



825 NE Multnomah, Suite 2000  
Portland, Oregon 97232

April 7, 2015

***VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY***

Public Utility Commission of Oregon  
3930 Fairview Industrial Dr SE  
Salem, Oregon 97302-1166

Attn: Filing Center

RE: UP \_\_\_\_—Application for an Order Authorizing the Sale of Certain Assets to GP Camas

PacifiCorp d/b/a Pacific Power submits for filing its application seeking approval to sell an on-site generation unit and a 69 kilovolt transmission line to Georgia-Pacific Consumer Products (Camas) LLC (GP Camas).

PacifiCorp respectfully requests that all data requests regarding this matter be addressed to:

By E-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

By regular mail: Data Request Response Center  
PacifiCorp  
825 NE Multnomah St., Suite 2000  
Portland, OR 97232

Please direct informal questions with respect to this filing to Natasha Soares, Director of Regulatory Affairs and Revenue Requirement, at (503) 813-6583.

Sincerely,

R. Bryce Dalley  
Vice President, Regulation

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UP \_\_\_\_\_**

In the Matter of

PACIFICORP d/b/a PACIFIC POWER

Application for an Order Authorizing the  
Sale of Certain Assets to GP Camas

APPLICATION OF PACIFICORP

1           Under ORS 757.480 and in accordance with OAR 860-027-0025, PacifiCorp d/b/a  
2 Pacific Power (PacifiCorp or Company) seeks approval from the Public Utility Commission  
3 of Oregon (Commission) to sell an on-site generation unit and a 69 kilovolt (kV)  
4 transmission line to Georgia-Pacific Consumer Products (Camas) LLC (GP Camas). In  
5 support of this Application, PacifiCorp states as follows:

**I.     BACKGROUND**

7           PacifiCorp and James River Paper Company, Inc. (James River), entered into that  
8 certain Camas Development, Construction, Operations and Steam Supply Agreement  
9 (Development Agreement) dated January 13, 1993. A copy of the Development Agreement  
10 is included with this Application as Attachment A. At that time, PacifiCorp had been  
11 providing electric service to James River under a Pulp and Paper Service option until James  
12 River considered the option of installing their own co-generation facilities. To maintain  
13 James River as a customer, PacifiCorp reached agreement with James River for PacifiCorp to  
14 construct and own a 50 megawatt (MW) high-efficiency steam turbine generator, electrical  
15 substation and step-up transformer (required to increase the 13.8 kV power from the  
16 generator to the 69 kV transmission system), and associated controls and equipment  
17 (collectively referred to as the “Co-Generation Facilities”). Under the agreement, James

1 River received 100 percent of the steam by-product for drying the paper at the mill,  
2 PacifiCorp received 100 percent of the electricity output and supplied James River with 100  
3 percent of the mill electricity needs under Oregon Schedule 48T, and James River operated  
4 the Co-Generation Facilities and provided 100 percent of the fuel for the term of the  
5 Development Agreement. GP Camas became the successor-in-interest to James River in the  
6 year 2000.

7 James River and PacifiCorp also entered into a Lease Agreement dated January 13,  
8 1993 (Lease) under which PacifiCorp leases James River's real property as the site for the  
9 Co-Generation Facilities. The Lease is included with the Development Agreement as Exhibit  
10 I. The Development Agreement is set to expire December 31, 2015, and the parties have  
11 agreed not to renew it. Section 13.2 of the Lease allows GP Camas to elect to purchase the  
12 assets at fair market value no later than six months after the termination of the Agreement.  
13 GP Camas has elected to purchase the Co-Generation Facilities and the parties have  
14 negotiated an agreement for this purchase. The Agreement of Purchase and Sale by and  
15 between Georgia-Pacific Consumer Products (Camas) LLC and PacifiCorp is included with  
16 this Application as Attachment B.

17 Additionally, on January 13, 1993, PacifiCorp and James River entered into that  
18 certain Transmission Facilities Purchase, Easement and License Agreement (Transmission  
19 Agreement) under which PacifiCorp purchased certain transmission facilities. The  
20 Transmission Agreement is included with the Development Agreement as Exhibit J. The  
21 transmission facilities are comprised of the 69 kV transmission lines, towers and associated  
22 components that start at the Co-Generation Facilities at the mill and extend across Lady  
23 Island as a double-circuit to PacifiCorp's Troutdale substation in Troutdale, Oregon

1 (Transmission Facilities). Article 6 of the Transmission Agreement grants GP Camas the  
2 option to purchase the Transmission Facilities back from PacifiCorp and the purchase price  
3 must be equal to the book value. A copy of the Purchase Agreement for the Transmission  
4 Facilities is included with this Application as Attachment C.

5 Pending regulatory approval, PacifiCorp and GP Camas negotiated the purchase price  
6 for both the Co-Generation Facilities and the Transmission Facilities. The parties agreed the  
7 value of the Co-Generation Facilities is \$350,000, which is based on potential value of  
8 selling the unit off the shelf less costs for dismantling the unit while taking into consideration  
9 potential scrap value and PacifiCorp's avoidance of paying costs to overhaul the unit. The  
10 parties entered into an agreement for the sale of the Transmission Facilities at \$135,967.76,  
11 which is the book value of the assets matched with depreciation as of December 31, 2015.

12 The total sales price for both assets is \$485,967.76, which has been determined to be  
13 the least cost, risk-adjusted option. The Co-Generation Facilities and the Transmission  
14 Facilities are classified as system-allocated assets. The book value of the Co-Generation  
15 Facilities will be \$1,092,695.27 on December 31, 2015. The Oregon-allocated portion of the  
16 loss will be addressed through Schedule 96, the property sales balancing account. As more  
17 fully explained below, this transaction will not affect PacifiCorp's ability to perform its  
18 public duties.

19 **III. COMPLIANCE WITH OAR 860-027-0025(1) FILING REQUIREMENTS**

20 **A. Address**

21 PacifiCorp's exact name and address of its principal business office are:

22 PacifiCorp  
23 825 NE Multnomah Street, Suite 2000  
24 Portland, OR 97232



1 **B. State in which incorporated; date of incorporation; other states in which**  
2 **authorized to transact utility business**

3 PacifiCorp was incorporated under the laws of the State of Oregon on August 11,  
4 1987. PacifiCorp is authorized to provide retail electric service in Oregon, California, Idaho,  
5 Utah, Washington, and Wyoming.

6 **C. Communications and notices**

7 All notices and communications to PacifiCorp regarding this Application should be  
8 addressed to:

Oregon Dockets  
PacifiCorp  
825 NE Multnomah St., Suite 2000  
Portland, OR 97232  
Email: [oregondockets@pacificorp.com](mailto:oregondockets@pacificorp.com)

Michelle Mishoe  
Senior Counsel  
PacifiCorp  
825 NE Multnomah St., Suite 1800  
Portland, OR 97232  
Telephone: 503.813.5977  
Email: [michelle.mishoe@pacificorp.com](mailto:michelle.mishoe@pacificorp.com)

9 In addition, PacifiCorp respectfully requests that all data requests regarding this  
10 matter be addressed to:

11 By e-mail (**preferred**)

[datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

12 By regular mail

Data Request Response Center  
PacifiCorp  
825 NE Multnomah St., Suite 2000  
Portland, OR 97232

13  
14  
15  
16 Informal inquires may also be directed to Natasha Siores, Director of Regulatory  
17 Affairs and Revenue Requirement at (503) 813-6583.

18 **D. Principal officers**

19 PacifiCorp's principal officers are:

<u>Name</u>	<u>Title</u>
Gregory E. Abel	Chairman of Board & Chief Executive Officer
Stefan Bird	President and Chief Executive Officer, Pacific Power
Cindy Crane	President and Chief Executive Officer, Rocky Mountain Power

R. Patrick Reiten	President and Chief Executive Officer, PacifiCorp Transmission
Douglas K. Stuver	Senior Vice President & Chief Financial Officer

1           **Description of business; designation of territories served**

2           PacifiCorp engages in the generation, purchase, transmission, distribution and sale of  
3 electric energy in Benton, Clackamas, Clatsop, Coos, Crook, Deschutes, Douglas, Gilliam,  
4 Hood River, Jackson, Jefferson, Josephine, Klamath, Lake, Lane, Lincoln, Linn, Marion,  
5 Morrow, Multnomah, Polk, Sherman, Tillamook, Umatilla, Wallowa, Wasco, and  
6 Washington Counties in Oregon. PacifiCorp also engages in the generation, purchase,  
7 transmission, distribution and sale of electric energy in the states of Washington, California,  
8 Idaho, Wyoming, and Utah.

9 **E. Statement showing for each class and series of capital stock: brief description;**  
10 **amount authorized; amount outstanding; amount held as required securities;**  
11 **amount pledged; amount owned by affiliated interests; amount held in any fund**

12           Not applicable. This transaction does not involve the sale of financial instruments or  
13 stock.

14 **F. Statement showing for each class and series of long-term debt and notes: brief**  
15 **description of amount authorized; amount outstanding; amount held as required**  
16 **securities; amount pledged; amount held by affiliated interests; amount in**  
17 **sinking and other funds**

18           Not applicable. This transaction does not involve the sale of financial instruments.

19 **G. Purpose of application; description of consideration and method of arriving at**  
20 **amount thereof**

21           PacifiCorp files this Application to seek approval of the sale of a steam-powered Co-  
22 Generation Facilities and certain Transmission Assets to GP Camas. PacifiCorp and GP  
23 Camas entered in the Development Agreement in 1993 under which the Company  
24 constructed the co-generation unit on GP Camas-owned property to allow GP Camas to use  
25 the steam output and PacifiCorp received the generation output. Additionally, PacifiCorp

1 purchased certain transmission facilities to transport the output across Lady Island to the  
2 Company's Troutdale substation. Under the Development Agreement, GP Camas has the  
3 option to purchase the Co-Generation Facilities and the Transmission Assets in the event the  
4 parties determine not to extend the Development Agreement beyond its initial twenty-year  
5 term. The parties agreed not to extend the Development Agreement and GP Camas wants to  
6 purchase both the Co-Generation Facilities and the Transmission Assets.

7         The parties negotiated the purchase price for the Co-Generation Facilities by  
8 determining a fair market value price, taking into consideration a variety of factors, including  
9 the value of selling the Co-Generation Facilities "off the shelf" less costs for dismantling the  
10 unit, potential scrap value, PacifiCorp's avoidance of paying costs to overhaul the facilities,  
11 and operational considerations for GP Camas. The transaction price is reasonable based on  
12 these factors. Selling the Co-Generation Facilities is the least cost, risk-adjusted option for  
13 PacifiCorp.

14         Article 6 of the Transmission Agreement requires PacifiCorp to sell the Transmission  
15 Assets at the net book cost of the facilities at the time of GP Camas' election to purchase the  
16 facilities. GP Camas will exercise the option to be effective December 31, 2015, making the  
17 sales price the net book value as of December 31, 2015.

18 **H. Statement of facilities to be disposed of; description of present use and proposed**  
19 **use; inclusion of all operating facilities of parties to the transaction**

20         PacifiCorp will sell a steam-powered co-generation unit with a nameplate capacity of  
21 50 MW, which currently operates between 10 and 14 MW. The steam output solely serves  
22 GP Camas mill load while the electricity is used by PacifiCorp to serve retail load. GP  
23 Camas intends to own and operate the co-generation for its own generation needs.

24         PacifiCorp will also sell a 69 kV transmission line and related appurtenances to GP Camas.

1 This line is currently connected through a double circuit across Lady Island to the  
2 Company's Troutdale substation and is used to transport power to and from the co-generation  
3 unit. GP Camas will use these Transmission Assets for the same purpose.

4 **I. Statement by primary account of cost of the facilities and applicable**  
5 **depreciation reserve**

6 See Attachment D for a complete list of components included in the transaction and  
7 their corresponding acquisition values, accumulated depreciation and net book values.

8 **J. Required filings with other state or federal regulatory bodies**

9 PacifiCorp is also required to file an application for approval of the transaction with  
10 the Wyoming Public Service Commission.

11 **K. Facts relied upon by applicants to show transaction is within the public interest**

12 ORS 757.480(1) requires Commission approval for the sale, lease, assignment or  
13 other disposition of property used in the generation, transmission, or distribution supply of  
14 electric power of a value in excess of \$100,000. Further, OAR 860-027-0025(1)(l) requires  
15 the utility to show that such a proposed disposition is "consistent with the public interest."

16 The Commission has previously held that this standard requires only a "no harm" showing.<sup>1</sup>

17 The proposed transaction will not harm customers. The Co-Generation Facilities and  
18 the Transmission Assets serve GP Camas. Electricity produced from the Co-Generation  
19 Facilities flows to GP Camas's load, however PacifiCorp includes the Co-Generation  
20 Facilities in its Integrated Resource Plan as a network resource. PacifiCorp has planned for

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<sup>1</sup> See, e.g., *In the Matter of a Legal Standard for Approval of Mergers*, Docket No. UM 1011, Order No. 01-778 (Sept. 4, 2001) ("The remainder of the statutory scheme, those statutes governing transfer, sale, affiliated interest transactions, and contracts, either expresses no standard (for instance, ORS 757.480, .485) and has been read to require a no harm standard, or contains a 'not contrary to the public interest' standard (ORS 757.490, .495.)") (emphasis added); *In the Matter of the Application of PacifiCorp*, Docket No. UP 168, Order No. 00-112, at 6 (Feb. 29, 2000) (regarding the sale of the Centralia generating plant); *In the Matter of Portland General Electric*, Docket No. UP 158, Order No. 00-111, at 2 (Feb. 29, 2000) (regarding the sale of the Colstrip generating units); *In the Matter of the Application of Portland General Electric*, Docket No. UP 165/UP 170, Order No. 99-730, at 7(Nov. 29, 1999) (regarding the sale of the Centralia generating plant).

1 the sale of the Co-Generation Facilities to GP Camas and intends to purchase any generation  
2 shortfall from market purchases of sufficient depth. PacifiCorp does not need the Co-  
3 Generation Facilities or Transmission Assets to provide safe, reliable electric service to its  
4 customers.

5 **L. Reasons relied upon for entering into the proposed transaction; benefits to**  
6 **customers**

7 Please refer to sections I. and L., and the Background Section, above.

8 **M. Amount of stock, bonds, or other securities, now owned, held or controlled by**  
9 **applicant, of the utility from which stock or bonds are proposed to be acquired**

10 Not applicable. This transaction does not involve the sale of stock or other financial  
11 instruments.

12 **N. Statement of franchises held; date of expiration; facilities of transferees**

13 Not applicable.

14 **IV. COMPLIANCE WITH OAR 860-027-0025(2) FILING REQUIREMENTS**

15 **A. Exhibit A—Articles of Incorporation**

16 Not applicable. Review of Articles of Incorporation would not advance the  
17 Commission’s analysis of this Application because the transaction involves the conveyance  
18 of utility property. This transaction does not affect PacifiCorp’s corporate structure or  
19 governance.

20 **B. Exhibit B—Bylaws**

21 Not applicable. Review of PacifiCorp’s bylaws would not advance the Commission’s  
22 analysis of this Application because the transaction involves the conveyance of utility  
23 property. The transaction does not affect PacifiCorp’s corporate structure or governance.

24 **C. Exhibit C—Resolution of directors authorizing transaction**

25 This transaction does not require approval from PacifiCorp’s board of directors.

1 **D. Exhibit D—Mortgages, trust, deeds or indentures securing obligation of each**  
2 **party**

3 The majority of the Company's real property and fixtures are subject to a lien under  
4 the Mortgage and Deed of Trust, dated as of January 9, 1989, from PacifiCorp to The Bank  
5 of New York Mellon Trust Company, N.A. (as successor to The Bank of New York Mellon)  
6 as Trustee, as amended and supplemented. The Company will request for a partial release of  
7 mortgage instrument for the assets being sold to record at closing.

8 **E. Exhibit E—Balance sheet showing booked amounts, adjustments to record the**  
9 **proposed transaction and pro forma, with supporting fixed capital or plant**  
10 **schedules in conformity with the forms in the annual report**

11 Not applicable. This transaction will not materially affect the Company's balance  
12 sheet.

13 **F. Exhibit F—Known contingent liabilities**

14 There are no known contingent liabilities.

15 **G. Exhibit G—Comparative income statements showing recorded results of**  
16 **operations, adjustments to record the proposed transaction and pro forma, in**  
17 **conformity with the form in the annual report**

18 Not applicable. The transaction will not materially affect the Company's income  
19 statement.

20 **H. Exhibit H—Analysis of surplus for the period covered by income statements**  
21 **referred to in G**

22 Not applicable. The transaction will not materially affect the Company's income  
23 statement.

24 **I. Exhibit I—Copy of contract for transaction and other written instruments**

25 A copy of the Agreement of Purchase and Sale by and between Georgia-Pacific  
26 Consumer Products (Camas) LLC and PacifiCorp for the Georgia-Pacific Camas Generating

1 Plant is included with this Application as Attachment B. The Purchase Agreement for the  
2 sale of the Transmission Assets is included with this Application as Attachment C.

3 **J. Exhibit J—Copy of each proposed journal entry to be used to record the**  
4 **transaction**

5 Please refer to Attachment E for the proposed journal entries.

6 **K. Exhibit K—Copy of each supporting schedule showing the benefits, if any, which**  
7 **each applicant relies upon to support the facts required by (1)(l) of this rule and**  
8 **reasons as required by (1)(m).**

9 This Application and attachments contain the necessary information to demonstrate  
10 the benefits of this transaction and for the Commission to base its decision. However, the  
11 Company is prepared to provide additional information as requested by the Commission.

12 **V. PRAYER FOR RELIEF**

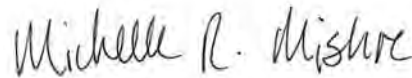
13 PacifiCorp respectfully requests a Commission order:

14 (a) Finding that the proposed transaction to sell a Co-Generation Facilities and  
15 related Transmission Assets to GP Camas will not harm PacifiCorp's customers and is  
16 consistent with the public interest;

17 (b) Granting other such relief as the Commission deems necessary and proper.

DATED: April 7, 2015.

Respectfully submitted,



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Michelle R. Mishoe, # 07242  
Senior Counsel  
Pacific Power

**ATTACHMENT A**  
**Development Agreement**



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CAMAS DEVELOPMENT, CONSTRUCTION,  
OPERATION AND STEAM SUPPLY AGREEMENT

Between

PACIFICORP,  
an Oregon corporation

and

JAMES RIVER PAPER COMPANY, INC.,  
a Virginia corporation

Dated as of January 13, 1993

Cogeneration Facility  
Camas, Washington

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EXHIBIT A -	DEFINITIONS
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SCHEDULE A -	PERMITS FOR WHICH PACIFICORP IS RESPONSIBLE

CAMAS DEVELOPMENT, CONSTRUCTION,  
OPERATION, AND STEAM SUPPLY AGREEMENT

This CAMAS DEVELOPMENT, CONSTRUCTION, OPERATION AND STEAM SUPPLY AGREEMENT ("Agreement" or "Development Agreement"), dated as of January 13, 1993 is entered into by and between JAMES RIVER PAPER COMPANY, INC., a Virginia corporation ("James River") and PACIFICORP, an Oregon corporation ("PacifiCorp").

RECITALS

A. James River owns and operates a pulp and paper manufacturing facility located in Camas, Washington (the "Mill").

B. PacifiCorp and James River (through its predecessor-in-interest James River Corporation of Nevada) have entered into the Supplemental Agreement -- Pulp and Paper Service ("Supplemental Agreement"), dated May 21, 1987 whereby, subject to the terms and conditions of the Supplemental Agreement, James River agreed to purchase power for the Mill from PacifiCorp.

C. Pursuant to Section 7 and Section 8 of the Supplemental Agreement, the parties hereto agreed that under certain circumstances electric generation facilities might be constructed at the Mill, and PacifiCorp was granted a right of first refusal with respect to the construction and operation of the Facility, which would be developed and constructed under separate agreement or agreements. This Agreement and the other Project Agreements constitute such separate agreements.

D. This Agreement and the other Project Agreements will involve the sharing by the parties hereto of the benefits and burdens of constructing the Project at the Mill. Without purporting to be an exhaustive description of the benefits and burdens of the Project, the following generally describes the parties' motives in entering into this Agreement and related transactions: Generally, the benefit PacifiCorp hopes to derive from the Facility is securing a cost-effective source of power. In exchange for this benefit, PacifiCorp will render consideration to James River based in part upon an established schedule of prices for power over the term hereof. The consideration will be broken into two segments: (1) the fixed costs of capital and major maintenance, with capital costs consisting of both development and construction costs, and (2) variable steam royalties. The steam royalty will be fixed as of closing on a dollar per kwh basis determined by dividing the residual cost to PacifiCorp after payment of development and capital costs by the Facility's expected electrical output over the term of this Agreement. The royalty price schedule is subject to adjustment in certain limited circumstances if initial assumptions as to retail electric rates prove to be significantly inaccurate. Generally, the benefit James River hopes to derive from the Facility will be a result of mitigating anticipated increases in retail electric rates by offsetting energy purchase expenditures against steam royalties. In exchange for this benefit, James River will undertake to perform routine operation and maintenance for the Facility, supply fuel to the boilers which will supply steam, risk reduction of the royalty payments if the Facility's development and construction costs exceed a certain amount, and continue paying retail electric rates equivalent to PacifiCorp's standard industrial tariff for full requirements customers.

E. The parties hereto wish to memorialize herein their agreements with respect to the design, construction, financing, other developmental aspects, ownership, and operation of, the Project, and the supply of steam.

#### ARTICLE 1. DEFINITIONS; INTERPRETATION

Except as otherwise defined herein, capitalized terms have the meanings given in Exhibit A. The Rules of Interpretation attached to such Exhibit A shall be applicable to this Agreement and the other Project Agreements.

