJUSTMENT OF BOND AMOUNT. The bond amount required by this Section 25 shall be adjusted every five (5) years after the Effective Date of this Agreement based upon the percentage of change in the CPI-U. Bond amount changes shall be effective as of July 1 following the fifth, tenth, and fifteenth anniversary dates of this Agreement, and shall be based upon the percentage change in the CPI-U for the preceding five calendar years.

Section 26. **Accounts; Records; Reports; Investigations; Late Payment Penalty.**

26.1 RECORD KEEPING. Franchisee shall at all times maintain complete and accurate books of account and records regarding Franchisee and operation of its System, including, without limitation, chart of accounts, account summary detail, books of account and records adequate to enable Franchisee to demonstrate that at all times it has been in compliance with the Franchise Agreement. The City shall have the right to inspect, copy and audit the following at any time during normal business hours, and after giving reasonable advance notice of not less than fifteen (15) business days, at Franchisee's office in the greater Las Vegas Valley: all books, receipts, as-built maps, financial statements, contracts, records of requests for service, computer records, legends, or any other records used in the normal course of business and disks or other storage media and other like material which are appropriate in order to monitor compliance with the terms of this Agreement. This includes not only the books and records of Franchisee, but any books and records, to the extent such books or records relate to a larger system of Franchisee's affiliates, and upon a showing by the City that such affiliates' records are necessary to monitor compliance with this Agreement. Franchisee is responsible for collecting the information and producing it at the location specified above, and by accepting this Franchise it affirms that it can and will do so. Franchisee may request that the inspection take place at some other location, provided that: (1) Franchisee must make necessary arrangements for copying documents selected by the City after review; (2) Franchisee must pay all travel and additional copying expenses incurred by the City in inspecting those documents or having those documents inspected by its designee; (3) Franchisee shall maintain financial records that allow analysis and review of its Gross Revenue within the Franchise Area; and (4) access to Franchisee's records shall not be denied by Franchisee for any reason, including alleged proprietary information.

26.2 GROSS REVENUE REPORTS. Franchisee shall submit quarterly reports of Gross Revenue in such form as may be agreed to by City and Franchisee. Franchisee agrees to cooperate with City to develop such reporting forms in such formats as will provide the City with usable information regarding usage and revenue trends and patterns, and that do not require Franchisee to incur an unreasonable level of expenses to develop and implement.

26.3 RECORD RETENTION. Franchisee shall maintain such records as required by NRS 364.210 and keep said records once an audit is commenced until completion of the audit.

26.4 RECORD REQUESTS BY CITY. Franchisee shall provide records within fifteen (15) business days of a request by the City for production of the same unless the City agrees to additional time. Failure to provide records in a timely manner shall subject Franchisee to liquidated damages under Section 22. If any person other than Franchisee maintains records on Franchisee's behalf, Franchisee shall be responsible for making such records available to the City for auditing purposes pursuant to this Section.

26.5 AUDIT EXPENSE / ADDITIONAL PAYMENTS BASED ON AUDIT FINDINGS. The City's audit expenses shall be borne by the City unless the audit discloses an underpayment in excess of five percent (5%) of the amount paid during the audit period, in which case the costs of the audit shall be borne by Franchisee as a cost incidental to the enforcement of the Franchise. The City may recompute any amounts determined to be payable under this Agreement based on this audit findings. Any additional amount due to the City shall be paid within thirty (30) days following written notice to Franchisee by the City, and such delinquent amount shall be subject to a penalty of 2% simple interest a month on the unpaid balance, computed from the date the fees were due. Penalties and interest shall not be included in the determination of responsibility for audit costs.

26.6 CITY'S REQUEST FOR ADDITIONAL INFORMATION. The City may require such additional information, records, and documents from Franchisee from time to time as are appropriate and reasonable in order to monitor compliance with the terms of this Agreement.

Section 27. Conservation.

The City and Franchisee mutually recognize the desirability of and the benefits that accrue to the citizens of the City from of the wise, efficient use of electrical energy. The City and Franchisee therefore agree to work cooperatively for greater energy efficiency within the City for City facilities and for the citizens of the City. Franchisee will work with the City to support the City's Green Building Program and to make available to the City all conservation, renewable energy, and distributed energy programs offered by Franchisee, subject to available budgets and on a non-preferential basis, for City facilities. The City will cooperatively work with Franchisee to promote the benefits of Franchisee's conservation, renewable energy, and distributed energy programs to the citizens of the City.

