

**Appendix A**

**ARTICLES OF INCORPORATION**

**FOR**

**TALEGA-ESCONDIDO/VALLEY-SERRANO 500KV INTERCONNECT**

**PROJECT**



**APPENDIX A**

**ARTICLES OF INCORPORATION FOR  
TALEGA–ESCONDIDO/VALLEY–SERRANO 500KV INTERCONNECT  
PROJECT**

A copy of the Articles of Incorporation and certificate of good standing follow. TNHC (or a successor company) intends to own 100 percent (100%) of the assets comprising the project, and to recover the cost of those assets in transmission access charge administered by the CAISO.

Articles of Incorporation  
(PURSUANT TO NRS 78)  
STATE OF NEVADA

Filing Fec.  
Receipt #:

FEB 21 1997

No. C3507-97

STATE OF NEVADA  
Secretary of State

Dean Heller  
DEAN HELLER, SECRETARY OF STATE

IMPORTANT: Read instructions before completing this form.  
TYPE OR PRINT (BLACK INK ONLY)

1. NAME OF CORPORATION: The Hydro Company

2. RESIDENT AGENT: (designated resident agent and his STREET ADDRESS in Nevada where process may be served)

Name of Resident Agent: Nevada Corporate Services, Inc.

Street Address: 1800 East Sahara Suite 107 Las Vegas, Nevada 89104  
Street No. Street Name City Zip

3. SHARES: (number of shares the corporation is authorized to issue)  
Number of shares with par value: \_\_\_\_\_ Par value: \_\_\_\_\_ number of shares without par value: 25,000

4. GOVERNING BOARD: shall be styled as (check one):  Directors  Trustees  
The first board of directors shall consist of 2 members and the names and addresses are as follows:

Harold Mitchell 73550 Aliesandro Drive, Ste., 400, Palm Desert, CA 9226  
Name Address City/State/ZIP

Arnold B. Podgorsky 1200 G St., N.W., Ste. 600, Washington, D.C. 20005  
Name Address City/State/ZIP

Name Address City/State/ZIP

5. PURPOSE (optional--see instructions): The purpose of the corporation shall be:

6. PERSONAL LIABILITY (pursuant to NRS 78.037) (check one):  Accept  Decline See attached sheet.

7. OTHER MATTERS: Any other matters to be included in these articles may be noted on separate pages and incorporated by reference herein as a part of these articles: Number of pages attached 1

8. SIGNATURES OF INCORPORATORS: The names and addresses of each of the incorporators signing the articles: (signatures must be notarized)

Arnold B. Podgorsky  
Name (print)  
1200 G St., N.W., Ste. 600, Washington, D.C. 20005  
Address City/State/Zip  
*Arnold B. Podgorsky*  
Signature

\_\_\_\_\_  
Name (print)  
\_\_\_\_\_  
Address City/State/Zip  
\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name (print)  
\_\_\_\_\_  
Address City/State/Zip  
\_\_\_\_\_  
Signature

Subscribed and sworn to before me this 6th  
day of February 19 97  
*Charles Pudin*  
Notary Public DC

My Commission Expires  
April 30, 1999

9. CERTIFICATION OF ACCEPTANCE OF APPOINTMENT OF RESIDENT AGENT

I, Nevada Corporate Services, Inc. hereby accept appointment as Resident Agent for the above named corporation.

*Arnold B. Podgorsky*  
Signature of Resident Agent

February 7, 1997  
Date

# State of California

SECRETARY OF STATE

## CERTIFICATE OF QUALIFICATION

I, *BILL JONES*, Secretary of State of the State of California, hereby certify:

That on the 13TH day of JUNE, 1997,

THE HYDRO COMPANY WHICH WILL DO BUSINESS IN CALIFORNIA

AS THE NEVADA HYDRO COMPANY,

a corporation organized and existing under the laws of NEVADA,  
 complied with the requirements of California law in effect on that date for the  
 purpose of qualifying to transact intrastate business in the State of California, and  
 that as of said date said corporation became and now is fully qualified and  
 authorized to transact intrastate business in the State of California,