#### ARTICLE 2. CONDITIONS PRECEDENT

The Closing is conditioned on satisfaction of each of the following conditions:

(a) Delivery to each party of a secretary's certificate of the other party, certifying as to (i) corporate resolutions or other authorizations, (ii) incumbency of officers authorized by such resolutions or authorizations to bind the company, (iii) the good standing and tax status of such party, and (iv) the currency of articles of incorporation or certificate of incorporation and bylaws of such company, which shall be attached to such secretary's certificate.

(b) All of the Project Agreements shall have been executed and delivered by the parties thereto.

(c) Each party shall have delivered to the other an opinion of counsel in such form and containing such substance as shall be reasonably acceptable to the other party.

(d) Each party shall have obtained such internal approvals as it shall deem necessary to proceed.

(e) The parties shall each have agreed (as evidenced by their respective consummation of the Closing) that all Permits which it considers necessary or appropriate as a condition to performance of its obligations hereunder and under the other Project Agreements have been obtained, or will be obtained in due course.

#### ARTICLE 3. GENERAL PROVISIONS

3.1 Term. The effectiveness of this Agreement and the other Project Agreements shall commence on the Effective Date and, unless earlier terminated in accordance with the terms hereof or thereof, shall continue in effect until twenty (20) Contract Years after the Commercial Operation Date (the "Term"), as the Term may be adjusted pursuant to Section 9.4. Upon mutual agreement of the parties, this Agreement and the other Project Agreements may be extended for a period of ten (10) Contract Years beyond the Term (the "Extended Term"). If the parties agree to the Extended Term, payments during the Extended Term shall be made on the basis of a modified pro-forma avoided cost schedule, which shall be mutually agreed to by the parties, and based upon prevailing financial conditions at the expiration of the initial Term. Following the expiration of the Extended Term, if applicable, the parties shall in good faith commence discussions with a view toward

establishing a new agreement which will permit the parties to share the benefits of the Facility going forward.

**3.2 Ownership.** The Facility shall be owned by PacifiCorp, subject to the rights of James River under the Project Agreements. Subject to PacifiCorp's rights under Section 3.2(a) of the Lease, the Improvements shall be owned and controlled solely by James River and shall not be deemed part of the Facility notwithstanding any early termination of this Agreement and the other Project Agreements and notwithstanding that the Improvements may have been financed or paid for by PacifiCorp, provided that PacifiCorp shall retain any right to reimbursement that it may have as a result of early termination.

**3.3 Post-Completion Facility Enhancements.** Either party may suggest enhancements to the Facility after it has achieved Commercial Operation, including additions to the spare parts inventory. Subject to the consent of the other party, such improvements or enhancements shall be constructed or effectuated, and the expense thereof shall be borne by such party as shall be agreed by the parties.

**3.4 Obligation to Perform.** Subject to cure periods as provided herein, each party's obligation to perform work and services under this Agreement and the other Project Agreements and to make monetary payments is subject to the other party's continuing performance of its obligation hereunder and under the other Project Agreements.

**3.5 Project Managers.** Each of James River and PacifiCorp shall appoint a qualified individual ("Project Manager") who, or whose delegate, shall be available 365 days per year, to act as liaison between PacifiCorp and James River, respectively, and who shall be charged with overseeing the development, construction and operation of the Project on behalf of his principal. The Project Managers shall have the authority to act on behalf of their respective principals in connection with the Project. James River and PacifiCorp may change the Project Managers by providing written notice to the other party in accordance with the terms of Section 14.6. The parties may appoint different Project Managers for the construction and operation phases, provided that if two Project Managers of a party serve concurrently the other party may rely on statements made by either notwithstanding the subject matter of the statement.

**3.6 Recordkeeping.**

(a) PacifiCorp shall maintain and preserve for a period of at least five (5) years complete and accurate records of all data and information reflecting the amount of Electricity produced in each Contract Year during the term hereof, necessary to calculate the payments of royalties as provided in this Agreement, including invoices, receipts, charts, printouts and other materials and documents, and otherwise relating to the Project.

(b) James River shall maintain and preserve for a period of at least five (5) years all books of account and other records for the Project, including records relating to the costs of construction and construction advances, vouchers, statements, receipted bills and invoices and all other records covering all collections (if any), disbursements and other data in connection with the Project. All books of account kept by James River shall be in accordance with FERC's Uniform System of Accounts, provided that PacifiCorp offers James River sufficient assistance in establishing and maintaining appropriate systems to achieve compliance with this requirement.

(c) The Operating Committee and any ad hoc committees shall each keep written minutes, and records of all meetings and all actions, agreements or determinations made by any such committee shall be reduced to writing and shall be signed by a representative of each party on said committee or an authorized alternate.

(d) The parties hereto shall make all records retained in accordance with this Section 3.6 available for inspection by the other party or its representatives upon reasonable advance notice and shall not dispose of or destroy any such records without giving the other party a reasonable opportunity to take and keep such records.

(e) All books and records prepared or maintained by James River in connection with the Project shall be kept at the Mill and all books and records prepared or maintained by PacifiCorp in connection with the Project shall be kept by PacifiCorp in an accessible location or locations.

3.7 Ownership and Disclosure. All drawings, plans, specifications, books, records, contracts, agreements and all other documents and writings generated or developed in connection with the Facility shall be the joint property of PacifiCorp and James River. PacifiCorp agrees, for itself, its employees, partners, agents, successors and assigns to hold in confidence and not to use or disclose to others any such information or other confidential or proprietary information of James River heretofore or hereafter disclosed to PacifiCorp or any such Persons, including any data, information, plans, programs, plants, processes, equipment, costs, operations, tenants or customers which may come within the knowledge of PacifiCorp or any such Persons in connection with the Project except in accordance with the provisions of the Confidentiality Agreement attached hereto as Exhibit G.

3.8 Audits. Each party reserves the right to perform audits of financial records and operations of the other party relating to the Facility. Each party shall allow reasonable access to such records and all related reports and supporting documentation. From time to time requirements of federal or state tax and regulatory agencies of a party may necessitate access to records of the other party; such access shall not be denied unreasonably.

3.9 Licenses. James River shall, at its own expense, qualify to do business and obtain and maintain such licenses as may be required for the performance by James River of its services hereunder. PacifiCorp shall, at its own expense, qualify to do business and obtain and maintain any licenses required for performance by PacifiCorp of its obligations under any Project Agreement or Construction Contract to which it is a party.

3.10 Compliance with Law. Except as herein otherwise specifically provided, each party shall, at its own cost and expense, obey and comply with all Applicable Laws, as they may pertain to the performance of such party under this Agreement. In particular, during development and construction of the Project, the parties shall comply with all Applicable Laws governing wages, hours, desegregation, employment discrimination, and health and safety, and with all equal opportunity laws and regulations, including without limitation the following:

Executive Order No. 11246 and 41 C.F.R. § 60-1.4 (Employment Discrimination)

Executive Order No. 11701 and 41 C.F.R. § 60-250.4 (Employment of Veterans)



Executive Order Nos. 11625 and 12138 and 41 C.F.R. Part 1-1 (Utilization of Minority and Women-Owned Businesses)

Executive Order No.11758 and 41 C.F.R. § 60-741.4 (Employment of Handicapped Individuals)

Age Discrimination in Employment Act of 1967, as amended.

3.11 Premises Regulations. All pertinent regulations and rules which may be in effect at the Premises and the Mill regarding employment, passes, badges, and proper conduct on the property shall be observed by PacifiCorp, PacifiCorp's employees, agents and representatives, James River and James River's employees, agents and representatives, and James River's subcontractors' employees, agents and representatives.

3.12 Independent Contractor. James River shall at all times be deemed an independent contractor and none of its employees or the employees of its subcontractors shall be considered employees of PacifiCorp.

3.13 Right of First Refusal. James River agrees not to develop and construct the Gas Turbine Project without first granting PacifiCorp a right of first refusal to develop such project under separate agreement or agreements on terms substantially similar to those contained herein.

#### ARTICLE 4. DEVELOPMENT

4.1 Cooperation. During the term of this Agreement and the other Project Agreements, James River and PacifiCorp shall exercise their reasonable best efforts to further the development, construction and operation of the Project in accordance with the terms of this Agreement and the other Project Agreements, including exercising reasonable best efforts to comply with the Project schedule attached hereto as Exhibit B.

4.2 Permitting. PacifiCorp shall be responsible for applying for, obtaining, maintaining and causing compliance with all Permits listed on Schedule A ("Schedule A Permits"). James River shall be responsible for applying for, obtaining, maintaining and causing compliance with all Applicable Permits other than Schedule A Permits. Regardless of which party is responsible for obtaining any Permits, the other party shall fully cooperate, including in the provision of financial and other information, experts and expertise.

#### ARTICLE 5. CONSTRUCTION

5.1 Construction Management Services. James River shall perform the construction management services and carry out the responsibilities with respect to the Project as are set forth herein and such additional duties and responsibilities as are reasonably within the general scope of such services and responsibilities or are incidental thereto. James River shall perform the following specific services:

(a) Submit for bids, as appropriate, and negotiate, all Construction Contracts, provided that if any Construction Contract has an anticipated value in excess of \$500,000, PacifiCorp,

in addition to the review and consultation allowed pursuant to Section 5.3, shall have the right of approval of such Construction Contract;

(b) Negotiate, review and approve all designs, drawings, plans and specifications for the Project;

(c) In cooperation with PacifiCorp, establish and implement appropriate administrative and financial systems and controls for the design, development, procurement and construction of the Project, including:

(i) coordination and administration of architects, engineers, Contractors and consultants employed in connection with the design, development or construction of the Project;

(ii) administration of all the Construction Contracts, including all payments to Contractors, architects, engineers and consultants;

(iii) scheduling and conducting preconstruction, construction and progress conferences with architects, engineers, Contractors and consultants;

(iv) selection of architects, engineers, consultants, Contractors, subcontractors and suppliers;

(v) as between the parties hereto and Contractors, approval of any Change Orders to any Construction Contracts;

(vi) enforcing the rights and all surety, performance, payment or similar bonds obtained in connection with the Project;

(vii) enforcing all rights and remedies under the Construction Contracts; and

(viii) filing any notices of completion required or permitted to be filed upon the completion of the Project or any part thereof and taking such action as may be required to obtain any certificates of completion or occupancy, authority to operate or equivalent documents required to permit the operation of the Facility.

(d) Develop a schedule for, and monitor and inspect the progress of construction of, the Project, including verification of the materials and labor being furnished to and on such construction and that the construction is being carried out substantially in accordance with the designs, drawings, plans and specifications;

(e) Hire and retain such personnel as may be required to properly perform James River's functions hereunder. The compensation, retention and performance of employees hired by James River shall be controlled exclusively by James River;

(f) Monitor compliance by all Contractors with all Applicable Laws relating to construction of the Project or to occupational health and safety and review the job safety programs developed by each of the Contractors;

(g) Maintain complete books and records of the development and construction of the Project, including copies of all Construction Contracts, change orders, drawings, plans, specifications, handbooks, manuals, accounting records, bills, invoices and other records and data as may be necessary to carry out James River's functions hereunder;

(h) Use all reasonable efforts to accomplish the timely Commercial Operation of the Facility in accordance with the approved Project Budget, plans and specifications and time schedules for Commercial Operation;

(i) Use all reasonable diligence to enforce each Contractor's obligations under its respective Construction Contract and compliance with the terms and conditions thereof;

(j) Determine, in cooperation with PacifiCorp, appropriate disposition of the contingency funds in the Project Budget;

(k) Review, approve or disapprove and administer all requests for payment by any architect, engineer, Contractor or consultant; and

(l) Direct, administer and verify the results of all performance tests under all applicable Construction Contracts.

5.2 Responsibility for Design and Engineering. The design and engineering of the Project and the final drawings, plans, specifications and scope of work for the Construction Contracts shall be developed by the Primary Project Engineers, unless the parties otherwise agree. The design of the Project and the drawings, plans, specifications and scope of work therefor shall be subject to the review and approval of James River and PacifiCorp. The design of the Facility shall be such that it will accommodate the Gas Turbine Project and any additional facilities to operate the steam turbine generator as a condensing unit, on a conceptual basis with a minimum of design changes, modifications to the Facility, or added expense. The design of the Improvements and the drawings, plans, specifications and scope of work therefor shall be subject to the review and approval of James River only.

5.3 Consultation; Delegation of Responsibility.

(a) James River's Project Manager shall meet with PacifiCorp's Project Manager from time to time during design and construction of the Project to review and consult with PacifiCorp's Project Manager as to the material aspects of James River's services to be performed hereunder, including as to the design, plans and specifications for the Project, the state of construction of the Project, and to consider, comment upon and approve or disapprove any recommendations by James River or PacifiCorp in connection with the Project, including Change Orders. To the extent that any of the duties undertaken by James River hereunder would otherwise be the responsibility of PacifiCorp as the owner of the Facility, PacifiCorp delegates responsibility therefor and full authority to act and to bind PacifiCorp with respect thereto, to James River.

(b) In the event that James River has given PacifiCorp adequate opportunity to offer its comments upon or approval of any matter of design, engineering or construction of the Facility upon which PacifiCorp is entitled by this Agreement to comment or approve, and PacifiCorp has failed to timely respond such that James River's ability to maintain the Project's construction schedule is jeopardized, in James River's judgment, then James River may immediately proceed with such matter in such manner as James River deems appropriate.

5.4 Budget. A budget ("Project Budget") for the development, design and construction of the Project is attached hereto as Exhibit C. PacifiCorp shall not be required to pay, or incur any costs or expenses for, the design, development, procurement of equipment and materials, construction, interest during construction, repair, testing, modification, alteration or adjustment of the Project except (i) those costs and expenses which are shown on the Project Budget (including by way of contingency) and (ii) additional costs and expenses incurred as a result of Change Orders as provided in Section 5.6(a). PacifiCorp shall timely pay, make sufficient funds available to pay, or cause to be paid, the amounts described in clauses (i) and (ii) of the previous sentence, and in Section 5.6(b)(ii). Under no circumstances shall PacifiCorp be required to pay such amounts, or incur any costs, in excess of the sum of \$64,000,000 (all taxes included) plus amounts described in Section 5.6(b)(ii). Any amount over the sum of \$64,000,000 (all taxes included) plus amounts described in Section 5.6(b)(ii) shall be paid exclusively by James River. Without limiting the generality of the preceding sentence, in the event that James River determines in its reasonable discretion that the expenditure of additional funds (whether from a contingency account under the Project Budget or otherwise) to repair, test, alter, adjust or improve the performance of the Facility would not be cost effective, no additional funds shall be expended therefor. If either party incurs costs in excess of the budgeted amount allocated therefor in the Project Budget under "Development Costs", such excess amounts shall be for the account of such party.

5.5 Adjusted Budget. James River shall periodically update and revise the Project Budget to reflect approved Change Orders.

5.6 Change Orders; Royalty Calculations.

(a) No Change Order in excess of \$100,000 individually or \$2,000,000 in the aggregate relating to the Facility or Improvements, shall be implemented without approval of James River and PacifiCorp, through their respective Project Managers; Change Orders less than or equal to such amounts may be approved by James River alone so long as the aggregate Change Orders to such date do not exceed \$2,000,000. PacifiCorp and James River shall endeavor to reach agreement upon Change Orders within ten (10) days after the receipt of a Change Order request, including the nature thereof as described in Section 5.6(b). If agreement is not reached within such period, the matter shall be submitted to the dispute resolution procedures described in Section 14.2.

(b) Upon Commercial Operation, the Project Budget (as amended pursuant to Section 5.5) used for purposes of calculating Royalties during the Term in accordance with Exhibit D (i) shall account for Change Orders resulting from scheduling problems (including variations from the assumptions contained in the initial Project Budget), equipment delivery problems, and cost overruns, or changes in the design or scope of the Improvements, but (ii) shall be adjusted to exclude Change Orders resulting from design or scope (but not purely cost) deviations from the P2 Scope and Estimate or the P3 Scope and Estimate initiated by PacifiCorp and not otherwise reasonably required.

The parties intend that clauses (i) and (ii) of the previous sentence are intended to encompass all possible Change Orders. For purposes of this Section 5.6(b), PacifiCorp's interest cost during construction shall be calculated at the rate of 10.5% per annum.

5.7 Mechanic's Liens. James River shall give or receive all notices required by law with respect to work or the provision of labor or materials for which a mechanic's lien or similar lien may be filed against the Facility and shall post or file such notices and take such other reasonable actions as may be appropriate under Applicable Law to protect the Facility from mechanic's liens. In connection with its monitoring of payments to Contractors, subcontractors and other Persons hereunder, James River shall use all reasonable efforts to obtain partial and/or conditional releases of mechanic's liens from such Contractors, subcontractors and other Persons in connection with such payments; provided, however, that James River shall not be liable for any failure or inability to obtain such releases. James River shall notify PacifiCorp of the filing or existence of any mechanic's liens and shall use all reasonable efforts to enforce any rights under the Construction Contracts or any applicable payment or performance bonds to have such mechanic's liens removed; provided, however, that James River shall not be liable for any failure or inability to enforce such rights or to have such mechanic's lien removed.

## ARTICLE 6. OPERATION AND MAINTENANCE

6.1 Operation. The Facility shall be operated by James River in accordance with this Agreement and an operating plan ("Operating Plan") which shall be prepared on a yearly basis and approved by the Operating Committee, and which may include certain of the activities described in this section which are not wholly within the discretion of James River.

(a) Phase I Operation and Maintenance. During Phase I, James River shall perform the following tasks and services without compensation or reimbursement except to the extent any expenditure is included in the Project Budget:

- (i) Prepare a plan and schedule for hiring or internally allocating the Facility work force.
- (ii) Hire, or internally allocate, the Facility work force.
- (iii) Train the Facility work force.
- (iv) Prepare, in cooperation with PacifiCorp, a policy and procedures manual describing the policies and procedures for operating and maintaining the Facility, including procedures for establishing a quality assurance program, safety procedures and rules and standards for employee job-site conduct.
- (v) Subject to PacifiCorp's obligations under Section 6.2(h), establish a system for maintaining an inventory of spare parts, consumables and supplies.
- (vi) Supply all necessary Utilities, Waste Water Treatment and Materials and Supplies.

(vii) Arrange for the facilities for and provide for the removal and disposal in accordance with any Applicable Law of any residues produced by the Facility.

(viii) Subject to PacifiCorp's obligations under Section 6.2, provide any and all other services reasonably required relating to the start-up, operation or maintenance of the Facility during Phase I, except for those items which are PacifiCorp's responsibilities under Section 6.2.

(b) Phase II Operation and Maintenance. During Phase II, James River shall diligently endeavor to operate and maintain the Facility in a manner which (i) will produce electricity in the amount of the Facility's full rated capacity and (ii) is consistent with the requirements of the Project Agreements, Prudent Mill Practices and Applicable Laws. To that end and except as otherwise expressly provided herein or in the other Project Agreements, James River shall be responsible for the operation and Maintenance of all components of the Facility and shall perform all necessary services in connection therewith, including the following services, without compensation or reimbursement:

(i) Subject to PacifiCorp's obligations under Section 6.2, start up, operate, maintain and repair the Facility pursuant to the policy and procedures manual developed during Phase I, and diligently endeavor to cause the Facility to produce power and energy.

(ii) Maintain an effective work force.

(iii) Provide all necessary Utilities, Waste Water Treatment, and Materials and Supplies.

(iv) Subject to PacifiCorp's obligations under Section 6.2(i), maintain an inventory of spare parts, consumables and supplies, including replacement of spare parts taken out of inventory with either identical parts or replacement parts of comparable value, or where practical and economical, refurbish (or have refurbished) spare parts to allow their reuse.

(v) Implement and regularly update a preventive maintenance program as part of Routine Maintenance, that meets equipment manufacturers' specifications.

(vi) Operate the Facility in a clean, safe and efficient manner in accordance with Prudent Mill Practices and as required by all Applicable Laws.

(vii) Perform and record periodic operational checks and tests of equipment in accordance with equipment manufacturers' specifications and Applicable Laws.

(viii) Maintain operating logs, records and reports for proper operation of the Facility and for technical evaluation thereof as is customary in operation of the Mill. allow PacifiCorp's Project Manager and any member of the Operating Committee or his designated representative to inspect the same and provide the aforementioned individuals with copies thereof as may reasonably be required.

(ix) Maintain current revisions of Facility drawings, instruction books and operating and maintenance manuals, allow PacifiCorp's Project Manager or his designees to inspect the same and provide PacifiCorp's Project Manager and the Operating Committee with copies thereof as may reasonably be required.

(x) Maintain fire protection and safety equipment constructed as part of the Facility.

(xi) Recommend Facility modifications and, upon PacifiCorp's and the Operating Committee's review and approval, implement the same.

(xii) Provide Routine Maintenance for the Facility, including, as appropriate, planning, outage management, technical supervision, labor, tools and equipment, inspection reports and recommendations.

(xiii) Enforce all warranties in connection with Routine Maintenance of the Facility, and assist PacifiCorp in enforcing any warranties in connection with Major Maintenance of the Facility.

(xiv) Assess the nature and impact of any equipment failure (to the extent of the capability of James River's Facility personnel) and review the situation with PacifiCorp or PacifiCorp's Project Manager and the Operating Committee and mutually agree on a reasonable disposition of the matter.

(xv) Assist any insurer in the investigation, adjustment and settlement of any loss or claim covering the Facility.

(xvi) After consultation with the Operating Committee: Present and prosecute claims against insurers and indemnitors providing insurance covering the Facilities or indemnities in respect of any loss of or damage to any property constituting part of the Facility or liability of any party to third parties covered by any indemnity agreement, and to the extent that any such loss, damage or liability is not covered by insurance or by any indemnity agreement, present and prosecute claims therefor against any parties who may be liable therefor. In the event the cost of repair, replacement or correction of such loss or damage arising out of a single incident or event exceeds \$250,000, James River shall not make any settlement of any claims in respect thereof without the consent and approval of the Operating Committee.

(xvii) Coordinate the operations of the Facility with the operations of the Mill, including scheduling the receipt of Steam so that the Facility may be run efficiently and consistently with James River's obligation to produce Steam pursuant hereto.