Section 28. Severability.

If any section, subsection, sentence, clause, phrase, or other portion of this Agreement is, for any reason, declared invalid, in whole or in part, by any court, agency, commission, legislative body, or other authority of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent portion. Such declaration shall not affect the validity of the

remaining portions hereof, which other portions shall continue in full force and effect. In the event of a subsequent change in applicable law so that the provision which had been held invalid is no longer invalid, said provision shall thereupon return to full force and effect without further action by the parties and shall thereafter be binding on Franchisee and the City. If the terms of this Agreement are materially altered due to changes in or rulings regarding governing law, then the parties agree to negotiate in good faith to amend this Agreement so as to restore the original intent of Franchisee and City and preserve the benefits bargained for by each party.

Section 29. No Third Party Beneficiary.

It is not intended by any of the provisions of this Agreement to create for the public, or any member thereof, a third-party beneficiary right or remedy, or to authorize anyone to maintain a suit for personal injuries or property damage pursuant to the provisions of this Agreement. The duties, obligations, and responsibilities of the City with respect to third parties shall remain as imposed by Nevada law.

Section 30. Effect of Compliance Inspections.

Any inspections or subsequent approvals undertaken by the City pursuant to this Agreement are undertaken solely to ensure compliance with this Agreement and are not undertaken for the safety or other benefit of any individual or group of individuals as members of the public. Provisions of the City Code dealing with inspection or approval by the City do not expand the City's general law duties, nor does any inspection or approval by the City reduce or eliminate any liability of Franchisee.

Section 31. Notice to the Parties.

Unless otherwise expressly stated herein, all notices shall be in writing and shall be sufficiently given and served upon the other party by personal service or by registered or certified mail, return receipt requested, postage prepaid, and addressed as follows:

FRANCHISING AUTHORITY:	City of Las Vegas City Manager's Office 400 Stewart Avenue, 8th Floor Las Vegas, NV 89101
With Copy to:	City of Las Vegas City Attorney's Office 400 Stewart Avenue, 9th Floor Las Vegas, NV 89101
FRANCHISEE:	Nevada Power Company P. O. Box 98910 Attn: Governmental Affairs MS29 Las Vegas, Nevada 89151-0001

Section 32. Force Majeure.

The time within which Franchisee shall be required to perform any act under this Agreement shall be extended by a period of time equal to the number of days performance is delayed due to force majeure, and Franchisee shall not be subject to any penalty hereunder because of acts or failure to act due to force majeure. The term force majeure shall mean delays due to acts of God, fire, unavoidable casualty, construction delays due to weather, failure of suppliers, or for other similar causes beyond the control of Franchisee, but does not include civil disturbances.

Section 33. Construction of Agreement.

The terms and provisions of this Agreement shall not be construed strictly in favor of or against either party, regardless of which party drafted any of its provisions. This Agreement shall be construed in accordance with the fair meaning of its terms.

Section 34. Regulation of Rates and Service.

Franchisee shall maintain and operate its Facilities and render efficient service in accordance with the rates, rules, tariffs, and regulations prescribed by the PUCN.

Section 35. Franchise Has No Monetary Value.

The acceptance of the Franchise granted herein shall be deemed to be an arrangement on the part of Franchisee to place no monetary value upon the Franchise in the event that any property of Franchisee is obtained by the City through legal right of condemnation or by other legal means.

Section 36. Law Governing.

This Agreement and the Franchise granted herein will be governed by the laws of the State of Nevada with respect to both their interpretation and performance.

Section 37. Binding Effect.

All of the rights and obligations under this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted transferees and assigns.

Section 38. Compliance with Federal, State and Local Laws / Police Power.

Franchisee shall at all times comply with all applicable federal, state and local laws, rules and regulations, including all ordinances, rules or regulations adopted in the future by the City.

Section 39. Transfer of Authority by City Council.

Any right or power in, or duty impressed upon any officer or employee of the City by virtue of this Agreement shall be subject to transfer by the City Council to any other officer or employee of the City.

Section 40. Section and Paragraph Headings.