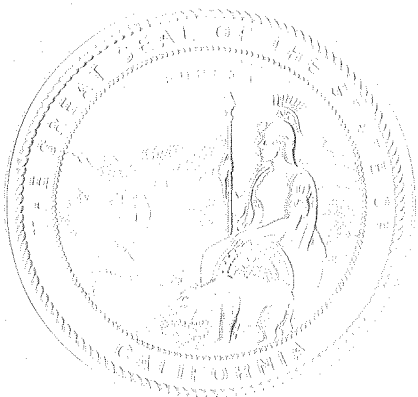
**SUBJECT HOWEVER, TO:**

- (a) any licensing requirements otherwise imposed by the laws of this state, and
- (b) that subject corporation shall transact all intrastate business within this State under the above fictitious name elected by it.

IN WITNESS WHEREOF, I  
 execute this certificate and  
 affix the Great Seal of the  
 State of California this

16TH day of JUNE, 1997

*Bill Jones*  
 Secretary of State



**BY-LAWS  
OF  
THE HYDRO COMPANY, INC.**

**ARTICLE 1. OFFICES**

1.1. REGISTERED OFFICE. The corporation shall maintain a registered office and registered agent in the State of Nevada, subject to change in the manner prescribed by law.

1.2. OTHER OFFICES. The corporation may have such other offices and places of business within or without the State of Nevada as the Board of Directors shall determine.

**ARTICLE 2. STOCKHOLDERS**

2.1. TIME AND PLACE. All meetings of Stockholders for the election of directors shall be held at such time and place, either within or without the State of Nevada, as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place either within or without the State of Nevada as shall be stated in the notice of the meeting or in a duly executed waiver of notice of the meeting.

2.2. ANNUAL MEETING. Annual meetings of stockholders shall be held for the purpose of electing a Board of Directors and transacting such other business as may properly be brought before the meeting.

2.3. SPECIAL MEETINGS. Special meetings of the stockholders for any purpose may be called by the Board of Directors, the president, or the secretary and must be called at the written request, stating the purpose of the meeting, of stockholders owning not less than one-fifth of the stock then outstanding and entitled to vote or otherwise as may be provided by law.

2.4. NOTICE OF MEETINGS. Annual Meeting Notice stating the place, day and hour of the meeting shall be delivered to each stockholder entitled to vote not less than ten nor more than sixty days prior to the meeting.

Special Meeting Notice stating the time, place, and purpose thereof and by whom called shall be delivered to each stockholder entitled to vote not less than ten nor more than sixty days prior to the meeting.

2.5. LIST OF STOCKHOLDERS. The officer in charge of the stock ledger of the corporation or the transfer agent shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in

alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, at a place within the city where the meeting is to be held. Such place, if other than the place of the meeting, shall be specified in the notice of the meeting. The list shall also be produced and kept at the time and place of the meeting during the whole time of the meeting and may be inspected by any stockholder who is present.

2.6. VOTING. Each stockholder entitled to vote in accordance with the provisions of the Articles of Incorporation and these By-Laws may cast one vote, in person or by proxy, for each share of stock entitled to vote and registered in his name, but no proxy shall be voted after three years from its date unless such proxy provides for a longer period.

2.7. QUORUM AND ACTION. At any duly held meeting of stockholders, the presence in person or by proxy of stockholders entitled to cast a majority of the votes shall constitute a quorum, except as otherwise provided by law or the Articles of Incorporation.

A majority of the votes cast at a duly held meeting of stockholders at which a quorum is present (stockholders represented by proxy shall be deemed present) shall be sufficient to take or authorize action upon any matter which may properly come before the meeting, unless a greater vote or voting by classes is required by law, the Articles of Incorporation, or these By-Laws, and except that in elections of directors those receiving the greatest number of votes shall be deemed elected even though not receiving a majority.

2.8. ADJOURNED MEETINGS. Any duly called meeting of stockholders may, by announcement made at such meeting, be adjourned to a designated time and place by the vote of the holders of a majority of the shares present and entitled to vote even though less than a quorum is so present. An adjourned meeting may reconvene as designated, and when a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.9. ACTION BY WRITTEN CONSENT IN LIEU OF MEETING OF STOCKHOLDERS. See Section 7.6 of these By-Laws.