(xviii) Coordinate, as part of the Operating Plan, Major Maintenance and Extraordinary Maintenance, PacifiCorp's load schedule, and James River's maintenance of other portions of the Mill, including the boilers which will supply Steam to the Facility.

(xix) Except as otherwise provided herein, investigate, adjust, defend and settle claims against either or both parties arising out of or attributable to work performed

hereunder, or the past or future performance or nonperformance of the obligations and duties of either party, under or pursuant to this Agreement, including any claim resulting from death or injury to persons or damage to property, when said claims are not covered by valid and collectible insurance carried by either party, and whenever and to the extent reasonable present and prosecute claims against any third party, including insurers, for any costs, losses and damages incurred in connection with said claims. The approval of the Operating Committee shall be obtained by James River before any said claim or combination of said claims against any or all parties arising out of the same transaction or incident is settled for more than \$250,000 unless the entire amount of the settlement in excess of \$250,000 is recoverable from an insurer.

(xx) Keep PacifiCorp fully and promptly advised of material changes in conditions or other material developments affecting the performance of work hereunder, and promptly respond to PacifiCorp's reasonable requests for information.

(xxi) Provide the Operating Committee with all written statistical and administrative reports, accounting records, written budgets, information and other records relating to work to be performed hereunder necessary or useful in the performance of its responsibilities under this Agreement.

(xxii) Prepare recommendations covering the matters which are to be reviewed and acted upon by the Operating Committee.

(xxiii) In the event of an Emergency take such action as James River in its sole discretion may deem prudent or necessary, notwithstanding any practices and procedures and directions approved and issued by the Operating Committee, to terminate the Emergency, to preserve and maintain the safety, integrity and operability of the Facility and to maintain to the maximum extent the availability of power and energy from the Facility.

(xxiv) Maintain all Applicable Permits other than Schedule A Permits.

(xxv) Provide security protection services at the same level as provided for the Mill.

(xxvi) Provide yard maintenance and snow removal services at the same level as provided for the Mill.

**6.2 PacifiCorp Responsibilities.** PacifiCorp shall perform and be responsible for the following tasks and activities, each to be at PacifiCorp's sole expense unless otherwise expressly provided:

(a) Provide all necessary assistance and cooperation to James River in order to obtain and maintain all Applicable Permits other than Schedule A Permits.

(b) Obtain and maintain in full force and effect all Schedule A Permits.

(c) From time to time review in conjunction with James River production schedules and Facility shutdowns and respond thereto no later than ten (10) calendar days after



receipt by PacifiCorp's Project Manager of such schedules and shutdowns as proposed by James River.

(d) Prepare, with the assistance of James River, any special accounting and reporting documents that may be required by any Governmental Authority.

(e) Perform all Major Maintenance in accordance with the Operating Plan, provided that PacifiCorp shall not be required to pay for Major Maintenance caused by the negligence of James River.

(f) Respond promptly to requests by James River to comment, when consulted by James River.

(g) Perform and pay for all improvements, modifications, enhancements or other changes to the Facility necessitated by a Change in Law, all of which shall be expressly excluded from James River's responsibilities hereunder.

(h) Pay or reimburse James River for the initial inventory of spare parts, consumables and supplies which will be procured in accordance with Prudent Mill Practices, in accordance with the Project Budget and for spare parts, consumables and supplies consumed in connection with Major Maintenance other than Major Maintenance as a result of James River's negligence as specified in Section 6.2(e).

6.3 Establishment of Operating Committee. PacifiCorp and James River shall establish a committee consisting of PacifiCorp's Project Manager and James River's Project Manager and two other designated employees of each of James River and PacifiCorp ("Operating Committee"). The Operating Committee may designate ad hoc committees from time to time, which may be constituted by persons not on the Operating Committee. The Operating Committee shall have the following responsibilities, among others:

(a) Provide liaison between the parties at the management level.

(b) Exercise general supervision over any ad hoc committees.

(c) Consider and resolve matters referred to it by other committees.

(d) Perform such other functions and duties as may be assigned to it in the Project Agreements.

(e) Review, discuss and act upon disputes between the parties arising under the Project Agreements.

(f) Provide liaison between PacifiCorp and James River with respect to progress, performance and completion of work performed hereunder and the financial and accounting aspects thereof.

(g) Establish the Commercial Operation Date of the Facility subsequent to construction and successful completion of startup and equipment testing.

(h) Revise the general description of the Facility as circumstances from time to time warrant.

(i) Review and approve, modify or otherwise act upon recommendations of James River concerning the Facility.

(j) Submit recommendations to PacifiCorp and James River regarding the following items related to the performance of work hereunder:

(i) The annual capital expenditures budget.

(ii) The planned outages scheduled for maintenance and the manner of selection of any maintenance contractor for contract maintenance included in the annual operation and maintenance budget.

(iii) The policies for establishing the spare parts inventory for the Facility and Materials and Supplies inventory levels.

(iv) The written statistical and administrative reports, written budgets, and information and other similar records, and the form thereof, to be kept and furnished by James River (excluding accounting records used internally by James River for the purpose of accumulating financial and statistical data, such as books of original entry, ledgers, work papers, and source documents).

(v) The procedures for performance and efficiency testing.

(vi) James River's analysis of the total expenditures caused by an Operating Emergency.

(vii) The Operating Plan.

(viii) The practices and procedures for keeping PacifiCorp and James River advised of the delivery of power and energy from the Facility and the projected capability of the Facility from time to time to maintain such deliveries.

(ix) The establishment of procedures for the operation of the Facility during periods of curtailed operations.

#### 6.4 Further Committee Procedures.

(a) The committees shall have no authority to modify any of the terms, covenants or conditions of the Project Agreements.

(b) If any ad hoc committee fails to agree while performing the functions and duties delegated to it by the Operating Committee, then such disagreement shall be referred to the Operating Committee for determination.

(c) If the Operating Committee fails to reach agreement while performing the functions and duties assigned to it in this Agreement or in any other Project Agreements, then such disagreement shall be subject to resolution in accordance with Section 14.2.

(d) Each party shall notify the other party promptly of any change in the designation of its representatives on the committees. A party may designate an alternate to act as its representative on any committee in the absence of the regular member or to act on specified occasions with respect to specified matters. Any alternate representative appearing at a committee meeting shall be deemed to have authority to act on behalf of the party he represents unless the committee chairman is furnished with written notice to the contrary.

(e) Any expenses incurred by any member of the Operating Committee or any standing or ad hoc committees in connection with his duties on such committee shall be for the account of the party represented by such member, unless accountability for such expenses is otherwise provided for herein or in another Project Agreement.

6.5 Passage of Title. Title to all materials and services provided under this Article 6 shall pass to PacifiCorp upon the earlier of performance of the work or payment therefor by PacifiCorp.

## ARTICLE 7. SUPPLY OF STEAM

### 7.1 Supply of and Payment for Steam.

(a) Supply. Commencing on the Commercial Operation Date (or such earlier date as the parties shall agree) and continuing throughout the Term of this Agreement, James River shall deliver and supply to PacifiCorp, and PacifiCorp shall accept from James River, subject to the limitations contained herein, such quantity of Steam as shall allow the returned steam from the Facility to supply all of the process steam needs of the Mill.

(b) Royalty/Retail Electricity. Commencing upon startup of the Facility, and continuing through the Term, PacifiCorp shall pay James River royalties for the steam delivered pursuant to this Agreement (including deemed delivery pursuant to Section 7.1(c)), as a function of PacifiCorp's electric generation output ("Electricity") from the Facility, in accordance with the formulae set forth in Exhibit D ("Royalty Schedule"). PacifiCorp's operating division, Pacific Power, shall provide all electric power and energy for operation of the Mill (including existing and future Mill loads) for the term of the Development Agreement. Service will be provided under the same prices as contained in its standard Oregon industrial tariff, Schedule 48T, for full requirements customers upon the commencement of construction of the Project and the related removal from service of the existing turbine generators. If regulatory approval for such an arrangement is not received, PacifiCorp will provide James River with a proposal reflecting economics equivalent to Schedule 48T. James River will remain an one-hundred percent (100%) Oregon customer and will not take any action which may have the effect of preventing Pacific Power from treating the service provided to the Mill as an Oregon customer.

(c) Deemed Delivery. In the event that James River makes Steam Available but the Facility cannot or does not accept such Steam, such Steam shall be deemed to be delivered for purposes of calculations contained in the Royalty Schedule unless the failure to take Steam is the result of (i) a Scheduled Outage, (ii) a Force Majeure event, (iii) an Emergency Outage, (iv) a Mill outage, (v) a Facility outage, or (vi) James River's negligence. The electricity deemed produced by the Steam deemed delivered shall be calculated by utilizing the turbine heat rate which shall be determined at least annually using procedures approved by the Operating Committee.

(d) Royalty Rate Assumptions. While the Royalty Schedule is based in part on PacifiCorp's current projected avoided costs, which costs ultimately may not be in fact as predicted, the Royalty Schedule shall apply for the Term in order to provide the parties with predictable economic benefits and burdens. The Royalty Schedule shall not be modified as a result of a failure by any Governmental Authority to approve the prudence of this Agreement and the related transactions or to allow inclusion of any costs in PacifiCorp's rate base.

7.2 Steam Return. PacifiCorp shall return the Facility's low pressure return steam to James River at the Steam Return Point.

7.3 Supply of Steam Under Abnormal Conditions. From time to time PacifiCorp may notify James River that it wishes James River to deliver Steam notwithstanding that James River is not obligated to deliver Steam during the applicable period. In such event, James River will make reasonable efforts to accommodate such request and the parties shall agree upon equitable compensation therefor.

7.4 Fuel Supply. James River shall at all times arrange and pay for the fuel to operate the boilers which will supply Steam to the Facility, in accordance with Prudent Mill Practices. James River shall arrange and pay for such Fuel, including any tax, fee, assessment, or other charge imposed by any Governmental Authority for the purchase, sale, use, or consumption of such Fuel, without compensation or reimbursement beyond that calculated pursuant to the Royalty Schedule.

7.5 Outages. James River shall not be obligated to supply Steam during Scheduled Outages, Force Majeure Events, Emergency Outages, or any unanticipated outages of the Mill or one or more boilers which will supply Steam to the Facility, to the extent that such boiler outage affects the ability of James River to deliver Steam to the Facility.

7.6 Rankine Efficiency. There shall be no change or revision in the Rankine Efficiency of the Turbine without the mutual written consent of both parties.

7.7 Delivery Points and Title. Unless otherwise agreed upon by the parties, the Steam Delivery Point and Steam Return Point shall be located at the boundary of the Facility and the Mill, with the specific point to be as shown on Exhibit E and made a part hereof. Title to and risk of loss with respect to all Steam shall pass to and rest in PacifiCorp upon such Steam being made Available to PacifiCorp at the Steam Delivery Point in accordance with the terms of this Agreement.

7.8 Steam Quality. James River shall own, operate and maintain measurement equipment necessary to permit a reasonably accurate determination of the quantity, temperature, purity and pressure of Steam delivered, or produced and deemed delivered pursuant to Section 7.1(c), under this

Agreement. James River shall exercise reasonable care in the maintenance and operation of such equipment so as to assure to the maximum extent reasonably practicable an accurate determination of such factors.

#### 7.9 Measurement of Electricity.

(a) For the purposes of billing or reporting under this Agreement, Electricity shall be measured in kilowatt-hours at a metering point to be agreed by the parties.

(b) PacifiCorp shall install, own, operate and maintain an electric meter ("Electricity Meter") necessary to permit an accurate determination of the quantity of Electricity produced by the Facility. PacifiCorp shall exercise reasonable care in the maintenance and operation of such meter so as to assure to the maximum extent reasonably practicable an accurate determination of such quantities. James River shall install, own, operate and maintain any associated Electricity metering equipment which is to be located at the Facility and is not functionally a part of PacifiCorp's equipment, and James River may, but shall not be required to, own, operate, and maintain a check meter to verify the results obtained by James River's Electricity Meter.

(c) In the event PacifiCorp's Electricity Meter is out of service or registers inaccurately as set forth in Section 7.9(g), measurement shall be determined by:

(i) any check metering equipment installed by James River, if registering accurately;

(ii) in the absence of any accurately registering check metering equipment installed by James River, if upon a calibration test of PacifiCorp's Electricity Meter a percentage error is ascertainable, by a mathematical calculation; or

(iii) in the absence of an accurately registering check metering equipment installed by James River and an ascertainable percentage of error, estimating by reference to quantities measured during periods of similar conditions when PacifiCorp's Electricity Meter was registering accurately.

(d) The accuracy of PacifiCorp's Electricity Meter shall be tested and verified by PacifiCorp at least semi-annually and with an opportunity for James River to observe. If James River has installed a check meter pursuant to Section 7.9(b), James River's check meter shall be tested and verified by James River at least semi-annually and with an opportunity for PacifiCorp to observe. The procedures for such testing and verification shall be mutually agreed by PacifiCorp and James River. In the event that James River notifies PacifiCorp that it desires a test of PacifiCorp's metering equipment, PacifiCorp shall cooperate to secure prompt verification of the accuracy of such metering equipment.

~~(e) PacifiCorp shall bear the cost of the semi-annual testing of its meters, and James River shall bear the cost of the semi-annually testing of its check meter, if installed. In the event that James River requests a testing of PacifiCorp's Electricity Meter, James River shall bear the cost of the testing.~~

(f) If, upon testing, PacifiCorp's Electricity Meter is found to be accurate or to be in error by not more than plus or minus two percent (2%), previous recordings of such meter shall be considered accurate in computing Electricity produced by the Facility hereunder, but such meter shall be promptly adjusted to record correctly. If, upon testing, PacifiCorp's Electricity Meter shall be found to be inaccurate by an amount exceeding plus or minus two percent (2%), then such meter shall be promptly adjusted to record properly and any previous recordings by such meter shall be corrected to zero error. If no reliable information exists as to the period over which such meter registered inaccurately, it shall be assumed for correction purposes hereunder that such inaccuracy began at a point in time midway between the testing date and the last previous date on which such meter was tested and found to be accurate.

(g) If, upon testing, PacifiCorp's Electricity Meter is found to be in error by more than plus or minus two percent (2%), the royalty payments on Electricity made since the previous test of such Electricity Meter shall be adjusted to reflect the corrected measurements determined pursuant to Section 7.9(c). If the difference of the payments for the Electricity actually made by PacifiCorp minus the adjusted payment is a negative number, that difference shall be paid by James River to PacifiCorp, and if the difference is a positive number, the difference shall be paid by PacifiCorp to James River, provided that in either case, such payment shall be made in the immediately succeeding billing cycle in accordance with Article 11.

(h) James River shall have the right to be present whenever PacifiCorp reads, cleans, changes, repairs, inspects, tests, calibrates, or adjusts the Electricity Meter used in measuring or checking the amount of Electricity delivered hereunder. PacifiCorp shall give timely notice to James River in advance of taking any of such actions.

(i) The records from PacifiCorp's Electricity Meter shall be the joint property of PacifiCorp and James River. Such records shall be kept by PacifiCorp in accordance with Section 3.6(a).

## ARTICLE 8. INDEMNITY/LIMITATIONS OF LIABILITY

8.1 Degree of Care. James River, in performing its duties hereunder, shall exercise the degree of care of a reasonably prudent construction manager and operator, but beyond such degree of care shall not be responsible for construction means, methods, techniques, sequences and procedures employed by Contractors or subcontractors in the performance of the Construction Contracts or subcontracts or be liable for design, drawings, plans and specifications or the accuracy or completeness thereof, and beyond such degree of care shall not be responsible for the failure of any architect, engineer, consultant, Contractor or subcontractor to carry out any work in accordance with the applicable Construction Contract or other agreement or in accordance with Applicable Laws. To the extent of PacifiCorp's involvement in the construction, operation and maintenance of the Facility, PacifiCorp shall exercise a reasonably prudent degree of care.

### 8.2 Indemnity.

(a) James River hereby agrees to indemnify, defend and hold harmless PacifiCorp, its officers, directors, and employees (PacifiCorp's "Indemnified Persons"), from and against any and all claims, demands, losses, liabilities, actions, lawsuits and other proceedings, judgments and awards.

and costs and expenses (including reasonable attorneys' fees) arising directly or indirectly, in whole or in part, out of the negligence of James River, or any of its officers, directors, agents or employees, in connection with this Agreement or James River's services or work hereunder, whether within or beyond the scope of its duties or authority hereunder.

(b) PacifiCorp hereby agrees to indemnify, defend and hold harmless James River, its officers, directors and employees (James River's "Indemnified Persons"), from and against any and all claims, demands, losses, liabilities, actions, lawsuits and other proceedings, judgments and awards, and costs and expenses (including reasonable attorneys' fees) arising directly or indirectly, in whole or in part, out of the negligence of PacifiCorp, or any of its officers, directors, agents or employees, in connection with this Agreement or PacifiCorp's actions hereunder, whether within or beyond the scope of its duties or authority hereunder.

(c) In the event that any claims, demands, losses, liabilities, actions, lawsuits and other proceedings, judgment and awards, and costs and expenses (including reasonable attorneys' fees) arise, directly or indirectly, in whole or in part, out of the joint or concurrent negligence of PacifiCorp and James River, or their respective officers, directors, agents or employees, each party's liability therefor shall be limited to such party's proportionate degree of fault.

### 8.3 Toxic Wastes and Hazardous Materials.

(a) Neither PacifiCorp nor James River shall store, use, release or dispose, or permit or acquiesce in the storage, use, release or disposal on the Premises of any Hazardous Materials in violation of any Applicable Law or in any manner or amount which would materially impair the value of such property. In the event of any such storage, use, release or disposal, PacifiCorp or James River (as the case may be) shall, at the direction of any Governmental Authority, remove any such Hazardous Materials, or otherwise comply with the regulations or orders of such authority, all at the expense of the party storing, using, releasing or disposing of such Hazardous Materials. If there has been a change in the condition of such property or the laws, rules or regulation pertaining to the health or the environment affecting such property so that the value of such property has been materially impaired, and if the party obligated hereunder to remove such Hazardous Materials or otherwise comply with the applicable regulations shall fail to proceed with such removal or otherwise comply with such regulations or orders within the cure period permitted under the Applicable Law or if the Applicable Law does not specify a cure period, within such reasonable cure period as requested by the non-complying party and consented to by the complying party, the complying party may declare the non-complying party to be in default under this Agreement or may, but shall not be obligated to, do whatever is reasonably necessary to eliminate such Hazardous Materials from such property or otherwise comply with the applicable regulation or order, and the cost thereof shall become immediately due and payable upon notice and with interest thereon at the Default Rate. Each party shall give to the other and its agents and employees access to its respective property for such purposes and hereby specifically grants to the other party a license effective upon expiration of the applicable cure period to remove the Hazardous Materials or otherwise comply with applicable regulations. Each party shall indemnify the other party and hold the other party harmless from and against all loss, damage, expense, liability and response costs (including attorney's fees and costs incurred in the investigation, defense and settlement of claims) that the other party may incur as a result of or in connection with the assertion against the other of any claim relating to the wrongful use, misuse, release or discharge of any Hazardous Materials by



such indemnifying party or the failure to comply with any federal, state, or local laws, rules, regulations or orders relating thereto, except to the extent such loss, damage or expense arises out of the negligence of the otherwise indemnified party.

(b) Each party shall promptly notify the other in writing of any order or pending action by any Governmental Authority, or any claims made by any third party, relating to Hazardous Materials on, or emanations from, its respective property, and shall promptly furnish the other with copies of any correspondence or legal pleadings in connection therewith. Each party shall have the right, but shall not be obligated under this Agreement, to notify any Governmental Authority of any state of facts which may come to its attention with respect to Hazardous Materials on or emanating from the other party's respective property; provided, however, that prior to any governmental notification, the notifying party shall inform the other party of the intent to notify the Governmental Authority and shall provide such other party with a reasonable opportunity to cure in accordance with any applicable regulations or orders relating thereto.

(c) James River shall promptly remediate any release of Hazardous Materials on the Premises to the extent James River is responsible for such emission, as required by Applicable Law, unless such release was caused by PacifiCorp, in which event PacifiCorp shall remediate such release in accordance with Applicable Law.

(d) The liability of each party to the other under the covenants of this Section to indemnify the other party or as to their obligation to clean up Hazardous Materials is not limited by any exculpatory provision in this Article 8 and shall survive the termination of this Agreement.

#### 8.4 Limitation of Liability/Enforcement.

(a) Notwithstanding any other provision of this Agreement (except Section 8.5) or any other Project Agreement or the failure of essential purposes of any remedies set forth in the Agreement, each party shall only be liable for direct damages as a result of a breach or default by such party hereunder. In no event shall either party (or their officers, directors, employees or agents) be liable, whether under contract, tort (including negligence), strict liability, or any other cause of or form of action whatsoever, for claims of customers, cost of money, loss of use of capital or revenue or any other incidental, special or consequential loss or damage of any nature arising at any time or from any cause whatsoever, or for punitive or exemplary damages.

(b) Except for any judgment debt for damage resulting from gross negligence or willful misconduct and except to the extent any judgment debt is collectible from valid insurance covering the Facility or the parties, and subject to the provisions of Section 8.4(c), Section 8.5 and Section 8.7, each party hereby extends to the other party and its directors, members of its governing bodies, officers, employees, agents, or any Person whose liability would be derived from any such Person ("Persons Potentially Liable"), its covenant not to execute, levy or otherwise enforce a judgment obtained against any of them, including recording or effecting a judgment lien, for any direct, indirect or consequential loss, damage, claim, cost, charge or expense, whether or not resulting from the negligence of such Persons Potentially Liable or any person or entity whose action or inaction would be imputed to such Persons Potentially Liable, from the performance or nonperformance of the obligations of a party under the Project Agreements, or based on ownership or control of the Facility, other than the obligation to pay any monies which have become due.