The headings of the sections and paragraphs of this Agreement are for convenience of reference only and are not intended to restrict, affect or be of any weight in the interpretation or construction of the provisions of such sections or paragraphs.

Section 41. Survival of Provisions.

All provisions, conditions and requirements of this Agreement that may be reasonably construed to survive the termination or expiration of this Agreement shall survive the termination or expiration of this Agreement, including, but not limited to, all of Franchisee's indemnification obligations under Section 23 of this Agreement.

Section 42. Time of the Essence.

The parties agree that time is of the essence with regard to the performance of Franchisee's obligations under this Agreement.

Section 43. Gifts.

No officer or employee of Franchisee shall offer to any officer or employee of the City, either directly or indirectly, any rebate, contribution, gift, money, service without charge, or other thing of value whatsoever, unless permitted by law and given with the consent and approval of the City, except where given for the use and benefit of the City. The provisions of this Section 43 requiring consent and approval of the City does not apply to campaign contributions.

Section 44. Additional Representations and Warranties.

In addition to the representations, warranties, and covenants of Franchisee to the City set forth elsewhere herein, Franchisee represents and warrants to the City and covenants and agrees (which representations, warranties, covenants and agreements shall not be affected or waived by any inspection or examinations made by or on behalf of the City) that as of the Effective Date of this Agreement:

(A) Franchisee is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and is duly authorized to do business in the State of Nevada and in the Franchise Area.

(B) Franchisee is in substantial compliance with all laws, ordinances, decrees and governmental rules and regulations applicable to the System and has obtained all

government licenses, permits, and authorizations necessary for the operation and maintenance of the Facilities.

Section 45. Disclosure of Principals.

Pursuant to Resolution R-79-99 adopted by the City Council effective October 1, 1999, and amendments thereto by the City Council on November 17, 1999, Franchisee warrants that it has disclosed, on the form attached hereto as Exhibit A, all principals, including partners, of Franchisee, as well as all persons and entities holding more than 1% interest in Franchisee or any principal of Franchisee. If Franchisee, principals, or partners described above are required to provide disclosure under federal law (such as disclosure required by the Securities and Exchanges Commission (SEC) or the Employee Retirement Income Security Act ("ERISA")), and attaches current copies of such federal disclosures to Exhibit A, the requirement of this Section shall be satisfied. Throughout the term hereof, Franchisee shall within ten (10) days notify City in writing of any material change in the above disclosure. Copies of new federal disclosure filings shall also be sent to the City within ten (10) days of any such filing.

IN WITNESS WHEREOF, the parties hereto have set their hands as of the Effective Date set forth in Section 2.

CITY OF LAS VEGAS, NEVADA,
a municipal corporation,

by: _____
~~Oscar B. Goodman, Mayor~~
Gary Reese, Mayor Pro-Tem

ATTEST:

_____
City Clerk

Approved as to form:

_____ 12-12-06
Date

NEVADA POWER COMPANY,
a Nevada corporation,

by: _____
Jeff Ceccarelli, Corporate Senior Vice President, Service Delivery and Operations

Approved as to form:

_____ 12/12/06
Date

Exhibit "A"

CERTIFICATE
DISCLOSURE OF OWNERSHIP/PRINCIPALS

1. Definitions

"City" means the City of Las Vegas.

"City Council" means the governing body of the City of Las Vegas.

"Contracting Entity" means the individual, partnership, or corporation seeking to enter into a contract or agreement with the City of Las Vegas.

"Principal" means, for each type of business organization, the following: (a) sole proprietorship – the owner of the business; (b) corporation – the directors and officers of the corporation; but not any branch managers of offices which are a part of the corporation; (c) partnership – the general partner and limited partners; (d) limited liability company – the managing member as well as all the other members.

2. Policy

In accordance with Resolution 79-99 and 105-99 adopted by the City Council, Contracting Entities seeking to enter into certain contracts or agreements with the City of Las Vegas must disclose information regarding ownership interests and principals. Such disclosure generally is required in conjunction with a Request for Proposals (RFP). In other cases, such disclosure must be made prior to the execution of a contract or agreement.