### **ARTICLE 3. DIRECTORS**

3.1. NUMBER. The number of directors comprising the full Board of Directors of the corporation shall be three directors, who shall hold office until their successors are elected. Directors need not be stockholders. The number of directors may be increased or decreased from time to time by amendment to these By-Laws, but shall never be fewer than one.

3.2. POWERS. The management of all the business, property and affairs of the corporation shall be vested in the Board of Directors. The Board of Directors may exercise all of the powers of the corporation and do all lawful acts and things (including the adoption of such rules and regulations for the conduct of its meetings, the exercise of its powers, and the management of the corporation) as it may deem proper, consistent with statute, the Articles of Incorporation and these By-Laws and not thereby conferred upon or reserved to the stockholders.

3.3. MEETINGS. The annual meeting of the Board of Directors may be held without notice immediately following the annual meeting of the stockholders. Regular meetings may be established by the directors. Special meeting of the Board may be called by the Chairman of the Board (if any) or the President, and shall be called at the written request of one or more directors. Five days' notice of special meetings shall be given by mail, or two days' notice personally, or by telegraph, telefacsimile, or cable to each director. Special meetings of the Board may be held at any place within or outside the State of Nevada.

3.4. QUORUM AND ACTION. A majority of the Board of Directors shall constitute a quorum for the transaction of business. At any duly held meeting at which a quorum is present, the affirmative vote of a majority of the directors present shall be the act of the Board of Directors on any question, except where the act of a greater number is required by these By-Laws, the Articles of Incorporation, or statute.

3.5. ACTION BY WRITTEN CONSENT IN LIEU OF MEETING OF DIRECTORS. See Section 7.6 of these By-laws.

3.6. VACANCIES, REMOVAL. (a) Any vacancy occurring in the Board of Directors by reason of an increase in the number of directors comprising the Board shall be filled by the stockholders at an annual meeting or at a special meeting thereof, notice of which shall announce said purpose. Any vacancy occurring from any other cause may be filled by a majority vote of the remaining directors, though less than a quorum, or such vacancies may be filled by the stockholders at any meeting thereof.

(b) Any director may be removed either for or without cause at any time by vote of the stockholders holding a majority of the outstanding stock of the corporation entitled to vote, present in person or by proxy, at any regular or special meeting of the stockholders.

3.7. RESIGNATION. Any director may resign at any time by giving written notice to the Chairman of the Board, the President or the Secretary of the corporation, or, in the absence of all of the foregoing, by notice to any other director or officer of the corporation. Unless otherwise specified in such written notice, a resignation shall take effect upon delivery to the designated director or officer. It shall not be necessary for a resignation to be accepted before it becomes effective.



## ARTICLE 4. COMMITTEES

4.1. COMMITTEES OF DIRECTORS. The Board of Directors may, by resolution passed by a majority of the whole board, designate one (1) or more committees, each committee to consist of one (1) or more directors of the corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members of the committee present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have power or authority to amend the Certificate of Incorporation, adopt an agreement of merger or consolidation, recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommend to the stockholders a dissolution of the corporation or a revocation of a dissolution, elect or remove officers or directors, or amend the By-laws of the corporation; and, unless the resolution or the Certificate of Incorporation expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of directors.

4.2. MINUTES OF COMMITTEE MEETINGS. Unless otherwise provided in the resolution of the Board of Directors establishing such committee, each committee shall keep minutes of action taken by it and file the same with the Secretary of the corporation.

4.3. QUORUM. A majority of the number of directors constituting any committee shall constitute a quorum for the transaction of business, and the affirmative vote of such directors present at the meeting shall be required for any action of the committee; provided, however, that, when a committee of one (1) member is authorized under the provisions of Section 4.1 of this Article, such one member shall constitute a quorum.

4.4. VACANCIES, CHANGES, AND DISCHARGE. The Board of Directors shall have the power at any time to fill vacancies in, to change the membership of, and to discharge any committee.

4.5. COMPENSATION. The Board of Directors, by the affirmative vote of a majority of the directors then in office and irrespective of the personal interest of any director, shall have authority to establish reasonable compensation for committee members for their services as such and may, in addition, authorize reimbursement of any reasonable expenses incurred by committee members in connection with their duties.