(c) In the event any insurer providing insurance covering the Facility or the parties refuses to pay any judgment obtained by a party against the other party or its related Indemnified Persons, on account of liability referred to in Section 8.4(b), the party against or through whom the judgment is obtained shall, at the request of the prevailing party and in consideration of the covenant given in Section 8.4(b), execute such documents as may be necessary to effect an assignment of its contractual rights against the nonpaying insurer and thereby give the prevailing party the opportunity to enforce its judgment directly against such insurer. In no event when a judgment debt is collectible from valid insurance shall the party obtaining the judgment execute, levy or otherwise enforce the judgment (including recording or effecting a judgment lien) against the party or its related Persons Potentially Liable against whom the judgment was obtained.

8.5 Claims by Electric Customers. Notwithstanding any other provision of this Agreement or the other Project Agreements, a party whose electric customer shall have a claim or bring an action against any other party for any death, injury, loss or damage arising out of or in connection with electric service to such customer and caused by the operation or failure of operation of the Facility or any portion thereof, shall indemnify and hold harmless such other party and its related Indemnified Persons from and against any liability for such death, injury, loss or damage.

8.6 Limitation of Liability for Other Party's Debts. Notwithstanding anything to the contrary contained herein, (a) James River shall have no liability whatsoever with respect to, and no lien shall be placed on James River's assets in connection with, the obligations of PacifiCorp under any contract between PacifiCorp and any other Person, and (b) PacifiCorp shall have no liability whatsoever with respect to, and no lien shall be placed on PacifiCorp's assets in connection with, the obligations of James River under its financing agreements or other contracts between James River and any other Person.

8.7 No Release of Insurers. The provisions of this Article 8 shall not be construed so as to relieve any insurer of its obligation to pay any insurance proceeds in accordance with the terms and conditions of valid and collectible insurance policies.

8.8 Disclaimer of Warranties. EXCEPT AS SPECIFICALLY PROVIDED IN THIS AGREEMENT, JAMES RIVER MAKES NO WARRANTIES WITH RESPECT TO THE WORK OR SERVICES PERFORMED OR GOODS, MATERIALS (INCLUDING FUEL AND WATER) OR OTHER ITEMS SUPPLIED HEREUNDER, EXPRESS OR IMPLIED, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PURPOSE.

8.9 Survival of Indemnities. The provisions of this Article 8 shall survive the expiration of this Agreement or any earlier termination thereof.

## ARTICLE 9. FORCE MAJEURE

9.1 Force Majeure Generally. Neither James River nor PacifiCorp in their respective capacities as parties to the Project Agreements, shall be liable in damages or otherwise to the other or be considered in default hereof, as a result of any act, omission or circumstance occasioned by any acts of God, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, volcanos, fires, storms, floods, disasters, civil disturbances, explosions, sabotage, the binding order of any Governmental Authority which has been resisted in good faith by all

reasonable legal means, changes after the date hereof in federal, state or local laws, shortages of labor or materials, strikes or other labor disputes which exceed three (3) months in duration, breakdowns of equipment not due to the negligence or greater fault of the party asserting that such breakdown falls within the scope hereof, or other event or circumstances not within the control of such party which prevent such party from performing its obligations hereunder or under any other Project Agreement ("Force Majeure Event"). "Force Majeure Event" shall expressly exclude (i) a party's financial inability to perform (ii) the negligence or greater fault or breach of this Agreement or any other Project Agreement by the party claiming suspension.

9.2 Events Deemed Not Force Majeure. Force Majeure Events shall not relieve James River or PacifiCorp in their respective capacities as parties to the Project Agreements of liability in the event of their concurrent negligence or in the event of their failure to use due diligence to remedy the situation and to remove the cause in an adequate manner and with all reasonable dispatch, nor shall Force Majeure Events relieve either party of liability unless such party shall give notice and full particulars of the same in writing to the other party within twenty (20) days of the time when an event or occurrence is, or becomes, a Force Majeure Event.

9.3 Time Limitation on Force Majeure. Should any Force Majeure Event remain in existence for a period of six (6) months, this Agreement and the other Project Agreements may be terminated by the party not claiming suspension of its obligation of performance under such Force Majeure Event, upon the giving of written notice by such party to the other; provided, however, that if there is a reasonable probability that such Force Majeure Event can be remedied and terminated, such six (6) month period shall be extended for not more than an additional six (6) months so long as throughout such additional six (6) month period the party claiming suspension of the obligation of performance due to the Force Majeure Event has diligently proceeded to remedy and terminate the Force Majeure Event and continues to do so throughout such extension.

9.4 Force Majeure Extension of Term. If this Agreement is not terminated as provided in Section 9.3, the Term may, at the option of the party not claiming suspension of its obligation of performance under a Force Majeure Event, be extended by the period of time during which any such Force Majeure Event in excess of one day prevents the other party from performing its obligations hereunder by extending the duration of the Contract Year during which the Force Majeure Event commenced for purposes of all calculations performed pursuant to Exhibit D other than the "Ceiling" and "Floor" figures referred to in Exhibit D, Schedule D-3, which shall not be shifted.

## ARTICLE 10. INSURANCE

10.1 Coverage. Except as otherwise provided in this Article 10, the parties shall maintain such insurance coverage, or self-insurance (except for statutorily mandated insurance), as they deem prudent based on their respective historical practices, given the incremental risks resulting from the Project.

### 10.2 Builder's Risk Insurance.

(a) PacifiCorp shall arrange for the primary insurance for the Project while under construction under an all-risk, broad form policy, covering the interests of, PacifiCorp, the prime contractor, the Primary Project Engineers, major subcontractors and suppliers, and James River, as

they may appear, for loss of or damage to property which will be incorporated into the Project. Such insurance shall remain in effect during installation of the Project and during preoperational testing of the Project and until five (5) days after the Commercial Operation Date.

(b) The policy described above shall (i) be primary, without right of contribution from any other insurance which may be carried by a party, (ii) name PacifiCorp, the prime contractor, the Primary Project Engineers, major subcontractors and suppliers and James River as additional insureds with respect to activities performed under this Agreement and the other Project Agreements, (iii) cover the full replacement cost of the Project, (iv) have such level of deductible as the parties shall agree, (v) include coverage for earthquake, flood, collapse, sinkhole and subsidence, and (vi) include transit and offsite coverage commencing at point of shipment, including coastal and inland waterways (and ocean, if appropriate).

(c) Neither party shall intentionally perform any act that would invalidate the policy required hereby, or increase the premiums payable under such policy. Should PacifiCorp at any time neglect or refuse to provide any insurance required hereunder, or should any insurance be cancelled, James River shall have the right, but not the obligation, to procure insurance with premiums, including claim payments and defense costs associated with the loss of such coverage, and shall be reimbursed by PacifiCorp for all costs and fees paid on behalf of PacifiCorp.

(d) The policy required hereby shall have a provision mutually waiving rights of subrogation by the insurer against the parties hereto.

10.3 Insurance Proceeds and Warranties. In connection with its construction management, operation, Maintenance and other services hereunder, James River is authorized by PacifiCorp to make, administer, settle and adjust all insurance and warranty claims, provided that prior to making any material decision with respect to any claim of value in excess of the amount of the deductible applicable to such insurance claim, or, in the case of a warranty claim, \$50,000, James River will consult with PacifiCorp. Proceeds of insurance and warranty claims shall be applied to remedy the problem for which the claim was made, or paid to the party or parties as their interests may appear.

## ARTICLE 11. COMMERCIAL TERMS

11.1 Royalty Statements. On or before the tenth day of each Month, PacifiCorp shall deliver to James River a statement in substantially the form of Exhibit F, showing the total electricity generated by the Facility in the preceding Month for which PacifiCorp is obligated to make payment pursuant to Section 11.3, and showing the calculation of royalties deriving therefrom. In the event that Section 7.1(c) applies, PacifiCorp shall, within such ten day period request of James River, and James River shall provide, a statement describing the times during the previous month during which Steam was Available but not accepted by the Facility, and the calculation of payment for such availability, as provided in the Royalty Schedule, shall be included in PacifiCorp's statement.

11.2 Meter Reading. For purposes of this Article 11, PacifiCorp shall read its Electricity Meter at the end of each calendar month and shall deliver to James River by the tenth business day of each month following the month for which the reading was taken a statement showing the amount of Electricity produced by the Facility hereunder.

11.3 Payment. PacifiCorp shall pay to James River the royalty payment due as set forth in the statement provided by PacifiCorp to James River pursuant to Section 11.1, and such payment shall be made on or before the last day of the month in which such statement is delivered. Any payment not so made (unless subject to a good faith dispute) shall bear interest from the date on which payment was required to be made to the date such payment is actually received by James River, and such interest shall accrue at an annual rate equal to the lesser of (1) the Default Rate, or (ii) the maximum rate permitted under the laws of the State of Washington. If James River in good faith disputes a statement prepared by PacifiCorp, PacifiCorp shall pay the full amount indicated by its statement, and the disputed additional sum shall be submitted to dispute resolution under Section 14.2 within ten days of when said sum would otherwise have been payable hereunder, and any payment determined to be due pursuant to said dispute resolution shall bear interest at an annual rate equal to the Prime Rate from the date on which said payment otherwise would have been payable hereunder to the date such payment is actually received by James River.

11.4 Taxes.

(a) James River shall pay or shall reimburse PacifiCorp for the following taxes and all taxes of a similar nature imposed for the first time subsequent to the execution of this Agreement: (i) all business and occupation taxes relating to the Facility, (ii) the public utility tax imposed upon the generation or sale of electricity by PacifiCorp to James River from the Facility, (iii) all taxes based upon royalties paid by PacifiCorp to James River hereunder, (iv) taxes based upon James River's gross or net income, (v) all business and franchise taxes imposed upon James River, (vi) fuel taxes as provided in Section 7.4, and (vii) any other excise taxes resulting from James River's operation and maintenance duties hereunder.

(b) PacifiCorp shall pay or shall reimburse James River for the following taxes and all taxes of a similar nature imposed for the first time subsequent to the execution of this Agreement: (i) all real and personal property or other annual ad valorem taxes on the Facility or the Premises, (ii) all taxes based upon the electrical output of the Facility, other than the taxes described in Section 11.4(a), (iii) taxes based upon PacifiCorp's gross or net income, (iv) all business and franchise taxes imposed upon PacifiCorp, and (v) any other excise taxes resulting from PacifiCorp's maintenance duties hereunder.

(c) The parties contemplate that all taxes imposed upon the purchase and construction of the Project are included in the Project Budget.

ARTICLE 12. REPRESENTATIONS AND WARRANTIES

12.1 Representations and Warranties of James River. James River makes the following representations and warranties to PacifiCorp, all of which shall survive the Effective Date:

(a) Organization. James River is a corporation duly organized and validly existing under the laws of the state of Virginia and is in good standing under the laws of each state for which it is required to be in good standing in connection with the transactions contemplated by the Project Agreements, and has the full power and authority to carry on its business as now conducted, to own or hold under lease its properties and to enter into and perform its obligations under each Project Agreement to which it is a party.

(b) Authorization; No Conflict. James River has duly authorized, executed and delivered each Project Agreement to which it is a party and neither James River's execution and delivery thereof nor its consummation of the transactions contemplated thereby nor its compliance with the terms thereof (i) does or will contravene its articles of incorporation or bylaws or any other Law applicable to or binding on James River or any of its properties, (ii) does or will contravene or result in any breach of or constitute any default under, or result in or require the creation of any lien upon any of its property under, any agreement or instrument to which it is a party or by which it or any of its properties may be bound or affected or (iii) does or will require the consent or approval of any Person which has not already been obtained.

(c) Enforceability. Each Project Agreement to which James River is a party is a legal, valid and binding obligation of James River, enforceable against James River in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws.

12.2 Representations and Warranties of PacifiCorp. PacifiCorp makes the following representations and warranties to James River, all of which shall survive the Effective Date:

(a) Organization. PacifiCorp is a corporation duly organized and validly existing under the laws of the state of Oregon and is in good standing under the laws of each state for which it is required to be in good standing in connection with the transactions contemplated by the Project Agreements, and has the full power and authority to carry on its business as now conducted, to own or hold under lease its properties and to enter into and perform its obligations under each Project Agreement to which it is a party.

(b) Authorization; No Conflict. PacifiCorp has duly authorized, executed and delivered each Project Agreement to which it is a party and neither PacifiCorp's execution and delivery thereof nor its consummation of the transactions contemplated thereby nor its compliance with the terms thereof (i) does or will contravene its articles of incorporation or bylaws or any other Law applicable to or binding on PacifiCorp or any of its properties, (ii) does or will contravene or result in any breach of or constitute any default under, or result in or require the creation of any lien upon any of its property under, any agreement or instrument to which it is a party or by which it or any of its properties may be bound or affected or (iii) does or will require the consent or approval of any Person which has not already been obtained.

(c) Enforceability. Each Project Agreement to which PacifiCorp is a party is a legal, valid and binding obligation of PacifiCorp, enforceable against PacifiCorp in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws.

### ARTICLE 13. EVENTS OF DEFAULT

~~13.1 Events of Default. Subject to Article 9, the following events shall be deemed to be events of default ("Events of Default") under this Agreement and under each of the other Project Agreements, regardless of the pendency of any bankruptcy, reorganization, receivership, insolvency or other proceeding which have or might have the effect of preventing the defaulting party from complying with the terms of this Agreement:~~

(a) Failure by a party to pay any payment required to be made hereunder or under any other Project Agreement, including taxes (unless the same shall have been bonded or are being diligently contested) when such failure shall continue for thirty (30) days after written notice thereof has been given to the nonpaying party; or

(b) Failure by a party to comply in any material respect with any material term, provision or covenant of this Agreement or any other Project Agreement, other than the payment of sums to be paid hereunder or thereunder, when such failure shall continue for sixty (60) days after written notice thereof has been given to the nonperforming party or, if such failure cannot reasonably be cured within said sixty (60) days but can be cured within a reasonable longer period and the nonperforming party shall have commenced to cure such failure within said sixty (60) days and shall thereafter proceed with reasonable diligence and good faith to cure such failure, for such longer period, not to exceed 365 days, as shall be necessary for such party to cure the same with all reasonable diligence.

### 13.2 Remedies.

(a) If both parties agree that an Event of Default has occurred and is continuing, then the non-defaulting party may proceed to exercise such remedies as it may be entitled to in law or at equity, without proceeding under Section 14.2. However, if one party believes in good faith that no Event of Default has occurred and is continuing, and promptly informs the party asserting the existence of an Event of Default of such belief, then the parties shall attempt to resolve such good faith dispute under Section 14.2.

(b) Subject to the terms hereof, upon the occurrence and during the continuation of any Event of Default, the nondefaulting party may, at its option, and in addition to and cumulatively of any other rights the nondefaulting party may have at law or in equity, terminate this Agreement and the other Project Agreements by notice to the other party and in conformity with procedures required hereby, or enforce, by all proper and legal suits and other means, its rights hereunder, and without terminating this Agreement and the other Project Agreements. Should it be necessary for such party to take any legal action in connection with such enforcement, the defaulting party shall pay such nondefaulting party all reasonable attorneys' fees incurred, all without prejudice to any remedies that might otherwise be used by either party for recovery or arrearages of sums due hereunder, damages as herein provided, or breach of contract.

(c) Neither this Agreement nor any other Project Agreement may be terminated except in connection with the termination of each of the other Project Agreements. If either party shall have the right to terminate any Project Agreement it shall be deemed to have the right to terminate all of the other Project Agreements.

13.3 Bankruptcy. In addition to any other rights or remedies it may have, either party shall have the right to terminate this Agreement, effective immediately, if, at any time, a Bankruptcy Event shall occur with respect to the other party.

13.4 Attorneys' Fees. If either party hereto commences litigation or arbitration for the judicial or other interpretation, enforcement, termination, cancellation or rescission hereof, or for damages for the breach hereof, the prevailing party in any such action, trial, arbitration, petition for

review or appeal thereon shall be entitled to its reasonable attorneys' fees and court, arbitration and other costs incurred, to be paid by the losing party as fixed by the court or arbitrator in the same or a separate suit, and whether or not such action is pursued to decision or judgment.

13.5 Past Due Amounts. Any amounts due hereunder, if not timely paid by the party from whom they are due, shall bear interest at the Default Rate (subject to and limited by applicable usury laws) from the date that such amount was due until the time that such amount is paid.

13.6 Mill Closure. Any of the events described in Section 3.2 of the Lease shall be expressly deemed not an Event of Default hereunder. PacifiCorp's sole remedy in such event shall be as described in such section.

#### ARTICLE 14. MISCELLANEOUS

##### 14.1 Public Announcement; Confidential Information, Etc.

(a) Public Announcements. No press release or public announcement regarding this Agreement, any other of the Project Agreements, or the contents thereof shall be made by either party without prior written approval of the other party (which shall not be unreasonably withheld or delayed), except as may be necessary, in the opinion of counsel for such party, to meet the requirements of any Applicable Law or to comply with any request of any stock exchange on which the securities of such party may be listed. It is expressly understood that this Agreement and the other Project Agreements may be disclosed by either party in connection with obtaining any Permits.

(b) Confidential Information. In connection with the this Agreement and the other Project Agreements, each party hereto agrees to provide and disclose to the other with such financial or other information as may be reasonably necessary to further the development of the Project. All such disclosures shall be subject to Section 3.7 and the Confidentiality Agreement. James River agrees that the Confidentiality Agreement shall apply fully to it notwithstanding that the parties thereto are PacifiCorp and James River Corporation of Nevada.

14.2 Dispute Resolution. The parties shall attempt in good faith to resolve or cure all disputes, Events of Default and claimed Events of Default by mutual agreement before initiating any legal action or attempting to enforce any rights or remedies hereunder or under any other Project Agreement. Either party wishing to resolve or cure a dispute, an Event of Default or claimed Event of Default shall give notice thereof to the other party. Within five (5) days after delivery of such notice, the Vice President/Resident Manager of the Mill and Senior Officer of PacifiCorp shall meet to discuss and to attempt to resolve or cure such dispute, Event of Default or claimed Event of Default. If they are unable to do so within fifteen (15) days after delivery of such notice, the dispute, Event of Default or claimed Event of Default shall be referred to a Senior Officer of James River and a Senior Officer of PacifiCorp for resolution or cure. Such officers shall meet to discuss and attempt to resolve or cure such Dispute, Event of Default or claimed Event of Default within ten (10) days after the expiration of such fifteen (15) day period. If they are unable to agree on an appropriate cure or resolution within thirty (30) days after the end of such fifteen (15) day period, both parties may pursue any rights and remedies as they may have hereunder, at law or in equity. The failure or refusal of either party above to meet and discuss any dispute, Event of Default or claimed Event of Default as provided above shall entitle the other party to immediately exercise any

rights or remedies which it may have hereunder, at law or in equity without the need of further meetings or discussions.

14.3 No Third Party Beneficiary; No Dedication. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to, any Person not a party to this Agreement. No undertaking by James River pursuant hereto shall constitute the dedication of James River's property or any portion thereof to PacifiCorp or to the public, nor affect the status of James River as an independent entity.

14.4 Assignment.

(a) No party hereto may assign, sell or otherwise dispose of all or any portion of its interests in this Agreement, any other Project Agreement or the Project without the prior written consent of the other party, such consent not to be unreasonably withheld, provided, that PacifiCorp may assign such interests in accordance with Section 14.4(e) without the consent of James River, and James River may assign such interests in accordance with Section 14.4(f) without the consent of PacifiCorp. As used in this Section 14.4, the phrase "assign, sell or otherwise dispose of all or any portion of its interests in this Agreement, any other Project Agreement or the Project" shall include any and all direct and indirect transfers, including a transfer for security purposes and the sale, assignment or transfer of any partnership or other ownership interests in the transferor or of any stock or other ownership interests in the transferor.

(b) Other than a grant of a lien or security interest, no transfer, assignment, sale or conveyance of a party's interest hereunder, under any other Project Agreement or in the Project shall be made in part, but may only be made as an entirety in connection with transfer, assignment, sale or conveyance of all of the transferor's interests hereunder and under the other Project Agreements, and assumption by a permitted transferee of all of the transferor's obligations thereunder.

(c) The party hereunder who engages in a permitted transfer, assignment, sale or conveyance of its interests under this Agreement, the other Project Agreements and the Project shall be relieved of all further liability hereunder and thereunder from and after the date of any such permitted transfer, assignment, sale or conveyance if the transferee, assignee, purchaser or recipient shall have expressly assumed the obligations of the transferor hereunder and thereunder in accordance with documentation reasonably satisfactory to the non-transferring party.

(d) Any permitted assignee or transferee of this Agreement, any other Project Agreement or the Project, other than an assignee or transferee for security purposes, shall assume all existing and future obligations of the transferor to be performed hereunder and under the other Project Agreements to which such transferor is a party.

(e) Without the consent of James River, PacifiCorp may from time to time make a collateral assignment of all revenues due to it under the terms of this Agreement, and, provided that PacifiCorp continues to be responsible for its obligations to be performed under the Project Agreements, may assign, sell or otherwise dispose of all of its interests in this Agreement, the other Project Agreements and the Facility:



(i) as collateral security to the indenture trustee pursuant to the First Mortgage Indenture, provided that PacifiCorp retains its obligations hereunder and under the other Project Agreements. No further consent shall be required to the acquisition by the indenture trustee or its assigns as a result of foreclosure upon assets permitted by this section to be encumbered by PacifiCorp, provided that unless the Facility is to be dismantled and removed from the Premises, any such acquiror shall be a single Person. PacifiCorp may not grant a lien in any portion of the Improvements;

(ii) to any person or entity into which or with which PacifiCorp is merged or consolidated or to which PacifiCorp transfers substantially all of its assets; or

(iii) to any person or entity wholly owning, wholly owned by or wholly owned in common with PacifiCorp.