3. Instructions

The disclosure required by the Resolutions referenced above shall be made through the completion and execution of this Certificate. The Contracting Entity shall complete Block 1, Block 2, and Block 3. The Contracting Entity shall complete either Block 4 or its alternate in Block 5. Specific information, which must be provided, is highlighted. An Officer or other official authorized to contractually bind the Contracting Entity shall sign and date the Certificate, and such signing shall be notarized.

4. Incorporation

This Certificate shall be incorporated into the resulting contract or agreement, if any, between the City and the Contracting Entity. Upon execution of such contract or agreement, the Contracting Entity is under a continuing obligation to notify the City in writing of any material changes to the information in this Certificate. This notification shall be made within fifteen (15) days of the change. Failure to notify the City of any material change may result, at the option of the City, in a default termination (in whole or in part) of the contract or agreement, and/or a withholding of payments due the Contracting Entity.

Block 1	**Contracting Entity**
Name	Nevada Power Company
Address	6226 W. Sahara Ave. Las Vegas, NV 89146
Telephone	702-367-5000
EIN or DUNS	00-697-1006

Block 2	**Description**
Subject Matter of Contract/Agreement:	Utility Franchise Agreement
RFP #:	

Block 3	**Type of Business**

☐ Individual ☐ Partnership ☐ Limited Liability Company ☒ Corporation

CERTIFICATE – DISCLOSURE OF OWNERSHIP/PRINCIPALS (CONTINUED)

Block 4 **Disclosure of Ownership and Principals**

In the space below, the Contracting Entity must disclose all principals (including partners) of the Contracting Entity, as well as persons or entities holding more than one-percent (1%) ownership interest in the Contracting Entity.

	FULL NAME/TITLE	BUSINESS ADDRESS	BUSINESS PHONE
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

The Contracting Entity shall continue the above list on a sheet of paper entitled "Disclosure of Principals – Continuation" until full and complete disclosure is made. If continuation sheets are attached, please indicate the number of sheets: _____

Block 5 **Disclosure of Ownership and Principals - Alternate**

If the Contracting Entity, or its principals or partners, are required to provide disclosure (of persons or entities holding an ownership interest) under federal law (such as disclosure required by the Securities and Exchange Commission or the Employee Retirement Income Security Act), a copy of such disclosure may be attached to this Certificate in lieu of providing the information set forth in Block 4 above. A description of such disclosure documents must be included below.

Name of Attached Document: 2005 Sierra Pacific Resources Form 10-K (see pgs. 3, 188-190)
Date of Attached Document: March 6, 2006

EP 12.12.06

I certify, under penalty of perjury, that all the information provided in this Certificate is current, complete, and accurate. I further certify that I am an individual authorized to contractually bind the above named Contracting Entity.

GENI LYNN OUSLEY
Notary Public State of Nevada
No. 91-2101-1
My appt. exp. Apr. 5, 2009

Name

12/12/06
Date

Subscribed and sworn to before me this 12 day of December, 2006.

Notary Public

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2005

Commission File Number	Registrant, Address of Principal Executive Offices and Telephone Number	I.R.S. Employer Identification Number	State of Incorporation
1-08788	SIERRA PACIFIC RESOURCES P.O. Box 30150 (6100 Neil Road) Reno, Nevada 89520-3150 (89511) (775) 834-4011	88-0198358	Nevada
2-28348	NEVADA POWER COMPANY 6226 West Sahara Avenue Las Vegas, Nevada 89146 (702) 367-5000	88-0420104	Nevada
0-00508	SIERRA PACIFIC POWER COMPANY P.O. Box 10100 (6100 Neil Road) Reno, Nevada 89520-0024 (89511) (775) 834-4011	88-0044418	Nevada

(Title of each class)	(Name of exchange on which registered)
Securities registered pursuant to Section 12(b) of the Act:	
Securities of Sierra Pacific Resources:	
Common Stock, $1.00 par value	**New York Stock Exchange**
7.803% Senior Notes Due 2012	**New York Stock Exchange**
Securities of Nevada Power Company and subsidiaries:	
8.2% Cumulative Quarterly Income Preferred Securities, Series A, issued by NVP Capital I	**New York Stock Exchange**
7 3/4% Cumulative Quarterly Trust Issued Preferred Securities, issued by NVP Capital III	**New York Stock Exchange**
Securities registered pursuant to Section 12(g) of the Act:	
Securities of Sierra Pacific Power Company:	
Class A Preferred Stock, Series I, $25 stated value	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:
Sierra Pacific Resources Yes ☒ No ☐ Nevada Power Company Yes ☐ No ☒ Sierra Pacific Power Company Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether each of the registrants (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether any registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act).