## ARTICLE 5. OFFICERS

5.1. EXECUTIVE OFFICERS. The executive officers of the corporation shall be a President, one or more Vice-Presidents, a Treasurer, and a Secretary, all of whom shall be elected annually by the Board of Directors and shall hold office at the pleasure of the Board. In addition, the Board of Directors may elect a Chairman. Except for the offices of President and Secretary, any two or more offices may be held by one person. All vacancies occurring among any of the offices shall be filled by the Board of Directors. Any officer may be removed or replaced at any time by the affirmative vote of a majority (unless the Articles of Incorporation require a larger vote) of the directors present at a regular meeting or at a special meeting called for that purpose.

5.2. OTHER OFFICERS. The Board of Directors may appoint, remove and replace such officers, including assistant officers and agents, with any powers and duties it shall deem necessary. The Board may by resolution authorize the President to appoint and remove such other officers.

5.3. THE CHAIRMAN OF THE BOARD. The Chairman of the Board of Directors, if one be elected, shall preside at all meetings of the Board of Directors and stockholders, if the directors so resolve, and he shall have and perform such other duties as from time to time may be assigned to him by the Board of Directors or the Executive Committee, if any.

5.4. THE PRESIDENT. The President (who may but need not be a director) shall, in the absence or nonelection of a Chairman of the Board, preside at all meetings of stockholders and directors. When the Board of Directors is not in session, he shall have general management and control of the business and affairs of the corporation.

5.5. THE VICE-PRESIDENT. The Vice-President or, if there be more than one, the senior Vice-President, as determined by the Board of Directors, shall in the absence or disability of the President exercise the powers and perform the duties of the President, and each Vice-President shall exercise such other powers and perform such other duties as shall be prescribed by the Board of Directors.

5.6. THE TREASURER. The Treasurer shall have custody of all funds, securities, and evidences of indebtedness of the corporation. He shall receive and give receipts and acquittances for moneys paid in on account of the corporation and shall pay out of the funds on hand all bills, payrolls and other just debts of the corporation of whatever nature upon maturity. He shall enter regularly in books to be kept by him for that purpose full and accurate accounts of all moneys received and paid out by him on account of the corporation. He shall deposit all moneys and other valuables in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors. He shall perform all other duties incident to the office of Treasurer and as may be prescribed by the Board of Directors.

5.7. THE SECRETARY. The Secretary shall keep the minutes of all proceedings

of the Board of Directors and stockholders. He shall attend to the giving and serving of all notices to stockholders and directors or other notice required by law or these By-Laws. He shall affix the seal of the corporation to deeds, contracts, and other instruments in writing requiring a seal, when duly signed or when so ordered by the Board of Directors. He shall have charge of the certificate books, stock books and such other books and papers as the Board may direct. He shall perform all other duties incident to the office of Secretary and as may be prescribed by the Board of Directors.

5.8. SALARIES. The salaries, if any, of all officers shall be fixed by the Board of Directors, and the Board has the authority by majority vote to reimburse expenses and to establish reasonable compensation of all directors for services to the corporation as directors, officers, or otherwise.

## **ARTICLE 6. CAPITAL STOCK**

6.1. FORM AND EXECUTION OF CERTIFICATES. The shares of the corporation shall be represented by certificates of stock in the form required by the law of the State of Nevada and as shall be adopted by the Board of Directors. They shall be numbered and registered in order issued, shall be signed by the President or a Vice-President and by the Secretary or an Assistant Secretary, and shall be sealed with the corporate seal or a facsimile thereof. When such certificate is countersigned by a transfer agent or registered by a registrar, the signatures of any such officers may be facsimile.

6.2. TRANSFER. Transfer of shares shall be made only upon the books of the corporation by the registered holder in person or by attorney, duly authorized, and upon surrender of the certificate or certificates for such shares properly assigned for transfer.

6.3. LOST OR DESTROYED CERTIFICATES. The holder of any certificate representing shares of stock of the corporation may notify the corporation of any loss, theft or destruction thereof, and the Board of Directors may thereupon, in its discretion, cause a new certificate for the same number of shares to be issued to such holder upon satisfactory proof of such loss, theft, or destruction and the deposit of indemnity by way of bonds or otherwise in such form and amount and with such surety or sureties as the Board may require to indemnify the corporation against loss or liability by reason of the issuance of such new certificate.