(f) James River may from time to time assign, sell or otherwise dispose of all of its interests in this Agreement, the other Project Agreements and the Project, or all or a portion of the Mill, the Premises or the Mill Site without the prior consent of PacifiCorp:

(i) if James River continues to be responsible for its obligations to be performed under the Project Agreements;

(ii) in connection with the consolidation or merger of James River with or into any other Person or the sale, transfer or assignment of all or substantially all of James River's assets;

(iii) in connection with (A) the sale, lease, assignment or other transfer of fifty percent (50%) or less of the ownership of the Mill, or any substantial portion thereof, or (B) any lease of the Mill, or any substantial portion thereof, in each case when the sold, leased, assigned or transferred asset is simultaneously leased back to James River; or

(iv) in connection with (A) any substantial modification of the Mill, so long as such modification would not materially interfere with the operation and utilization of the Facility, or (B) the sale, lease, assignment or other transfer of more than fifty percent (50%) ownership of the Mill, or any portion thereof, so long as (1) such buyer, assignee, lessee or other transferee either has a rating of A or better (after giving effect to such sale, lease, assignment or transfer) from Standard & Poor's Corporation (or equivalent, if unrated or not rated by Standard & Poor's Corporation, using the then current rating criteria of Standard & Poor's Corporation or Moody's Investor Services, Inc., or reasonable equivalent criteria) or (2) such buyer, assignee, lessee or other transferee has a rating of BBB or better (after giving effect to such sale, lease, assignment or transfer) from Standard & Poor's Corporation (or equivalent, if unrated or not rated by Standard & Poor's Corporation, using the then current rating criteria of Standard & Poor's Corporation or Moody's Investor Services, Inc., or reasonable equivalent criteria), and in each case James River or another operator with reasonable prior experience in operating facilities such as the Mill operates or continues to operate the Mill, and James River has given PacifiCorp at least twenty (20) days prior written notice of such sale, lease, assignment or other transfer and of the identity of the buyer, lessee, assignee or other transferee and the operator.

(g) Notwithstanding any agreement of the parties in this Agreement and the other Project Agreements, no assignment or transfer of any kind, whether voluntary, involuntary, or by operation of law, or under the default provisions of the said agreements, shall be valid (i) if made by PacifiCorp or its assignees or successors-in-interest or any other Person, to a competitor of James River or a Person who is a competitor of Persons who are Affiliates or Subsidiaries of James River on the Effective Date, or (ii) if made by James River or its assignees or successors-in-interest or any other Person, to a competitor of PacifiCorp on the Effective Date .

14.5 No Partnership. Neither James River nor PacifiCorp is in any way or for any purpose, by nature of this Agreement or otherwise, a partner, joint venturer, employer or employee of the other.

14.6 Notices. All notices, requests and communications required or permitted hereunder shall be in writing and shall be sufficiently given and deemed to have been received upon personal delivery by messenger, overnight courier or telecopier or, if mailed, upon the first to occur of actual receipt or forty-eight (48) hours after being placed in the United States mail, postage prepaid, registered or certified mail, with return receipt requested, addressed to the above parties as follows:

PacifiCorp:

PacifiCorp  
800 P.S.B.  
920 SW 6th Avenue  
Portland, OR 97204  
Attn: Dale McLain

with a copy to:

Stoel Rives Boley Jones & Grey  
900 SW Fifth Avenue, Suite 2300  
Portland, OR 97204  
Attn: Thomas Nelson  
Telephone: (503) 224-3380  
Telecopier: (503) 220-2480

James River:

James River Paper Company, Inc.  
Camas Mill  
4th and Adams Streets  
Camas, WA 98607  
Attn: Resident Manager  
Telephone: (206) 834-3021  
Telecopier: (206) 834-8176

with a copy to:

James River Paper Company, Inc.  
Tredegar Street  
Richmond, VA 23219  
Attn: General Counsel and  
Secretary  
Telephone: (804) 649-4444  
Telecopier: (804) 649-4317

and a copy to:

Latham & Watkins  
505 Montgomery Street, Suite 1900  
San Francisco, CA 94111  
Attn: Tim Flato  
Telephone: (415) 391-0600  
Telecopier: (415) 395-8095

Notice of a change in address of one of the parties shall be given in writing to the other party as provided above, but shall be effective only upon actual receipt.

14.7 Entire Agreement. This Agreement, the other Project Agreements and the documents the forms of which are attached as exhibits hereto and thereto shall contain the entire and sole understanding of the parties hereto with respect to the matters covered hereby or any transactions contemplated herein (other than power sales from PacifiCorp to James River), and supersedes and cancels any and all oral or written prior agreements, understandings, statements and representations between the parties with respect to the Project.

14.8 Severability. Any material provision of this Agreement or the other Project Agreements that shall be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In the event any such provision of this Agreement or any other Project Agreement is so held invalid, the parties shall promptly renegotiate in good faith new provisions to restore this Agreement (or the applicable Project Agreement) as near as possible to its original intent and effect to the extent permitted by Applicable Law. The parties hereto hereby waive any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

14.9 Headings. The headings of the various Articles and Sections of this Agreement are for convenience of reference only and shall not modify, define or limit any of the terms or provisions thereof.

14.10 Waiver of Jury Trial. THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON OR ARISING OUT OF, UNDER OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER PROJECT AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF THE PARTIES HERETO. THIS PROVISION IS A

MATERIAL INDUCEMENT FOR EACH OF THE PARTIES TO ENTER INTO THIS AGREEMENT.

14.11 Governing Law. This Agreement and the other Project Agreements have been delivered in, and shall in all respects be governed by, and construed in accordance with, the laws of the State of Washington applicable to agreements made and to be performed entirely within such State, including all matters of construction, validity and performance.

14.12 Amendments; Waiver. This Agreement and the other Project Agreements may not be terminated, amended, supplemented, waived or modified orally except by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification is sought. No waiver shall be deemed a waiver with respect to any similar or dissimilar subsequent default or other matter.

14.13 Counterparts. This Agreement may be signed in multiple originals, and by using counterpart signature pages.

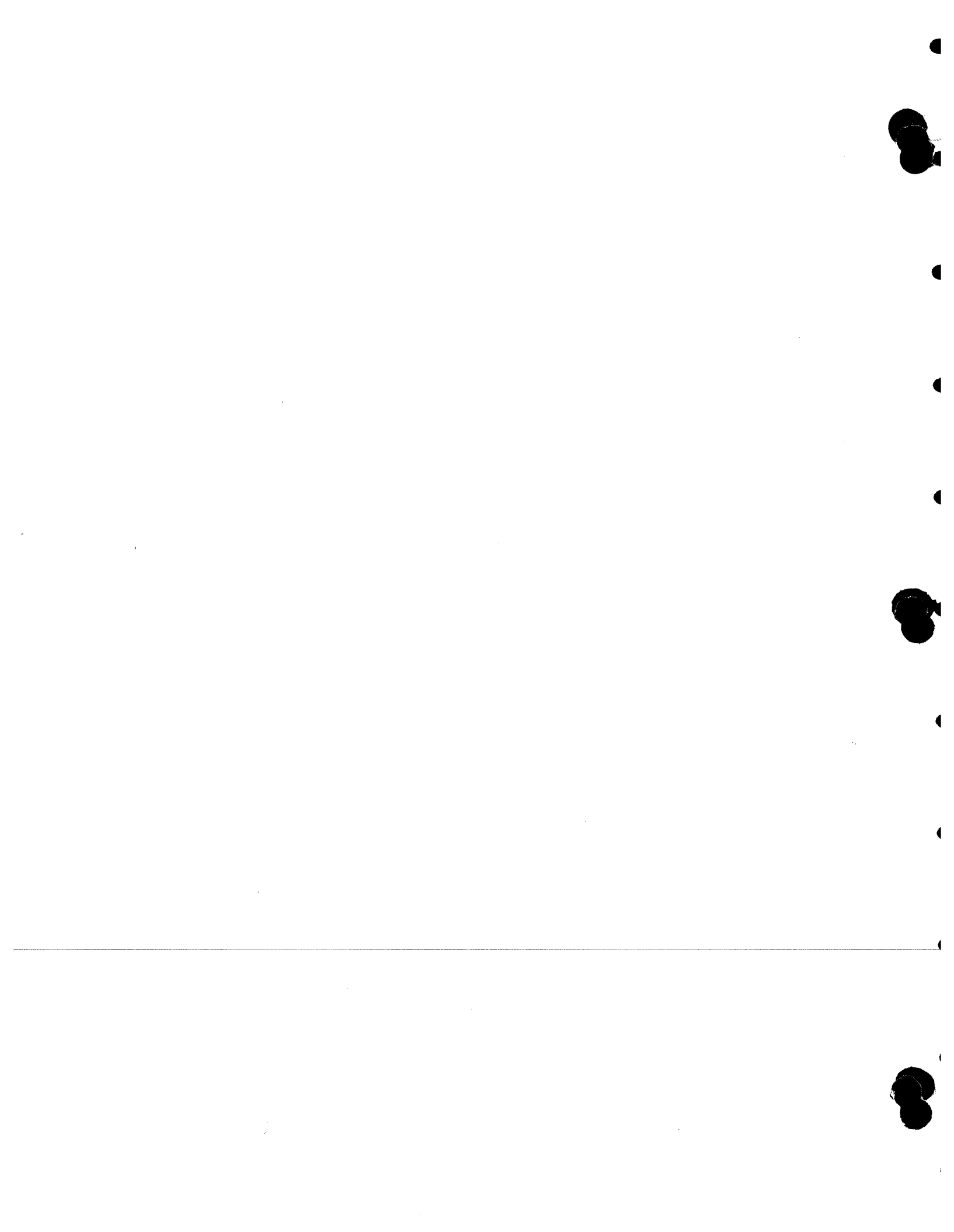
IN WITNESS WHEREOF, James River Paper Company, Inc. and PacifiCorp have by their respective duly authorized officers caused this Camas Development, Construction, Operation and Steam Supply Agreement to be executed as of the day and year first above written.

JAMES RIVER PAPER COMPANY, INC.,  
a Virginia corporation

By: *Ernest S. Leopold*  
Name: ERNEST S. LEOPOLD  
Title: AGENT

PACIFICORP,  
an Oregon corporation

By: *Dennis P. Steinberg*  
Name: Dennis P. Steinberg  
Title: Vice President



## EXHIBIT A

### Definitions

"Affiliate" of a specified Person means any other Person that directly, or indirectly through one or more intermediates, controls, is controlled by or is under common control with the Person specified, or who holds or beneficially owns 10% or more of the equity interest in the Person specified or 10% or more of any class of voting securities of the Person specified.

"Applicable Laws" means all Laws which are applicable to or affect the construction, testing, operation, maintenance, ownership, leasing or use of the Premises, the Facility or the Improvements, including any zoning, environmental protection, pollution, sanitation, safety, siting or building Laws, and any waiver, exemption, variance, order, Permit, authorization, right or license of, from or imposed by any Governmental Authority.

"Applicable Permit" means any Permit, including any zoning, environmental protection, pollution, sanitation, OPUC, WUTC, safety, siting or building Permit, (i) that is necessary to construct, test, operate, maintain, repair, own or use the Project or the Premises as contemplated by the Project Agreements, to sell Electricity therefrom, to enter into any Project Agreement or to consummate any transaction contemplated thereby, or (ii) that is necessary so that neither James River nor any Affiliate or Subsidiary may be deemed by any Governmental Authority to be subject to regulation under the FPA or PUHCA or under any state laws or regulations respecting the rates or the financial or organizational regulation of utilities as a result of the construction or operation of the Project or the sale of steam and so that PacifiCorp is not subject to regulation under PUHCA.

"Available" means available for delivery by James River with a present ability to deliver at the Interconnection Point.

"Bankruptcy Event" means, with respect to any Person, that such Person shall have filed a voluntary petition in bankruptcy, or shall have been adjudicated a bankrupt or insolvent, or shall have filed any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute or law relating to bankruptcy, insolvency, or other relief for debtors, whether federal or state, or shall seek, consent to, or acquiesce in the appointment of any trustee, receiver, conservator or liquidator of such Person or of all or any substantial part of its properties, or a court of competent jurisdiction shall have entered an order, judgment or decree approving a petition filed against such Person seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute or law relating to bankruptcy, insolvency or other relief for debtors, whether federal or state, and such Person shall have consented to or acquiesced in the entry of such order, judgment or decree, or the same shall have remained unvacated and unstayed for an aggregate of sixty (60) days from the date of entry thereof, or any trustee, receiver, conservator or liquidator of such Person or of all or any substantial part of its properties shall have been appointed without the consent of or acquiescence of such Person and such appointment shall have remained unvacated and unstayed for an aggregate of sixty (60) days. The terms "acquiesce" and "acquiescence", as used herein, shall include the failure to file a petition or motion to vacate or discharge any order, judgment or decree providing for such appointment within the time specified by law.

"Business Day" means any day other than a Saturday, Sunday or other day on which banks are authorized to be, or are generally, closed in Washington State.

"Calendar Year" means any period beginning on a January 1 and ending on a December 31.

"Casualty" means any loss or destruction of or damage to the Project (until and including the Commercial Operation Date) or the Facility (after the Commercial Operation Date) resulting from any act of God, fire, explosion, earthquake, accident, or the elements, whether or not covered by insurance and whether or not caused by the fault or negligence of any Person or its employees, agents, contractors or visitors.

"Change in Law" means a change in any Applicable Law after the Effective Date.

"Change Order" means a change order under any Construction Contract, regardless of by whom initiated.

"Commercial Operation" means the state of the Facility on the Commercial Operation Date.

"Commercial Operation Date" means the Commercial Operation Date determined pursuant to Section 6.3(g) of the Development Agreement.

"Confidentiality Agreement" means the Confidentiality Agreement dated July 10, 1991 between PacifiCorp and James River Corporation of Nevada, attached as Exhibit G to the Development Agreement.

"Construction Contracts" means all agreements, contracts, purchase orders or similar agreements for (a) architectural, engineering, design, testing or consulting services for the Project, (b) the procurement of all equipment, machinery, supplies and materials for the construction of the Project and (c) the construction of the Project, including construction of all improvements and the installation of all equipment and machinery forming a part of the Project.

"Contract Year" means the Initial Contract Year (as one Contract Year) and thereafter each twelve-month period beginning on the first day after the Initial Contract Year or after the previous Contract Year, as the case may be.

"Contractor" or "Contractors" means collectively the Persons with whom James River or PacifiCorp shall enter into a Construction Contract.

"Default Rate" means the Prime Rate plus two percent (2%). However, under no circumstances shall the Default Rate exceed the maximum interest rate allowed by then applicable law.

"Development Agreement" means the Camas Development, Construction, Operation, and Steam Supply Agreement dated as of January 13, 1993 between James River and PacifiCorp.

"Easements" means the easements granted pursuant to Article III of the Lease, as described in Exhibit C to the Lease.



"Law" means any valid law, rule, regulation, ordinance, order, code, judgment, decree, injunction, permit or similar norm or decision of any Governmental Authority having jurisdiction over the matter in question.

"Lease" means the Lease dated as of January 13, 1993 between James River as Lessor and PacifiCorp as Lessee, in substantially the form of Exhibit I to the Development Agreement.

"Lessee" means PacifiCorp as lessee under the Lease.

"Lessor" means James River as lessor under the Lease.

"Lien" on any asset means any mortgage, lien, charge, security interest or other encumbrance upon such asset or any part thereof or interest therein.

"Maintenance" means the maintenance, overhaul, repair, reconditioning, replacement, refurbishing or upgrading of the Facility as reasonably necessary to keep the Facility in good condition and working order and in compliance with all Applicable Permits, including Routine Maintenance, Major Maintenance and Extraordinary Maintenance.

"Major Maintenance" means (i) the Facility's major periodic overhauls as recommended by the relevant equipment manufacturer, (ii) the Facility's annual inspection and related repairs, (iii) Maintenance costing \$150,000 or more for any one repair or expenditure or related group of repairs or expenditures required to keep the Facility in good condition and running in a safe and efficient manner, and (iv) Extraordinary Maintenance. The above dollar figure is intended to include all costs associated with such overhaul, repair, or expenditure or such group of overhauls, repairs or expenditures, including Mill labor, contract labor, spare parts, and other materials. The above dollar figure shall be adjusted upward by 4% each Contract Year.

"Materials and Supplies" means materials and supplies not normally considered spare parts or required in connection with Major Maintenance, which have individual value of not more than \$10,000 and are directly related to and reasonably necessary for the safe and efficient operation of the Facility in accordance with Prudent Mill Practices and Applicable Law.

"Mill" has the meaning given in Recital A of the Development Agreement.

"Mill Closure" has the meaning given in Section 3.2(a) of the Lease.

"Mill Site" means all of Lessor's land situated in Camas, Clark County, Washington, excluding the Premises leased to Lessee under the Lease.

"Month" means a calendar month or, if the Term expires on a day other than the last day of a calendar month, the applicable partial calendar month, in which latter event, all items determined with respect to a Month will be appropriately prorated for such partial calendar month.

"month," "day" and "year" mean a calendar month, day and year, respectively.

"Operating Committee" has the meaning given in Section 6.3 of the Development Agreement.

"Operating Plan" has the meaning given in Section 6.1 of the Development Agreement.

"OPUC" means the Oregon Public Utilities Commission.

"P2 Scope and Estimate" means the Project Scope and Construction Estimate dated August 29, 1992.

"P3 Scope and Estimate" means the Project Scope and Construction Estimate dated December 31, 1992.

"PacifiCorp" means PacifiCorp, an Oregon corporation.

"Permit" means any waiver, exemption, variance, franchise, permit, authorization, license or similar order of or from any Governmental Authority having jurisdiction over the matter in question.

"Permitted Encumbrances" means those liens, encumbrances and other matters set forth on Exhibit D to the Lease.

"Permitted Liens" means: (a) the rights and interests of the Lessee and/or the Lessor as provided in the Project Agreements; (b) any Lien for taxes with respect to which Lessor or Lessee shall in good faith contest by appropriate proceedings the validity or the amount, provided such contest does not involve any imminent danger of the sale, forfeiture or loss of the Premises or Lessee's leasehold estate in the Premises, the Facility, the Improvements or any part of any of them; (c) mineral rights without right of surface entry, the use and enjoyment of which do not materially interfere with the use and enjoyment of the Premises, the Facility, the Mill or the Mill Site; (d) inchoate mechanic's liens for which no claim of lien has been filed; and (e) Permitted Encumbrances.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or governmental body.

"Persons Potentially Liable" has the meaning given in Section 8.4(b) of the Development Agreement.

"Phase I" means a period of time commencing on the Effective Date and ending on the Commercial Operation Date, unless James River and PacifiCorp mutually agree otherwise in writing.

"Phase II" means the period of time commencing on the day following the Commercial Operation Date and continuing for the remainder of the Term.

"Plans and Specifications" means the plans and specifications for the design, engineering and construction of the Project, as developed pursuant to Section 5.2 of the Development Agreement.

"Premises" has the meaning given in Section 2.1 of the Lease.

"Effective Date" means the date upon which all of the conditions precedent to the effectiveness of the Development Agreement, as described in Article 2 thereof, have been satisfied or waived by the party whose obligations are subject to such conditions.

"Electricity" has the meaning given in Section 7.1(b) of the Development Agreement.

"Electricity Meter" has the meaning given in Section 7.9(b) of the Development Agreement.

"Emergency" means any circumstances: (i) which may arise and constitute a serious hazard to the safety of, or a material interference with the safe or economic operation of, the Mill, the Facility, or PacifiCorp's electric system, or which threatens the health or safety of any person, and (ii) which require immediate action by James River or PacifiCorp.

"Emergency Outage" means any Emergency causing James River, in its reasonable judgment, to conclude that continued delivery of Steam would result in material physical damage to the Mill or significant economic loss to James River's business conducted at the Mill.

"Event of Default" has the meaning given in Section 13.1 of the Development Agreement.

"Extended Term" has the meaning given in Section 3.1 of the Development Agreement.

"Extraordinary Maintenance" means all Maintenance resulting from a Casualty.

"Facility" means the cogeneration facility to be developed, constructed and operated pursuant to the Development Agreement and other Project Agreements, including any enhancements made pursuant to Section 3.3 of the Development Agreement, and the Easements.

"FERC" means the Federal Energy Regulatory Commission and its successors.

"First Mortgage Indenture" means the Mortgage and Deed of Trust from PacifiCorp (Successor in Interest to the Corporation Formerly Known as Pacific Power & Light Company) to Morgan Guaranty Trust Company of New York as Trustee, dated July 1, 1947, and/or the Mortgage and Deed of Trust from PacifiCorp to Morgan Guaranty Trust Company of New York, Trustee, dated January 9, 1989, each as amended or supplemented from time to time.

"Force Majeure Event" has the meaning given in Section 9.1 of the Development Agreement.

"FPA" means the Federal Power Act.

"Gas Turbine Project" means a future gas turbine generator and associated heat recovery steam generator designed to replace the steam generating capacity of the Mill's existing power boiler.

"Governmental Authority" means any national, state or local government, any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory

instrumentality, authority, body, agency, bureau or entity (including any zoning authority, FERC, the OPUC, the WUTC, any public utility commission of any other state having jurisdiction, and the Securities and Exchange Commission) or any arbitrator with authority to bind a party at law.

"Hazardous Substance" means any hazardous or toxic substance, material or waste which is or becomes regulated by any Governmental Authority. The term "Hazardous Substance" shall include any substance that at any time shall itself be listed or contain a component that is listed as "hazardous," "extremely hazardous" or "toxic" in, or in any of the regulations implementing, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601, et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901, et seq.), and any other federal, state, or local legislation or regulations applicable to the subject property, which govern (a) the existence, cleanup and/or remedy of contamination on property; (b) the protection of the environment from soil, air or water pollution or from spilled, deposited, or otherwise emplaced contamination; (c) the emission or discharge of hazardous substance; (d) the control of hazardous waste; or (e) the use, generation, transport, treatment, removal or recovery of hazardous substances; including building materials; or any substance which has been or shall be determined at any time by any Governmental Authority to be a hazardous or toxic substance regulated under Applicable Law. The term "Hazardous Substance" shall also include raw materials, building components, the products of any manufacturing or other activities on the subject property, wastes, petroleum, and special nuclear or by-product material as defined by the Atomic Energy Act of 1954 (42 U.S.C. § 3011, et seq.).