Sierra Pacific Resources:	Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐
Nevada Power Company:	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒
Sierra Pacific Power Company:	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒ (Response applicable to all registrants)

State the aggregate market value of Sierra Pacific Resources' common stock held by non-affiliates. As of June 30, 2005: $ 1,458,239,815

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Common Stock, $1.00 par value, of Sierra Pacific Resources outstanding at March 1, 2006: 200,879,752 Shares

Sierra Pacific Resources is the sole holder of the 1,000 shares of outstanding Common Stock, $1.00 stated value, of Nevada Power Company.

Sierra Pacific Resources is the sole holder of the 1,000 shares of outstanding Common Stock, $3.75 par value, of Sierra Pacific Power Company.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of Sierra Pacific Resources' definitive proxy statement to be filed in connection with the annual meeting of shareholders, to be held May 1, 2006, are incorporated by reference into Part III hereof.

This combined Annual Report on Form 10-K is separately filed by Sierra Pacific Resources, Nevada Power Company and Sierra Pacific Power Company. Information contained in this document relating to Nevada Power Company is filed by Sierra Pacific Resources and separately by Nevada Power Company on its own behalf. Nevada Power Company makes no representation as to information relating to Sierra Pacific Resources or its subsidiaries, except as it may relate to Nevada Power Company.

Information contained in this document relating to Sierra Pacific Power Company is filed by Sierra Pacific Resources and separately by Sierra Pacific Power Company on its own behalf. Sierra Pacific Power Company makes no representation as to information relating to Sierra Pacific Resources or its subsidiaries, except as it may relate to Sierra Pacific Power Company.

FORWARD LOOKING STATEMENTS

The discussion of forward looking statements in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, is incorporated herein by reference.

PART I

ITEM 1. BUSINESS

SIERRA PACIFIC RESOURCES

Sierra Pacific Resources (SPR) is an investor-owned holding company that was incorporated under Nevada law on December 12, 1983. The company's stock is traded on the New York Stock Exchange under the symbol "SRP". SPR's mailing address is P.O. Box 30150 (6100 Neil Road), Reno, Nevada 89520-3150 (89511).

SPR has six primary, wholly-owned subsidiaries: Nevada Power Company (NPC), Sierra Pacific Power Company (SPPC), Tuscarora Gas Pipeline Company (TGPC), Sierra Pacific Communications (SPC), Sierra Pacific Energy Company (SPE), and Lands of Sierra (LOS). References to SPR refer to the consolidated entity, except where the context provides otherwise. NPC and SPPC are referred to collectively in this report as the "Utilities."

The Utilities operate three regulated business segments, as defined by FASB Statement No. 131, *Disclosure about Segments of an Enterprise and Related Information*: NPC electric; SPPC electric; and SPPC natural gas service. Electric service is provided to Las Vegas and surrounding Clark County, northern Nevada and the Lake Tahoe area of California. Natural gas services are provided in the Reno-Sparks area of Nevada. The Utilities are the major contributors to SPR's financial position and results of operations. Other subsidiaries either do not meet or are below the quantitative threshold for separate segment disclosure and are combined under "all other" in the following pages. Parenthetical references are included after each major section title to identify the specific entity or entities addressed in the section. See Note 2, Segment Information of the Notes to Financial Statements, for further discussion.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) Directors

The following is a listing of all the current directors of SPR, NPC, and SPPC, and their ages. There are no family relationships among them. Directors serve three-year terms with three (or four) terms of office expiring at each Annual Meeting, or until their successors have been elected and qualified.

Directors whose terms expire in 2006:

Mary Lee Coleman, 69

President of Coleman Enterprises, a developer of shopping centers and industrial parks. She is also a director of First Dental Health, Inc.. Ms. Coleman has served as a Director of NPC since 1980, and was elected a Director of SPR and SPPC in July 1999.