6.4. RECORD DATE. In order to make a determination of stockholders for any proper purpose, the directors may close the stock transfer books for a stated period not to exceed sixty days; and if the purpose of the closing is to determine stockholders entitled to notice of or to vote at a meeting of stockholders, the books shall be closed for at least ten days immediately preceding such meeting.

In lieu of closing the books, the directors may fix in advance a record date for determination of stockholders for any proper purpose, such date to be not more than thirty days, and in the case of a meeting of stockholders not less than ten days, prior to the date on which the

particular action, requiring such determination of stockholders, is to be taken.

In the absence of such closing or fixed record date, the date for determination of stockholders entitled to notice of or to vote at a meeting of stockholders, to receive a dividend, shall be the close of business on the day on which (i) notice of the meeting is mailed, or (ii) the Board of Directors resolved to declare such dividend.

## **ARTICLE 7. MISCELLANEOUS**

7.1. **DIVIDENDS.** The Board of Directors may declare dividends from time to time on the outstanding shares of the corporation from the surplus or net profits legally available therefor.

7.2. **SEAL.** The Board shall provide a corporate seal stating the corporate name, state, and the year of incorporation. The seal shall be in charge of the Secretary and shall be used as authorized by the By-Laws.

7.3. **FISCAL YEAR.** The corporation's fiscal year shall consist of twelve months, which shall close annually on such date as the Board of Directors shall determine.

7.4. **CHECKS.** All checks, drafts or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, or agent or agents, of the corporation, and in such manner as shall be determined from time to time by resolution of the Board of Directors.

7.5. **NOTICE AND WAIVER OF NOTICE.** Any notice of meetings required to be given under these By-Laws to stockholders and directors may be waived in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein.

All notices required by these By-Laws shall be printed or written, and shall be delivered either personally or by telegraph, telefacsimile, cable or mail. If mailed, the notice shall be deemed delivered when deposited in the United States mail, postage prepaid, addressed to the stockholder or director at his address as it appears on the records of the corporation.

### **7.6. ACTION BY WRITTEN CONSENT IN LIEU OF MEETINGS.**

(a) Any action required or permitted to be taken at a meeting of stockholders or of the Board of Directors or of any committee thereof may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by stockholders entitled to vote with respect to the subject matter thereof or by members of the Board or of such committee, as the case may be, having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all stockholders, members of the Board of Directors or of such committee having a right to vote thereon were present and voted and shall be delivered to the

corporation by delivery to its registered office in this State, its principal place of business, or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

(b) Every written consent shall bear the date of signature of each stockholder, member of the Board of Directors or committee who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty days of the earliest dated consent, delivered in a manner required by Section 7.6(a) of these Bylaws.

(c) Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given those stockholders, members of the Board of Directors or committee, who have not consented in writing. In the event that the action which is consented to is such as would have required the filing of a certificate by law, if such action had been voted on by stockholders or by members at a meeting thereof, the certificate shall state that written consent has been given in accordance with the provisions of the law of the State of Nevada.

7.7. DIRECTOR PARTICIPATION BY CONFERENCE TELEPHONE. Any and all directors may participate in a meeting of the Board of Directors or a committee of the Board by means of conference telephone or by any means of communication by which all persons participating in the meetings are able to hear one another, and such participation shall constitute presence in person at the meeting.

#### 7.8. INDEMNIFICATION OF OFFICERS AND DIRECTORS.

(a) The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, stockholder, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, except in such cases as involve gross negligence or willful misconduct.

(b) The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, stockholder, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonable incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of

any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) Expenses incurred in defending a civil or criminal action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, stockholder, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the corporation as authorized in this Article.

7.9. AMENDMENTS. These By-Laws may be altered, amended or repealed by a majority of the entire Board of Directors at any regular or special meeting thereof.

**Adopted by the Board of Directors of THE HYDRO COMPANY, INC. as of September 14, 1998.**

j:\thc\bylaws2