"Imposition" means any real estate taxes, personal property taxes, special assessments and other governmental charges, general or special, ordinary or extraordinary, unforeseen or foreseen, of any kind and nature relating to the Premises and/or the Project (until and including the Commercial Operation Date) and/or the Facility (after the Commercial Operation Date) or any similar tax which is now or hereafter levied, assessed or imposed upon Lessor by the State of Washington, or by any political subdivision thereof, or which Lessor is now or hereafter otherwise required by said State or such political subdivision to pay, with respect to the use or occupancy of the Premises, the Easements or the Equipment or with respect to Lessor's ownership of the Premises, the Easements or the Equipment.

"Improvements" means the improvements to the Mill to be designed and constructed concurrently with the Facility, as further described in Exhibit H to the Development Agreement.

"Indemnified Persons" has the meaning given in Section 8.2(a) and 8.2(b) of the Development Agreement.

"Initial Contract Year" means (i) in the event that the Commercial Operation Date is not the first day of a month, the period beginning on the Commercial Operation Date and ending on the last day of the twelfth month after the month which follows that in which the Commercial Operation Date occurs (*e.g.*, if the Commercial Operation Date were March 12, 1996, the Initial Contract Year would extend from March 12, 1996 through March 31, 1997) and (ii) in the event that the Commercial Operation Date is the first day of the month, the period beginning on the Commercial Operation Date and ending on the last day of the twelfth month after the month in which the Commercial Operation Date occurs.

"James River" means James River Paper Company, Inc., a Virginia corporation.

"Primary Project Engineers" means the Harris Group or, if James River determines that the Harris Group shall not be the Primary Project Engineers, such other engineering firm as shall be selected by James River and PacifiCorp.

"Prime Rate" means the interest rate announced from time to time by Bank of America National Trust and Savings Association as its "Prime Rate," as such Prime Rate shall change from time to time.

"Project" means the Facility and the Improvements.

"Project Agreements" means the Development Agreement, the Lease, and the Transmission Line Sale Agreement.

"Project Budget" has the meaning given in Section 5.4 of the Development Agreement.

"Project Manager" means the project manager or managers of each of James River and PacifiCorp designated pursuant to Section 3.5 of the Development Agreement.

"Project Schedule" means the schedule for developing and constructing the Project as set forth in Exhibit B to the Development Agreement.

"Prudent Mill Practices" means the practices, methods and acts engaged in or approved by a significant portion of the pulp and paper industry with respect to the construction, operation, maintenance and repair of pulp and paper mills of a size comparable to the Mill that, at a particular time, in the exercise of reasonable judgment in light of the facts known or that reasonably should have been known at the time a decision was made, would have been expected to accomplish the desired result in a manner consistent with law, regulation, reliability, safety, environmental protection, economy and expedition.

"psig" means pounds per square inch gauge.

"PUHCA" means the Public Utility Holding Company Act of 1935.

"Reports" has the meaning given in Section 6.3(b) of the Lease.

"Routine Maintenance" means all maintenance which is not Major Maintenance, including scheduled and unscheduled maintenance, and maintenance of a regular and minor nature, including preventive maintenance, that must be performed periodically to keep the Project in working order, including lubrication, repacking of valves, minor leak repair, adjustments, calibrations, replacement of consumables and similar work, and general housekeeping and cleaning.

"Royalty Schedule" has the meaning given in Section 7.1(b) of the Development Agreement.

"Schedule A Permits" has the meaning given in Section 4.2 of the Development Agreement.

"Scheduled Outage" means an outage of the Mill or the Facility scheduled as part of the Mill's, or the Facility's, annual maintenance schedule.

"Senior Officer" means the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the President, a Senior Vice President or an Executive Vice President of a corporation or the equivalent position of a substantial operating division thereof.

"Steam" means steam produced by the Mill and delivered by James River at the Interconnection Point pursuant to the Development Agreement at a pressure of not less than 570 psig nor more than 630 psig (measured at the high pressure side of the steam turbine generator throttle) and a temperature of not less than 735°F nor more than 765°F and with a minimum purity of 20 ppb sodium and 0.2 mho/cm cation conductivity.

"Steam Delivery Point" means the physical point at which interconnection is made between the steam delivery system of the Mill and the Facility.

"Steam Return Point" means the physical point at which interconnection is made between the return steam output of the Facility and the Mill.

"Subsidiary" of any Person means any corporation of which such Person owns, directly or indirectly, more than ten percent (10%) of the voting shares thereof, or otherwise controls.

"Supplemental Agreement" has the meaning given in Recital B of the Development Agreement.

"Term" has the meaning given in Section 3.1 of the Development Agreement.

"Transmission Facilities" has the meaning given in Recital A of the Transmission Line Sale Agreement.

"Transmission Line Sale Agreement" means the Transmission Facilities Purchase, Easement and License Agreement dated as of January 13, 1993 between PacifiCorp and James River, in substantially the form of Exhibit J to the Development Agreement.

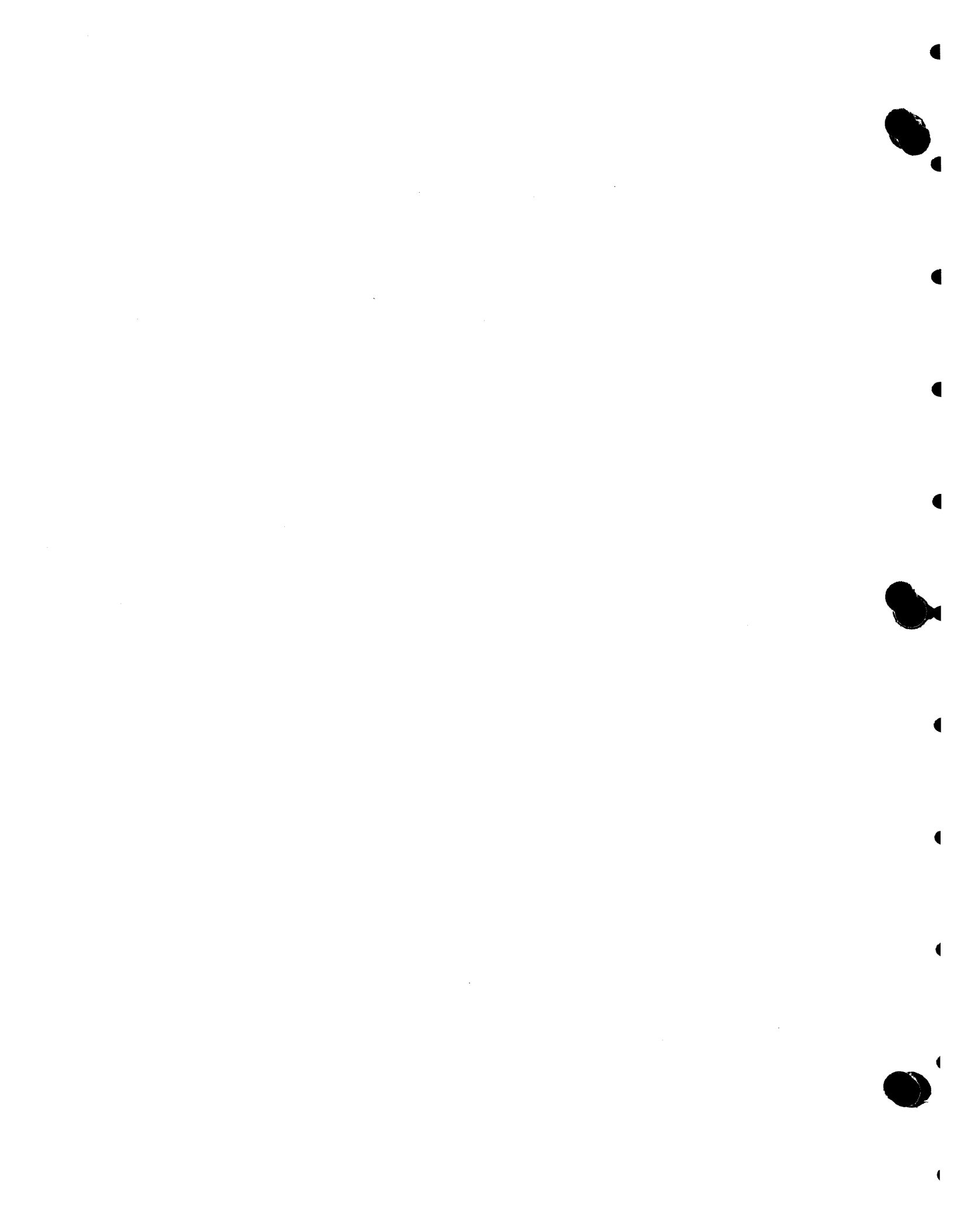
"Utilities" means the services provided by Persons other than James River that are necessary for the operation of the Project, including natural gas service and connection equipment, potable water service and facilities, sewer facilities, electrical power interconnection and telephone and telecommunication service and facilities.

"Waste Water Treatment" means the treatment of all waste water and other liquid effluent discharged by the Project to conform to the requirements of all Applicable Laws and Applicable Permits.

"WUTC" means the Washington Utility and Transportation Commission.

## RULES OF INTERPRETATION

- (a) The singular includes the plural and the plural includes the singular.
- (b) "or" is not exclusive.
- (c) A reference to a law includes any amendment or modification to such law and all regulations promulgated thereunder.
- (d) A reference to a Person includes its permitted successors and permitted assigns.
- (e) Accounting terms have the meanings assigned to them by generally accepted accounting principles applied on a consistent basis by the accounting entity to which they refer.
- (f) The words "include", "includes" and "including" are not limiting.
- (g) A reference in a document to an Article, Section, Exhibit, Schedule, Annex or Appendix is to the Article, Section, Exhibit, Schedule, Annex or Appendix of such document unless otherwise indicated.
- (h) References to any document, instrument or agreement (a) shall include all exhibits, schedules and other attachments thereto, (b) shall include all documents, instruments or agreements issued or executed in replacement thereof, and (c) shall mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified and supplemented from time to time and in effect at any given time.
- (i) The words "hereof," "herein" and "hereunder" and words of similar import when used in any document shall refer to such document as a whole and not to any particular provision of such document.





## EXHIBIT D

### Royalty Schedule

Payments made for Electricity produced by the Facility shall be determined pursuant to this Exhibit D. All references to MWH produced by the Facility refer to Electricity measured pursuant to Section 7.9 of the Development Agreement.

#### Payments during Startup

The following rates will be paid for Electricity production prior to Commercial Operation of the Facility.

- \$27.83 per megawatt-hour (MWH) for the first 100,000 MWH produced
- \$18.06 per MWH for production in excess of 100,000 MWH

#### Payments beginning at Commercial Operation

Royalty payments to James River for the production of Electricity after Commercial Operation shall be determined pursuant to Schedules D-1 and D-3 utilizing the values in Schedule D-2. Schedule D-1 shall be completed monthly reflecting the actual generation of the Facility during the prior month and any deemed generation pursuant to Section 7.1(c). James River will not receive a royalty payment during a Contract Year until the Revenue Requirement (Line 12 Schedule D-1) has been satisfied for such Contract Year. The values in locations identified by a "Y" on Schedule D-1 will be completed at the beginning of each Contract Year and the values in locations identified by a "M" will be completed monthly.

Four illustrative example Schedule D-1's follow Schedule D-3:

1. Contract Year: 1st; Commercial Date: December 15, 1995; Capital Cost: \$59,399,000; Contract Year Energy Generation: 390,000 MWH; Prior Contract Year Revenue Balance: Not Applicable (1st Contract Year)
2. Contract Year: 1st; Commercial Date: January 10, 1996; Capital Cost: \$60,250,000; Contract Year Energy Generation: 390,000 MWH; Prior Contract Year Revenue Balance: Not Applicable (1st Contract Year)
3. Contract Year: 4th; Commercial Date: December 15, 1995; Capital Cost: \$59,399,000; Contract Year Energy Generation: 350,000 MWH; 2nd Contract Year Ending Revenue Balance: zero; 3rd Contract Year Ending Revenue Balance: \$1,000,000; Revenue Balance Interest Rate (Prime minus 1%): 7%

4. Contract Year: 4th & 5th; Commercial Date: December 15, 1995; Capital Cost: \$59,399,000; 4th Contract Year Energy Generation: 270,000 MWH; 5th Contract Year Energy Generation: 350,000 MWH; 3rd Contract Year Ending Revenue Balance: \$1,000,000; 4th CY Revenue Balance Interest Rate (Prime minus 1%): 7%; 5th CY Revenue Balance Interest Rate (Prime minus 1%): 8%; Force Majeure: 5 months (June 1, 1999 - October 31, 1999)



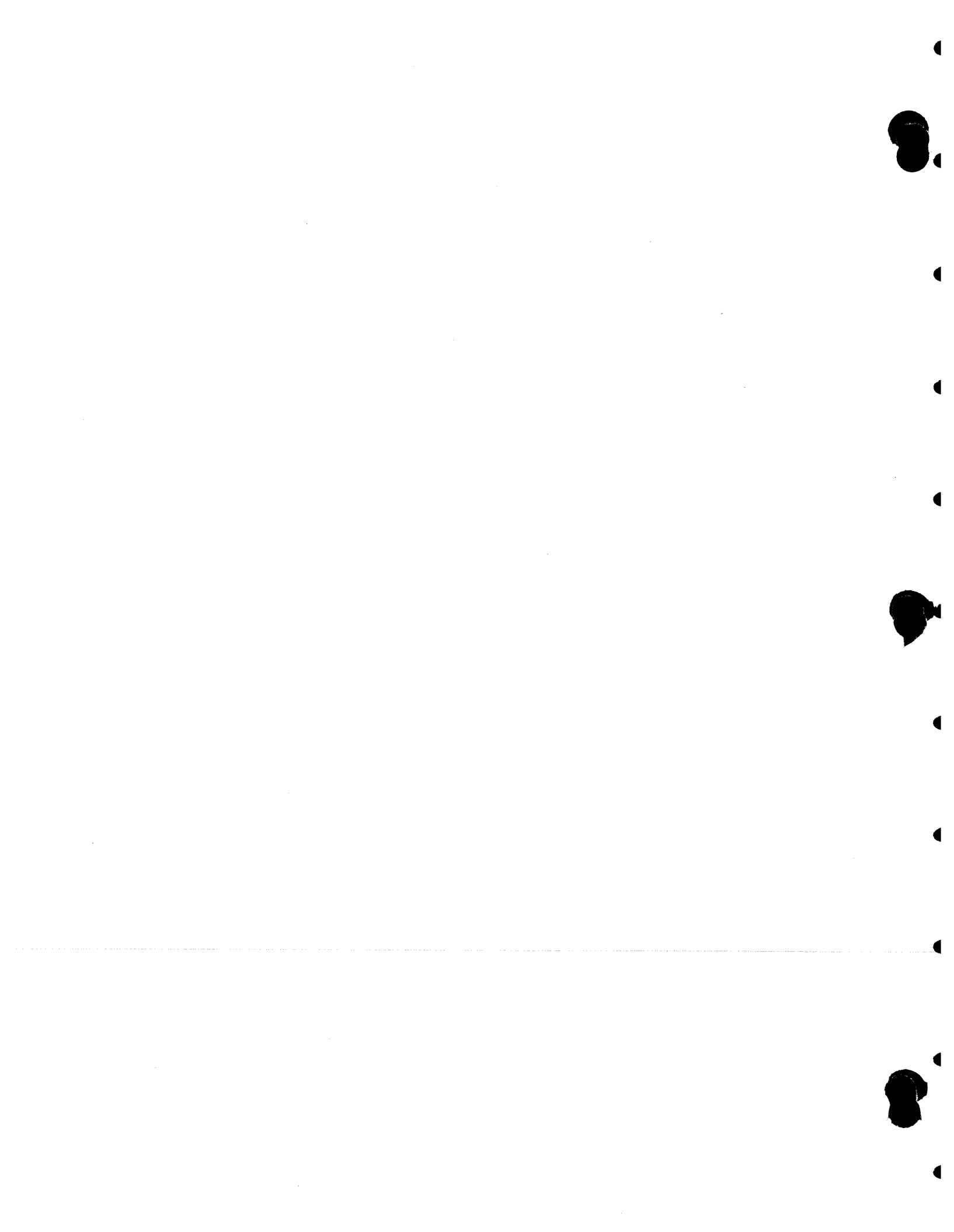
### Schedule D-1 Notes

- 1) Contract Year - As defined in Exhibit A, "Definitions." The first Contract Year is also called the Initial Contract Year.
- 2) Contract Year Capital Cost Basis - The final Project Budget, accounting for all Change Orders and AFUDC in accordance with Section 5.6(b).
- 3) At the beginning of each Contract Year, there shall be added to the prior Contract Year's ending Revenue Requirement Balance (prior CY's ending Line 20 Schedule D-1), if any, an amount calculated in accordance with Lines 8 -10 on Schedule D-1. The interest rate used in Line 9 shall be the Prime Rate minus 1%. The Prime Rate utilized for this calculation shall be the average Prime Rate as reported in the Wall Street Journal, or other mutually agreeable source should the Wall Street Journal no longer exist or report such information, during the prior Contract Year.

If the current Contract Year follows a Contract Year without a beginning balance in Line 8 Schedule D-1, the interest rate used in Line 9 Schedule D-1 shall be one-half (1/2) the rate described above. (See illustrative example #3)

- 4) If Line 12 of Schedule D-1 at the beginning of any Contract Year ever equals or exceeds the anticipated Project Revenue for the following three years utilizing the assumptions prescribed in Section 3.2(a) of the Lease, PacifiCorp shall have the rights and remedies provided in Section 3.2 of the Lease, provided that James River may at any time bring the balance current through a cash payment to PacifiCorp.







**ILLUSTRATIVE EXAMPLE 3 - EXHIBIT D, SCHEDULE D-1  
ROYALTY PAYMENT CALCULATION**

		LINE NO.											LINE NO.			ABBREVIATIONS			
CONTRACT YEAR NO.	1	4											7	337,459			BOM: BEGINNING OF MONTH		
CY BEGINNING MONTH (MO/YR)	2	Jan-99											8	1,000,000			CY: CONTRACT YEAR		
CY ENDING MONTH (MO/YR)	3	Dec-99											9	3.50%			EOM: END OF MONTH		
CY CAPITAL COST BASIS (\$)	4	59,399,000											10	35,000			YTD: YEAR TO DATE		
CY CAPITAL RECOVERY FACTOR [ EXHIBIT D, SCHEDULE 2 ]	5	18.78%											11	1,035,000					
CY CAPITAL RECOVERY (\$) [ LINE 4 X LINE 5 ]	6	11,155,132											12	>>>>> 12,527,591					
														-----					
	LINE NO.																		
CONTRACT YEAR MONTH NO.	13	1	2	3	4	5	6	7	8	9	10	11	12						
CALENDAR MONTH (MO/YR)	14	Jan-99	Feb-99	Mar-99	Apr-99	May-99	Jun-99	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99						
CY MONTHLY ENERGY TOTAL COSTS [ EXHIBIT D, SCHEDULE 2 ]	15	45.63	45.63	45.63	45.63	45.63	45.63	45.63	45.63	45.63	45.63	45.63	45.63	45.63					
ENERGY GENERATION FOR MONTH (MWH)	16	32,000	31,000	25,000	12,500	30,000	29,000	30,000	30,500	31,000	32,000	33,000	34,000						
PROJECT REVENUE FOR MONTH (\$) [ LINE 15 X LINE 16 ]	17	1,460,160	1,414,530	1,140,750	570,375	1,368,900	1,323,270	1,368,900	1,391,715	1,414,530	1,460,160	1,505,790	1,551,420						
EOM CY YTD PROJECT REVENUE (\$) [ SUM ALL CY MONTHS LINE 17 ]	18	1,460,160	2,874,690	4,015,440	4,585,815	5,954,715	7,277,985	8,646,885	10,038,600	11,453,130	12,913,290	14,419,080	15,970,500						
CY REVENUE REQUIREMENT (\$) [ LINE 12 ]	19	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591						
EOM REVENUE REQUIREMENT BALANCE (\$) [ LINE 18 - LINE 19; IF >= 0, LINE 20=0 ]	20	-11,067,431	-9,652,901	-8,512,151	-7,941,776	-6,572,876	-5,249,606	-3,880,706	-2,488,991	-1,074,461	0	0	0						
BOM CY YTD ROYALTY PAYMENTS (\$) [ SUM PRIOR MONTHS LINE 22 ]	21	0	0	0	0	0	0	0	0	0	0	385,699	1,891,489						
CONTRACT MONTH ROYALTY PAYMENT (\$) [ LINE 18 - LINE 19 - LINE 21; IF LINE 19 >= LINE 18, LINE 22 = 0 ]	22	0	0	0	0	0	0	0	0	0	385,699	1,505,790	1,551,420						
EOM CY YTD ROYALTY PAYMENTS (\$)	23	0	0	0	0	0	0	0	0	0	385,699	1,891,489	3,442,909						