Theodore J. Day, 56

Chairman of Dacole Company, an investment firm, and President of Nevada Superior, Inc., a mining company. Formerly Senior Partner of Hale, Day, Gallagher Company, a real estate brokerage and investment firm. Mr. Day has served as a Director of SPPC since 1986, of SPR since 1987, and was elected a Director of NPC in July 1999. He is also a Director of the W.M. Keck Foundation, the W.K. Day Foundation, the Boy Scouts of America, Nevada Area Council, the Reno Air Race Association, Sierra Nevada College, Western Exploration and Development, Ltd., and the National Cowboy and Western Heritage Museum.

Jerry E. Herbst, 68

Chief Executive Officer of Terrible Herbst, Inc., a gasoline retail company, since 1968. Mr. Herbst has served as a Director of SPR since 1990, and was elected a Director of SPR and SPPC in July 1999.

D. J. D. Snyder, 58

Mr. Snyder retired in March 2005, as President of Boyd Gaming, a gaming entertainment company. Previously, he was Chairman and CEO of First Interstate Bank of Nevada from 1987 to 1991. He is Chairman of the Las Vegas Performing Arts Center Foundation and Fremont Street Experience LLC. He is Director of BankWest of Nevada, Western Alliance Bancorporation, Cash Systems, Inc., Nathan Adelson Hospice, the Nevada Development Authority, University of Nevada Las Vegas Foundation, and Tournament Players Club at Summerlin. Mr. Snyder was elected a Director of SPR, SPPC and NPC in November, 2005.

Directors whose terms expire in 2007:

James R. Donnelley, 70

Partner, Stet and Query, Ltd., a family-owned investment company, since June 2000. He retired from R.R. Donnelley & Sons Company in June 2000, where he served as Vice Chairman of the Board from July 1990 to June 2000 and as a Director from 1976 to May 2005. He is also a Director of PMP Limited, and Chairman of National Merit Scholarship Corporation. Mr. Donnelley has served as a Director of SPR since 1987, of SPPC since 1992, and was elected a Director of NPC in July 1999.

Walter M. Higgins, 61

Chairman, President and Chief Executive Officer of SPR and Director and Chief Executive Officer of NPC and SPPC since August 2000. Mr. Higgins served as Chairman, President and Chief Executive Officer of AGL Resources, Inc., from January 1998 to August 2000. He is also a director of AEGIS Insurance Services, Inc., Edison Electric Institute, American Gas Institute, Desert Research Institute Foundation Board, Western Energy Institute and several not-for-profit organizations.

John O'Reilly, 60

Chairman and Chief Executive Officer of the law firm of O'Reilly Law Group LLC and John F. O'Reilly, APC, Chairman and an Officer and/or a Board member of various family-owned business entities and related investments and businesses. He serves as a Director of the Community Board of Wells Fargo Bank Nevada, N.A., Director of Herbst Gaming, Inc., UNLV Foundation, Nevada Development Authority, Advisory Board of Boys and Girls Clubs of Las Vegas, a member of the Las Vegas Chamber of

Commerce Government Affairs Committee, and is involved in various other capacities in other not-for-profit organizations, including Vision 2020, on which he serves as Chairman/CEO and Board member.

Directors whose terms expire in 2008:

Joseph B. Anderson, Jr., 63

Chairman and CEO of TAG Holdings, LLC. Mr. Anderson is on the Board of Rite Aid Corporation, Quaker Chemical Corporation and ArvinMeritor, Inc., the Board of Governors of the Center for Creative Leadership, and the Board of Trustees for the National Recreation Foundation. He is Director of the Original Equipment Suppliers Association and Director of the Society of Automotive Engineers Foundation. Mr. Anderson was elected as a Director of SPR, SPPC and NPC in February 2005.

Krestine M. Corbin, 68

President and Chief Executive Officer of Sierra Machinery, Incorporated, a machine tool manufacturing company, since 1984 and a director of that company since 1980. Ms. Corbin has served as a Director of SPR since 1989, of SPPC since 1992, and was elected a Director of NPC in July 1999.