ILLUSTRATIVE EXAMPLE 1 - EXHIBIT D, SCHEDULE D-1  
ROYALTY PAYMENT CALCULATION

				ABBREVIATIONS											
				BOM: BEGINNING OF MONTH CY: CONTRACT YEAR EOM: END OF MONTH YTD: YEAR TO DATE											
	LINE NO.				LINE NO.										
CONTRACT YEAR NO.	1	1			CY MAJOR MAINTENANCE ALLOWANCE (\$) [ EXHIBIT D, SCHEDULE 2 ]	7	300,000								
CY BEGINNING MONTH (MO/YR)	2	Dec-95			PRIOR CY REVENUE BALANCE (\$)	8	0								
CY ENDING MONTH (MO/YR)	3	Dec-96			REVENUE BALANCE INTEREST RATE	9	7.00%								
CY CAPITAL COST BASIS (\$)	4	59,399,000			REVENUE BALANCE INTEREST (\$) [ LINE 8 X LINE 9 ]	10	0								
CY CAPITAL RECOVERY FACTOR [ EXHIBIT D, SCHEDULE 2 ]	5	21.37%			ADJUSTED REVENUE BALANCE (\$) [ LINE 8 + LINE 10 ]	11	0								
CY CAPITAL RECOVERY (\$) [ LINE 4 X LINE 5 ]	6	12,693,566			CY REVENUE REQUIREMENT (\$) [ LINE 6 + LINE 7 + LINE 11 ]	12	>>>>>	12,993,566							
CONTRACT YEAR MONTH NO.	13	1	2	3	4	5	6	7	8	9	10	11	12		
CALENDAR MONTH (MO/YR)	14	Dec95/Jan96	Feb-96	Mar-96	Apr-96	May-96	Jun-96	Jul-96	Aug-96	Sep-96	Oct-96	Nov-96	Dec-96		
CY MONTHLY ENERGY TOTAL COSTS [ EXHIBIT D, SCHEDULE 2 ]	15	41.14	41.14	41.14	41.14	41.14	41.14	41.14	41.14	41.14	41.14	41.14	41.14		
ENERGY GENERATION FOR MONTH (MWH)	16	46,800	31,200	31,200	31,200	31,200	31,200	31,200	31,200	31,200	31,200	31,200	31,200		
PROJECT REVENUE FOR MONTH (\$) [ LINE 15 X LINE 16 ]	17	1,925,352	1,283,568	1,283,568	1,283,568	1,283,568	1,283,568	1,283,568	1,283,568	1,283,568	1,283,568	1,283,568	1,283,568		
EOM CY YTD PROJECT REVENUE (\$) [ SUM ALL CY MONTHS LINE 17 ]	18	1,925,352	3,208,920	4,492,488	5,776,056	7,059,624	8,343,192	9,626,760	10,910,328	12,193,896	13,477,464	14,761,032	16,044,600		
CY REVENUE REQUIREMENT (\$) [ LINE 12 ]	19	12,993,566	12,993,566	12,993,566	12,993,566	12,993,566	12,993,566	12,993,566	12,993,566	12,993,566	12,993,566	12,993,566	12,993,566		
EOM REVENUE REQUIREMENT BALANCE (\$) [ LINE 18 - LINE 19; IF >= 0, LINE 20=0 ]	20	-11,068,214	-9,784,646	-8,501,078	-7,217,510	-5,933,942	-4,650,374	-3,366,806	-2,083,238	-799,670	0	0	0		
BOM CY YTD ROYALTY PAYMENTS (\$) [ SUM PRIOR MONTHS LINE 22 ]	21	0	0	0	0	0	0	0	0	0	0	483,898	1,767,466		
CONTRACT MONTH ROYALTY PAYMENT (\$)	22	0	0	0	0	0	0	0	0	0	483,898	1,283,568	1,283,568		
					0	0	0	0	0	0	483,898	1,767,466	3,051,034		

EXHIBIT D  
SCHEDULE D-2

<u>Calendar Year</u>	<u>Total Cost (\$/MWh) (a)</u>	<u>Contract Year</u>	<u>Capital Recovery Factor (b)</u>	<u>Major Maintenance Allowance (c)</u>
1996	41.14	1	21.37%	\$300,000
1997	42.31	2	20.55%	\$312,000
1998	43.77	3	19.65%	\$324,480
1999	45.63	4	18.78%	\$337,459
2000	45.15	5	17.94%	\$350,957
2001	45.28	6	17.12%	\$364,995
2002	47.10	7	16.32%	\$379,595
2003	48.64	8	15.54%	\$394,779
2004	52.33	9	14.77%	\$410,570
2005	56.48	10	14.01%	\$426,993
2006	56.82	11	13.24%	\$444,073
2007	59.95	12	12.47%	\$461,836
2008	63.47	13	11.71%	\$480,309
2009	73.32	14	10.94%	\$499,521
2010	74.49	15	10.17%	\$519,502
2011	78.76	16	9.41%	\$540,282
2012	82.76	17	8.64%	\$561,893
2013	87.41	18	7.88%	\$584,369
2014	96.76	19	7.11%	\$607,744
2015	97.76	20	6.34%	\$632,054

a. Energy produced after commercial operation in 1995 will be valued at the 1996 Total Cost rate. Energy produced after 2015 during the initial 20 contract years will be valued at the 2015 Total Cost rate.

b. Shown as the percent of the Project Budget as amended pursuant to Section 5.6(b) to reflect the actual capital cost of the Project.

c. Major Maintenance allowance is fixed by Contract Year and is not subject to adjustment based on the actual cost of Major Maintenance.

EXHIBIT D - SCHEDULE D-3

If at the end of Contract Years 1 through 19, the average annual retail price ("AARP") for electricity paid by James River to PacifiCorp under the applicable tariff falls outside the ranges set forth below as applicable to such Contract Year ("Year-1"), the royalties paid to James River during the following Contract Year ("Year -2") shall be adjusted as follows:

- (a) If the AARP exceeds the "Ceiling" amount applicable to Year-1, as indicated below, the Revenue Requirement (Line 12 Schedule D-1) applicable to Year-2 shall be decreased by the difference between what James River actually paid to PacifiCorp for electricity during during Year-1 and the amount it would have paid if the cost of electricity had been such "Ceiling" amount.
- (b) If the AARP falls below the "Floor" amount applicable to Year-1, as indicated below, the Revenue Requirement (Line 12 Schedule D-1) applicable to Year-2 shall be increased by the difference between what James River actually paid to PacifiCorp for electricity during during Year-1 and the amount it would have paid if the cost of electricity had been such "Floor" amount.

<u>Calendar Year</u>	<u>Floor (\$/MWH)</u>	<u>Ceiling (\$/MWH)</u>
1996	35.10	41.34
1997	36.51	42.99
1998	37.97	44.71
1999	39.48	46.50
2000	41.06	48.36
2001	42.71	50.29
2002	44.41	52.31
2003	46.19	54.39
2004	48.04	56.58
2005	49.96	58.84
2006	51.95	61.19
2007	54.04	63.64
2008	56.20	66.18
2009	58.45	68.83
2010	60.78	71.58
2011	63.21	74.45
2012	65.75	77.43
2013	68.37	80.53
2014	71.11	83.75
2015	73.95	87.09

The above floor and ceiling values are specific to an expected Camas Mill load factor of 88%. If the actual load factor is other than 88% for Year-1, the floor and ceiling values may be adjusted in a manner consistent with the retail tariff in effect during Year-1.

There shall be no true-up at the end of the twentieth (20th) Contract Year.



INTERNAL CORRESPONDENCE

January 26, 1996

To: JERRY JONES  
600 OUC

From: RICHARD C. WOOLLEY *RCW*  
Centralia Plant

Subject: James River Commercial Operation Date

For purposes of meeting agreements with James River, December 31, 1995, has been established as the beginning date for billing under the agreement. For purposes of recording commercial operation for PacificCorp, the date will be January 1, 1996.

cc: Steve Hastings - 2100 OUC  
Bob Searle - 600 OUC  
Mark Mansfield - 2100 OUC  
Dave Godfrey - 210 NTO

Brian -  
FYI  
Steve H.

## EXHIBIT A

### Definitions

"Affiliate" of a specified Person means any other Person that directly, or indirectly through one or more intermediates, controls, is controlled by or is under common control with the Person specified, or who holds or beneficially owns 10% or more of the equity interest in the Person specified or 10% or more of any class of voting securities of the Person specified.

"Applicable Laws" means all Laws which are applicable to or affect the construction, testing, operation, maintenance, ownership, leasing or use of the Premises, the Facility or the Improvements, including any zoning, environmental protection, pollution, sanitation, safety, siting or building Laws, and any waiver, exemption, variance, order, Permit, authorization, right or license of, from or imposed by any Governmental Authority.

"Applicable Permit" means any Permit, including any zoning, environmental protection, pollution, sanitation, OPUC, WUTC, safety, siting or building Permit, (i) that is necessary to construct, test, operate, maintain, repair, own or use the Project or the Premises as contemplated by the Project Agreements, to sell Electricity therefrom, to enter into any Project Agreement or to consummate any transaction contemplated thereby, or (ii) that is necessary so that neither James River nor any Affiliate or Subsidiary may be deemed by any Governmental Authority to be subject to regulation under the FPA or PUHCA or under any state laws or regulations respecting the rates or the financial or organizational regulation of utilities as a result of the construction or operation of the Project or the sale of steam and so that PacifiCorp is not subject to regulation under PUHCA.

"Available" means available for delivery by James River with a present ability to deliver at the Interconnection Point.

"Bankruptcy Event" means, with respect to any Person, that such Person shall have filed a voluntary petition in bankruptcy, or shall have been adjudicated a bankrupt or insolvent, or shall have filed any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute or law relating to bankruptcy, insolvency, or other relief for debtors, whether federal or state, or shall seek, consent to, or acquiesce in the appointment of any trustee, receiver, conservator or liquidator of such Person or of all or any substantial part of its properties, or a court of competent jurisdiction shall have entered an order, judgment or decree approving a petition filed against such Person seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute or law relating to bankruptcy, insolvency or other relief for debtors, whether federal or state, and such Person shall have consented to or acquiesced in the entry of such order, judgment or decree, or the same shall have remained unvacated and unstayed for an aggregate of sixty (60) days from the date of entry thereof, or any trustee, receiver, conservator or liquidator of such Person or of all or any substantial part of its properties shall have been appointed without the consent of or acquiescence of such Person and such appointment shall have remained unvacated and unstayed for an aggregate of sixty (60) days. The terms "acquiesce" and "acquiescence", as used herein, shall include the failure to file a petition or motion to vacate or discharge any order, judgment or decree providing for such appointment within the time specified by law.

"Business Day" means any day other than a Saturday, Sunday or other day on which banks are authorized to be, or are generally, closed in Washington State.

"Calendar Year" means any period beginning on a January 1 and ending on a December 31.

"Casualty" means any loss or destruction of or damage to the Project (until and including the Commercial Operation Date) or the Facility (after the Commercial Operation Date) resulting from any act of God, fire, explosion, earthquake, accident, or the elements, whether or not covered by insurance and whether or not caused by the fault or negligence of any Person or its employees, agents, contractors or visitors.

"Change in Law" means a change in any Applicable Law after the Effective Date.

"Change Order" means a change order under any Construction Contract, regardless of by whom initiated.

"Commercial Operation" means the state of the Facility on the Commercial Operation Date.

"Commercial Operation Date" means the Commercial Operation Date determined pursuant to Section 6.3(g) of the Development Agreement.

"Confidentiality Agreement" means the Confidentiality Agreement dated July 10, 1991 between PacifiCorp and James River Corporation of Nevada, attached as Exhibit G to the Development Agreement.

"Construction Contracts" means all agreements, contracts, purchase orders or similar agreements for (a) architectural, engineering, design, testing or consulting services for the Project, (b) the procurement of all equipment, machinery, supplies and materials for the construction of the Project and (c) the construction of the Project, including construction of all improvements and the installation of all equipment and machinery forming a part of the Project.

"Contract Year" means the Initial Contract Year (as one Contract Year) and thereafter each twelve-month period beginning on the first day after the Initial Contract Year or after the previous Contract Year, as the case may be.

"Contractor" or "Contractors" means collectively the Persons with whom James River or PacifiCorp shall enter into a Construction Contract.

"Default Rate" means the Prime Rate plus two percent (2%). However, under no circumstances shall the Default Rate exceed the maximum interest rate allowed by then applicable law.

"Development Agreement" means the Camas Development, Construction, Operation, and Steam Supply Agreement dated as of January 13, 1993 between James River and PacifiCorp.

"Easements" means the easements granted pursuant to Article III of the Lease, as described in Exhibit C to the Lease.

"Effective Date" means the date upon which all of the conditions precedent to the effectiveness of the Development Agreement, as described in Article 2 thereof, have been satisfied or waived by the party whose obligations are subject to such conditions.

"Electricity" has the meaning given in Section 7.1(b) of the Development Agreement.

"Electricity Meter" has the meaning given in Section 7.9(b) of the Development Agreement.

"Emergency" means any circumstances: (i) which may arise and constitute a serious hazard to the safety of, or a material interference with the safe or economic operation of, the Mill, the Facility, or PacifiCorp's electric system, or which threatens the health or safety of any person, and (ii) which require immediate action by James River or PacifiCorp.

"Emergency Outage" means any Emergency causing James River, in its reasonable judgment, to conclude that continued delivery of Steam would result in material physical damage to the Mill or significant economic loss to James River's business conducted at the Mill.

"Event of Default" has the meaning given in Section 13.1 of the Development Agreement.

"Extended Term" has the meaning given in Section 3.1 of the Development Agreement.

"Extraordinary Maintenance" means all Maintenance resulting from a Casualty.

"Facility" means the cogeneration facility to be developed, constructed and operated pursuant to the Development Agreement and other Project Agreements, including any enhancements made pursuant to Section 3.3 of the Development Agreement, and the Easements.

"FERC" means the Federal Energy Regulatory Commission and its successors.

"First Mortgage Indenture" means the Mortgage and Deed of Trust from PacifiCorp (Successor in Interest to the Corporation Formerly Known as Pacific Power & Light Company) to Morgan Guaranty Trust Company of New York as Trustee, dated July 1, 1947, and/or the Mortgage and Deed of Trust from PacifiCorp to Morgan Guaranty Trust Company of New York, Trustee, dated January 9, 1989, each as amended or supplemented from time to time.

"Force Majeure Event" has the meaning given in Section 9.1 of the Development Agreement.

"FPA" means the Federal Power Act.

"Gas Turbine Project" means a future gas turbine generator and associated heat recovery steam generator designed to replace the steam generating capacity of the Mill's existing power boiler.

"Governmental Authority" means any national, state or local government, any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory



instrumentality, authority, body, agency, bureau or entity (including any zoning authority, FERC, the OPUC, the WUTC, any public utility commission of any other state having jurisdiction, and the Securities and Exchange Commission) or any arbitrator with authority to bind a party at law.

"Hazardous Substance" means any hazardous or toxic substance, material or waste which is or becomes regulated by any Governmental Authority. The term "Hazardous Substance" shall include any substance that at any time shall itself be listed or contain a component that is listed as "hazardous," "extremely hazardous" or "toxic" in, or in any of the regulations implementing, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601, et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901, et seq.), and any other federal, state, or local legislation or regulations applicable to the subject property, which govern (a) the existence, cleanup and/or remedy of contamination on property; (b) the protection of the environment from soil, air or water pollution or from spilled, deposited, or otherwise emplaced contamination; (c) the emission or discharge of hazardous substance; (d) the control of hazardous waste; or (e) the use, generation, transport, treatment, removal or recovery of hazardous substances; including building materials; or any substance which has been or shall be determined at any time by any Governmental Authority to be a hazardous or toxic substance regulated under Applicable Law. The term "Hazardous Substance" shall also include raw materials, building components, the products of any manufacturing or other activities on the subject property, wastes, petroleum, and special nuclear or by-product material as defined by the Atomic Energy Act of 1954 (42 U.S.C. § 3011, et seq.).

"Imposition" means any real estate taxes, personal property taxes, special assessments and other governmental charges, general or special, ordinary or extraordinary, unforeseen or foreseen, of any kind and nature relating to the Premises and/or the Project (until and including the Commercial Operation Date) and/or the Facility (after the Commercial Operation Date) or any similar tax which is now or hereafter levied, assessed or imposed upon Lessor by the State of Washington, or by any political subdivision thereof, or which Lessor is now or hereafter otherwise required by said State or such political subdivision to pay, with respect to the use or occupancy of the Premises, the Easements or the Equipment or with respect to Lessor's ownership of the Premises, the Easements or the Equipment.

"Improvements" means the improvements to the Mill to be designed and constructed concurrently with the Facility, as further described in Exhibit H to the Development Agreement.

"Indemnified Persons" has the meaning given in Section 8.2(a) and 8.2(b) of the Development Agreement.

"Initial Contract Year" means (i) in the event that the Commercial Operation Date is not the first day of a month, the period beginning on the Commercial Operation Date and ending on the last day of the twelfth month after the month which follows that in which the Commercial Operation Date occurs (*e.g.*, if the Commercial Operation Date were March 12, 1996, the Initial Contract Year would extend from March 12, 1996 through March 31, 1997) and (ii) in the event that the Commercial Operation Date is the first day of the month, the period beginning on the Commercial Operation Date and ending on the last day of the twelfth month after the month in which the Commercial Operation Date occurs.

"James River" means James River Paper Company, Inc., a Virginia corporation.

"Law" means any valid law, rule, regulation, ordinance, order, code, judgment, decree, injunction, permit or similar norm or decision of any Governmental Authority having jurisdiction over the matter in question.

"Lease" means the Lease dated as of January 13, 1993 between James River as Lessor and PacifiCorp as Lessee, in substantially the form of Exhibit I to the Development Agreement.

"Lessee" means PacifiCorp as lessee under the Lease.

"Lessor" means James River as lessor under the Lease.

"Lien" on any asset means any mortgage, lien, charge, security interest or other encumbrance upon such asset or any part thereof or interest therein.

"Maintenance" means the maintenance, overhaul, repair, reconditioning, replacement, refurbishing or upgrading of the Facility as reasonably necessary to keep the Facility in good condition and working order and in compliance with all Applicable Permits, including Routine Maintenance, Major Maintenance and Extraordinary Maintenance.

"Major Maintenance" means (i) the Facility's major periodic overhauls as recommended by the relevant equipment manufacturer, (ii) the Facility's annual inspection and related repairs, (iii) Maintenance costing \$150,000 or more for any one repair or expenditure or related group of repairs or expenditures required to keep the Facility in good condition and running in a safe and efficient manner, and (iv) Extraordinary Maintenance. The above dollar figure is intended to include all costs associated with such overhaul, repair, or expenditure or such group of overhauls, repairs or expenditures, including Mill labor, contract labor, spare parts, and other materials. The above dollar figure shall be adjusted upward by 4% each Contract Year.

"Materials and Supplies" means materials and supplies not normally considered spare parts or required in connection with Major Maintenance, which have individual value of not more than \$10,000 and are directly related to and reasonably necessary for the safe and efficient operation of the Facility in accordance with Prudent Mill Practices and Applicable Law.

"Mill" has the meaning given in Recital A of the Development Agreement.

"Mill Closure" has the meaning given in Section 3.2(a) of the Lease.

"Mill Site" means all of Lessor's land situated in Camas, Clark County, Washington, excluding the Premises leased to Lessee under the Lease.

"Month" means a calendar month or, if the Term expires on a day other than the last day of a calendar month, the applicable partial calendar month, in which latter event, all items determined with respect to a Month will be appropriately prorated for such partial calendar month.

"month," "day" and "year" mean a calendar month, day and year, respectively.

"Operating Committee" has the meaning given in Section 6.3 of the Development Agreement.

"Operating Plan" has the meaning given in Section 6.1 of the Development Agreement.

"OPUC" means the Oregon Public Utilities Commission.

"P2 Scope and Estimate" means the Project Scope and Construction Estimate dated August 29, 1992.

"P3 Scope and Estimate" means the Project Scope and Construction Estimate dated December 31, 1992.

"PacifiCorp" means PacifiCorp, an Oregon corporation.

"Permit" means any waiver, exemption, variance, franchise, permit, authorization, license or similar order of or from any Governmental Authority having jurisdiction over the matter in question.

"Permitted Encumbrances" means those liens, encumbrances and other matters set forth on Exhibit D to the Lease.

"Permitted Liens" means: (a) the rights and interests of the Lessee and/or the Lessor as provided in the Project Agreements; (b) any Lien for taxes with respect to which Lessor or Lessee shall in good faith contest by appropriate proceedings the validity or the amount, provided such contest does not involve any imminent danger of the sale, forfeiture or loss of the Premises or Lessee's leasehold estate in the Premises, the Facility, the Improvements or any part of any of them; (c) mineral rights without right of surface entry, the use and enjoyment of which do not materially interfere with the use and enjoyment of the Premises, the Facility, the Mill or the Mill Site; (d) inchoate mechanic's liens for which no claim of lien has been filed; and (e) Permitted Encumbrances.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or governmental body.

"Persons Potentially Liable" has the meaning given in Section 8.4(b) of the Development Agreement.

"Phase I" means a period of time commencing on the Effective Date and ending on the Commercial Operation Date, unless James River and PacifiCorp mutually agree otherwise in writing.

"Phase II" means the period of time commencing on the day following the Commercial Operation Date and continuing for the remainder of the Term.

"Plans and Specifications" means the plans and specifications for the design, engineering and construction of the Project, as developed pursuant to Section 5.2 of the Development Agreement.

"Premises" has the meaning given in Section 2.1 of the Lease.

"Primary Project Engineers" means the Harris Group or, if James River determines that the Harris Group shall not be the Primary Project Engineers, such other engineering firm as shall be selected by James River and PacifiCorp.

"Prime Rate" means the interest rate announced from time to time by Bank of America National Trust and Savings Association as its "Prime Rate," as such Prime Rate shall change from time to time.

"Project" means the Facility and the Improvements.

"Project Agreements" means the Development Agreement, the Lease, and the Transmission Line Sale Agreement.

"Project Budget" has the meaning given in Section 5.4 of the Development Agreement.

"Project Manager" means the project manager or managers of each of James River and PacifiCorp designated pursuant to Section 3.5 of the Development Agreement.

"Project Schedule" means the schedule for developing and constructing the Project as set forth in Exhibit B to the Development Agreement.

"Prudent Mill Practices" means the practices, methods and acts engaged in or approved by a significant portion of the pulp and paper industry with respect to the construction, operation, maintenance and repair of pulp and paper mills of a size comparable to the Mill that, at a particular time, in the exercise of reasonable judgment in light of the facts known or that reasonably should have been known at the time a decision was made, would have been expected to accomplish the desired result in a manner consistent with law, regulation, reliability, safety, environmental protection, economy and expedition.

"psig" means pounds per square inch gauge.

"PUHCA" means the Public Utility Holding Company Act of 1935.

"Reports" has the meaning given in Section 6.3(b) of the Lease.