Philip G. Satre, 56

Mr. Satre retired January 1, 2005, as Chairman of the Board, Harrah's Entertainment, Inc., a gaming entertainment company. Previously he was CEO of Harrah's Entertainment from 1993 to 2003. He is a Director of the National Center for Responsible Gaming, the Nevada Cancer Institute, TABCORP Holdings Limited (Australia), Nordstrom, Inc., and Rite Aid Corporation. He is a Trustee of Stanford University, The National D-Day Museum Foundation and the UC Davis School of Law Alumni Association Board. Mr. Satre was elected as a Director of SPR, SPPC, and NPC in January 2005.

Clyde T. Turner, 68

Owner and Manager of Turner Investments, a general-purpose investment company, Global Trust Ventures, LLC and Global Trust Ventures Management, LLC, Private Equity Fund and several special-purpose real estate development companies known as Spectrum Companies and TurnKee, Ltd. Mr. Turner is the retired Chairman and Chief Executive Officer of Mandalay Bay Resort & Casino. He was elected a Director of SPR, NPC, and SPPC in November 2001.

Messrs. Day and Higgins are Directors of Tuscarora Gas Pipeline Company; Mr. Higgins is a Director of Lands of Sierra, Inc., Great Basin Energy Company, Sierra Pacific Energy Company, Sierra Pacific Communications, Sierra Water Development Company, Sierra Gas Holdings Company, Piñon Pine Co. LLC, SPPC Funding LLC, and Nevada Electric Investment Co. All of the above-listed companies are subsidiaries of Sierra Pacific Resources, with the exception of Piñon Pine Co. LLC, and SPPC Funding LLC which are subsidiaries of Sierra Pacific Power Company and Nevada Electric Investment Co. which is a subsidiary of Nevada Power Company.

(b) Executive Officers

See Executive Officers of the Registrant immediately following Item 4.

(c) Although all outstanding shares of SPPC's common stock are held by SPR and it is SPR's common stock which is traded on the New York Stock Exchange, SPPC has one series of non-voting preferred stock outstanding and registered under the Securities Exchange Act of 1934 (the Act). As a technical matter, SPPC is thus deemed an "issuer" for purposes of the Act whose officers are required to make filings with respect to beneficial ownership, if any, of those non-voting preferred securities. SPPC's officers, all of whom are currently reporting pursuant to Section 16(a) of the Act with respect to SPR's common stock, have filed reports with respect to SPPC's preferred stock, which reports show no past or current beneficial ownership of such preferred stock.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, or the Exchange Act, requires that Directors, officers, and any holders of more than 10% of the Company's common stock file reports with the SEC disclosing ownership of the Company's stock and changes in beneficial ownership. Officers, Directors and 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To SPR's knowledge, based solely on review of the Company's records and written representations by persons required to file these reports, during 2005, all filing requirements under Section 16(a) were complied with in a timely fashion, except that Stephen R. Wood, an officer of SPR, filed on May 6, 2005 a Form 4 for a stock issuance related to restricted stock that had vested, which

report was due on April 8, 2005; each of Roberto R. Denis and Julian C. Leone, officers of the Company, filed on August 11, 2005, a Form 4 for stock issuance related to restricted stock that had vested, which reports were due on July 19, 2005 and June 16, 2005, respectively; each of T.J. Day and Clyde Turner, directors of the Company, filed on February 14, 2006 a Form 5 for stock deemed acquired, which reports were due on June 3, 2005; and each of Carolyn Barbash, Susan Brennan, John Brown, Jeff Ceccarelli, Roberto Denis, Julian Leone, Carol Marin, Donald Shalmy, Mary Simmons, Michael Smart, Stephen R. Wood and Michael Yackira, officers of the Company, filed on February 14, 2006, a Form 4 for options grants; which reports were due on February 9, 2005.

Audit Committee

The Audit Committee consists of the following individuals: Philip Satre, Krestine M. Corbin, Donald Snyder and Clyde T. Turner who are all independent as defined under applicable rules promulgated under the Exchange Act. The Board of Directors of SPR, NPC and SPPC have determined that Audit Committee member Clyde T. Turner is an "audit committee financial expert" as defined by the SEC.

Code of Ethics

SPR, NPC and SPPC have adopted a code of ethics that applies to its Chief Executive Officer, Chief Financial Officer and to its Controller. Printed copies of the code of ethics may be obtained free of charge by writing to SPR's Corporate Secretary at Sierra Pacific Resources, P.O. Box 30150, Reno, NV 89520-3150.