"Routine Maintenance" means all maintenance which is not Major Maintenance, including scheduled and unscheduled maintenance, and maintenance of a regular and minor nature, including preventive maintenance, that must be performed periodically to keep the Project in working order, including lubrication, repacking of valves, minor leak repair, adjustments, calibrations, replacement of consumables and similar work, and general housekeeping and cleaning.

"Royalty Schedule" has the meaning given in Section 7.1(b) of the Development Agreement.

"Schedule A Permits" has the meaning given in Section 4.2 of the Development Agreement.

"Scheduled Outage" means an outage of the Mill or the Facility scheduled as part of the Mill's, or the Facility's, annual maintenance schedule.

"Senior Officer" means the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the President, a Senior Vice President or an Executive Vice President of a corporation or the equivalent position of a substantial operating division thereof.

"Steam" means steam produced by the Mill and delivered by James River at the Interconnection Point pursuant to the Development Agreement at a pressure of not less than 570 psig nor more than 630 psig (measured at the high pressure side of the steam turbine generator throttle) and a temperature of not less than 735°F nor more than 765°F and with a minimum purity of 20 ppb sodium and 0.2 mho/cm cation conductivity.

"Steam Delivery Point" means the physical point at which interconnection is made between the steam delivery system of the Mill and the Facility.

"Steam Return Point" means the physical point at which interconnection is made between the return steam output of the Facility and the Mill.

"Subsidiary" of any Person means any corporation of which such Person owns, directly or indirectly, more than ten percent (10%) of the voting shares thereof, or otherwise controls.

"Supplemental Agreement" has the meaning given in Recital B of the Development Agreement.

"Term" has the meaning given in Section 3.1 of the Development Agreement.

"Transmission Facilities" has the meaning given in Recital A of the Transmission Line Sale Agreement.

"Transmission Line Sale Agreement" means the Transmission Facilities Purchase, Easement and License Agreement dated as of January 13, 1993 between PacifiCorp and James River, in substantially the form of Exhibit J to the Development Agreement.

"Utilities" means the services provided by Persons other than James River that are necessary for the operation of the Project, including natural gas service and connection equipment, potable water service and facilities, sewer facilities, electrical power interconnection and telephone and telecommunication service and facilities.

"Waste Water Treatment" means the treatment of all waste water and other liquid effluent discharged by the Project to conform to the requirements of all Applicable Laws and Applicable Permits.

"WUTC" means the Washington Utility and Transportation Commission.

## RULES OF INTERPRETATION

- (a) The singular includes the plural and the plural includes the singular.
- (b) "or" is not exclusive.
- (c) A reference to a law includes any amendment or modification to such law and all regulations promulgated thereunder.
- (d) A reference to a Person includes its permitted successors and permitted assigns.
- (e) Accounting terms have the meanings assigned to them by generally accepted accounting principles applied on a consistent basis by the accounting entity to which they refer.
- (f) The words "include", "includes" and "including" are not limiting.
- (g) A reference in a document to an Article, Section, Exhibit, Schedule, Annex or Appendix is to the Article, Section, Exhibit, Schedule, Annex or Appendix of such document unless otherwise indicated.
- (h) References to any document, instrument or agreement (a) shall include all exhibits, schedules and other attachments thereto, (b) shall include all documents, instruments or agreements issued or executed in replacement thereof, and (c) shall mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified and supplemented from time to time and in effect at any given time.
- (i) The words "hereof," "herein" and "hereunder" and words of similar import when used in any document shall refer to such document as a whole and not to any particular provision of such document.

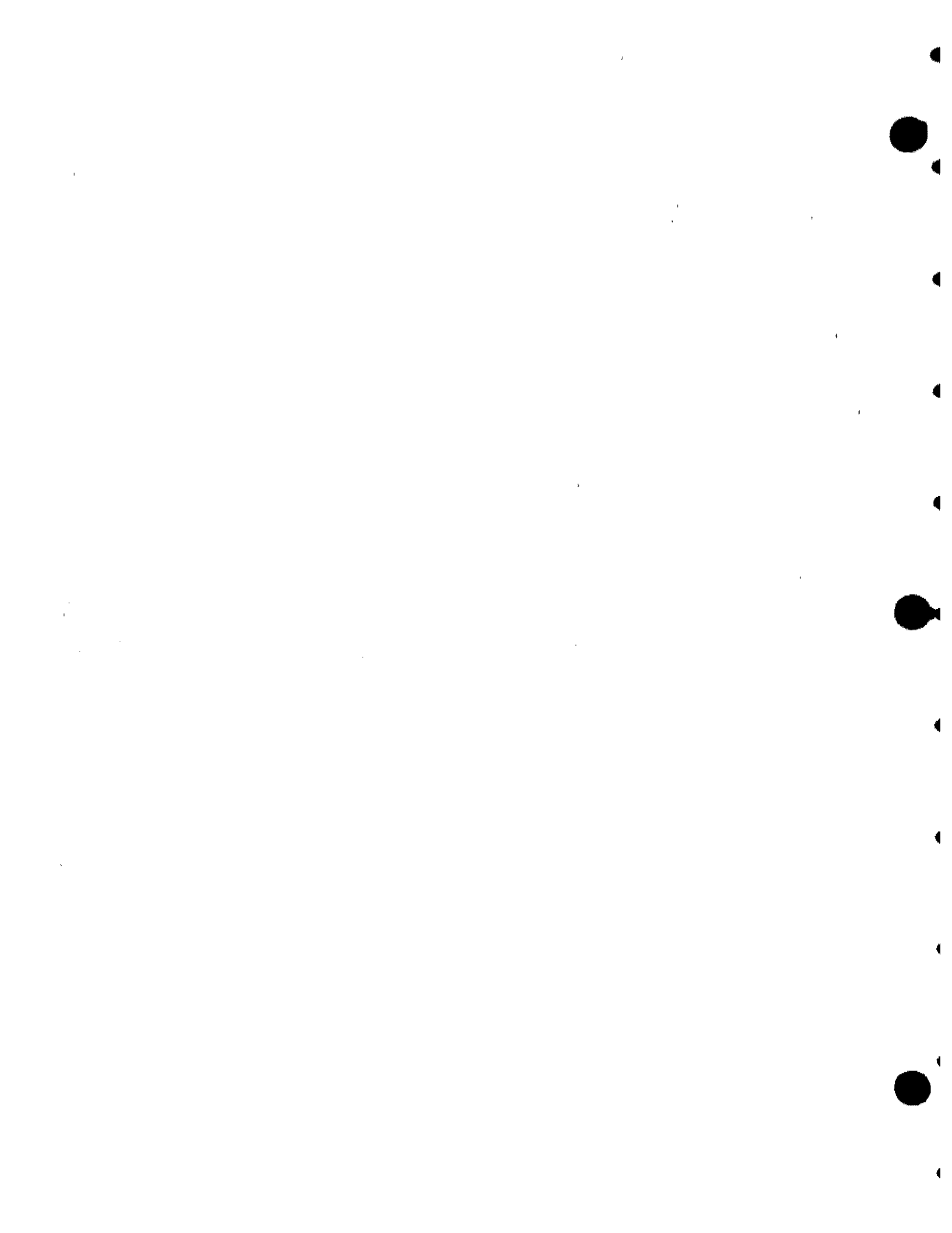
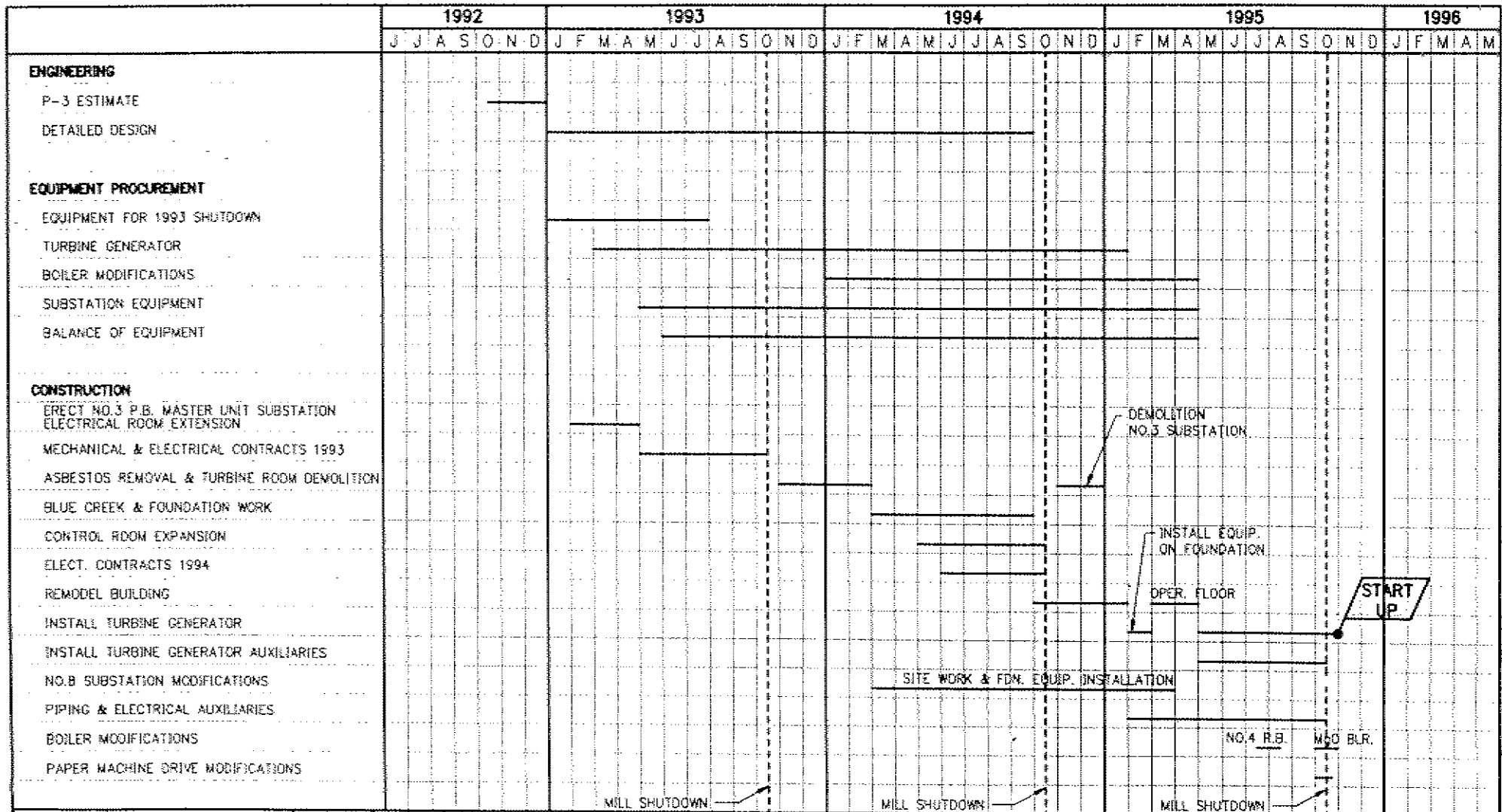


Exhibit B to  
Development Agreement


Project Schedule  
[See attached.]



EXHIBIT B PROJECT SCHEDULE



DRAWING NO.	TITLE	REV.	DATE	BY	APP'D.	DESCRIPTION



**Harris Group Inc.**

APPROVED	SCALE	NO	DAY	YR
DATE	DRAWN	NO	DAY	YR
PROJECT 91-2786	CHK'D	NO	DAY	YR
	APP'D	NO	DAY	YR
	APP'D	NO	DAY	YR

STEAM TURBINE GENERATOR  
PROJECT PRELIMINARY SCHEDULE

STEAM TURBINE GENERATOR	WASHINGTON
CAMAS	WASHINGTON
DRAWING NUMBER	REV
2417-230-SK-044	△

912786-000\SKETCH\SK044 - BUR - 1 - E 1  
Dec 29, 1992 12:11 p.m.

EXHIBIT C - PROJECT BUDGET

JAMES RIVER CORPORATION

CAMAS, WASHINGTON

STEAM TURBINE GENERATOR

Project Final P-3 Scope and Estimate Dated December 31, 1992	\$51,000,000
James River Development Costs	250,000
PacifiCorp Development Costs	250,000
PacifiCorp Construction Oversight	250,000
PacifiCorp Additional Project Costs	(a)
PacifiCorp AFUDC (b,c)	<u>7,162,000</u>
Total Project Budget	\$58,912,000

- a. PacifiCorp's Additional Project Costs to be included in the Project Budget will be actual expenditures in support of the Project, e.g. the cost of providing Builder's Risk Insurance. Upon the mutual agreement of the parties, the cost of acquiring the transmission line in accordance with Exhibit J may be included in this category in lieu of compensating James River for the line outside of this agreement and assessing James River use-of-facilities charges.
- b. PacifiCorp's Allowance For Funds Used During Construction (AFUDC), sometimes referred to as Interest During Construction, for the Project will be calculated at an annual rate of 10.5%. AFUDC is compounded seven months after start and every six months thereafter. Each period, one-half of a month's AFUDC is computed on the current period expenditure. Additionally, a full month's AFUDC is computed on the capital cost balance outstanding at the beginning of the period. AFUDC accrual will end on the commercial operation date of the Project.
- c. The \$7,162,000 of AFUDC shown above was determined based on the assumed Project cash flow included on the following table. The total cash flow is consistent with the non-AFUDC expenditure totals shown above, i.e. no estimated expenditures for PacifiCorp Additional Project Costs were included. A commercial operation date of December 31, 1995 was also assumed.

PACIFICORP ELECTRIC OPERATIONS  
 CALCULATION OF ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION  
 PACIFICORP/JAMER RIVER CAMAS COGENERATION FACILITY  
 THOUSANDS OF DOLLARS  
 JANUARY 11, 1993

MONTH (1)	AFUDC CALCULATION									
	CASH BASE						MONTHLY AFUDC (8)	AFUDC BALANCE (9)	AFUDC BASE (10)	CURRENT MONTH AFUDC (11)
	CAPITAL COST EXCL. AFUDC (2)	PACIFICORP AFUDC (3)	CAPITAL COST INCL. AFUDC (4)	CAPITAL COST BALANCE (5)	CURRENT CAPITAL COST (6)	TOTAL CASH BASE (7)				
Jan-93	507	2	509	0	507	507	2	2	0	2
Feb-93	507	7	513	507	507	1,013	7	9	0	2
Mar-93	507	11	518	1,013	507	1,520	11	20	0	2
Apr-93	740	17	757	1,520	740	2,260	17	36	0	3
May-93	740	23	763	2,260	740	3,000	23	60	0	3
Jun-93	740	29	769	3,000	740	3,740	29	89	0	3
Jul-93	1,373	40	1,413	3,740	1,373	5,113	40	40	89	6
Aug-93	1,373	52	1,425	5,113	1,373	6,487	52	91	89	6
Sep-93	1,373	64	1,437	6,487	1,373	7,860	64	155	89	6
Oct-93	1,340	75	1,415	7,860	1,340	9,200	75	230	89	6
Nov-93	1,340	87	1,427	9,200	1,340	10,540	87	317	89	6
Dec-93	1,340	99	1,439	10,540	1,340	11,880	99	416	89	6
Jan-94	1,107	113	1,220	11,880	1,107	12,987	113	113	505	5
Feb-94	1,107	123	1,230	12,987	1,107	14,093	123	236	505	5
Mar-94	1,107	133	1,239	14,093	1,107	15,200	133	369	505	5
Apr-94	1,240	143	1,383	15,200	1,240	16,440	143	512	505	5
May-94	1,240	154	1,394	16,440	1,240	17,680	154	665	505	5
Jun-94	1,240	165	1,405	17,680	1,240	18,920	165	830	505	5
Jul-94	1,207	183	1,389	18,920	1,207	20,127	183	183	1,335	5
Aug-94	1,207	193	1,400	20,127	1,207	21,333	193	376	1,335	5
Sep-94	1,207	204	1,410	21,333	1,207	22,540	204	579	1,335	5
Oct-94	1,607	216	1,823	22,540	1,607	24,147	216	795	1,335	7
Nov-94	1,607	230	1,837	24,147	1,607	25,753	230	1,025	1,335	7
Dec-94	1,607	244	1,851	25,753	1,607	27,360	244	1,269	1,335	7
Jan-95	1,907	271	2,177	27,360	1,907	29,267	271	271	2,604	8
Feb-95	1,907	287	2,194	29,267	1,907	31,173	287	558	2,604	8
Mar-95	1,907	304	2,211	31,173	1,907	33,080	304	862	2,604	8
Apr-95	2,240	322	2,562	33,080	2,240	35,320	322	1,184	2,604	10
May-95	2,240	342	2,582	35,320	2,240	37,560	342	1,525	2,604	10
Jun-95	2,240	361	2,601	37,560	2,240	39,800	361	1,887	2,604	10
Jul-95	2,573	399	2,972	39,800	2,573	42,373	399	399	4,490	11
Aug-95	2,573	421	2,995	42,373	2,573	44,947	421	820	4,490	11
Sep-95	2,573	444	3,017	44,947	2,573	47,520	444	1,264	4,490	11
Oct-95	1,073	460	1,533	47,520	1,073	48,593	460	1,724	4,490	5
Nov-95	1,073	469	1,543	48,593	1,073	49,667	469	2,193	4,490	5
Dec-95	1,073	479	1,552	49,667	1,073	50,740	479	2,671	4,490	5
Jan-96	337	0	337	50,740	337	51,077	0	0	7,162	0
Feb-96	337	0	337	51,077	337	51,413	0	0	7,162	0
Mar-96	337	0	337	51,413	337	51,750	0	0	7,162	0
Apr-96	0	0	0	51,750	0	51,750	0	0	7,162	0
TOTAL	51,750	7,162	58,912		51,750		7,162			222

NOTE: 10.50% AFUDC RATE

## EXHIBIT D

### Royalty Schedule

Payments made for Electricity produced by the Facility shall be determined pursuant to this Exhibit D. All references to MWH produced by the Facility refer to Electricity measured pursuant to Section 7.9 of the Development Agreement.

#### Payments during Startup

The following rates will be paid for Electricity production prior to Commercial Operation of the Facility.

- \$27.83 per megawatt-hour (MWH) for the first 100,000 MWH produced
- \$18.06 per MWH for production in excess of 100,000 MWH

#### Payments beginning at Commercial Operation

Royalty payments to James River for the production of Electricity after Commercial Operation shall be determined pursuant to Schedules D-1 and D-3 utilizing the values in Schedule D-2. Schedule D-1 shall be completed monthly reflecting the actual generation of the Facility during the prior month and any deemed generation pursuant to Section 7.1(c). James River will not receive a royalty payment during a Contract Year until the Revenue Requirement (Line 12 Schedule D-1) has been satisfied for such Contract Year. The values in locations identified by a "Y" on Schedule D-1 will be completed at the beginning of each Contract Year and the values in locations identified by a "M" will be completed monthly.

Four illustrative example Schedule D-1's follow Schedule D-3:

1. Contract Year: 1st; Commercial Date: December 15, 1995; Capital Cost: \$59,399,000; Contract Year Energy Generation: 390,000 MWH; Prior Contract Year Revenue Balance: Not Applicable (1st Contract Year)
2. Contract Year: 1st; Commercial Date: January 10, 1996; Capital Cost: \$60,250,000; Contract Year Energy Generation: 390,000 MWH; Prior Contract Year Revenue Balance: Not Applicable (1st Contract Year)
3. Contract Year: 4th; Commercial Date: December 15, 1995; Capital Cost: \$59,399,000; Contract Year Energy Generation: 350,000 MWH; 2nd Contract Year Ending Revenue Balance: zero; 3rd Contract Year Ending Revenue Balance: \$1,000,000; Revenue Balance Interest Rate (Prime minus 1%): 7%

4. Contract Year: 4th & 5th; Commercial Date: December 15, 1995; Capital Cost: \$59,399,000; 4th Contract Year Energy Generation: 270,000 MWH; 5th Contract Year Energy Generation: 350,000 MWH; 3rd Contract Year Ending Revenue Balance: \$1,000,000; 4th CY Revenue Balance Interest Rate (Prime minus 1%): 7%; 5th CY Revenue Balance Interest Rate (Prime minus 1%): 8%; Force Majeure: 5 months (June 1, 1999 - October 31, 1999)



### Schedule D-1 Notes

- 1) Contract Year - As defined in Exhibit A, "Definitions." The first Contract Year is also called the Initial Contract Year.
- 2) Contract Year Capital Cost Basis - The final Project Budget, accounting for all Change Orders and AFUDC in accordance with Section 5.6(b).
- 3) At the beginning of each Contract Year, there shall be added to the prior Contract Year's ending Revenue Requirement Balance (prior CY's ending Line 20 Schedule D-1), if any, an amount calculated in accordance with Lines 8 -10 on Schedule D-1. The interest rate used in Line 9 shall be the Prime Rate minus 1%. The Prime Rate utilized for this calculation shall be the average Prime Rate as reported in the Wall Street Journal, or other mutually agreeable source should the Wall Street Journal no longer exist or report such information, during the prior Contract Year.

If the current Contract Year follows a Contract Year without a beginning balance in Line 8 Schedule D-1, the interest rate used in Line 9 Schedule D-1 shall be one-half (1/2) the rate described above. (See illustrative example #3)

- 4) If Line 12 of Schedule D-1 at the beginning of any Contract Year ever equals or exceeds the anticipated Project Revenue for the following three years utilizing the assumptions prescribed in Section 3.2(a) of the Lease, PacifiCorp shall have the rights and remedies provided in Section 3.2 of the Lease, provided that James River may at any time bring the balance current through a cash payment to PacifiCorp.

EXHIBIT D  
SCHEDULE D-2

<u>Calendar Year</u>	<u>Total Cost (\$/MWh) (a)</u>	<u>Contract Year</u>	<u>Capital Recovery Factor (b)</u>	<u>Major Maintenance Allowance (c)</u>
1996	41.14	1	21.37%	\$300,000
1997	42.31	2	20.55%	\$312,000
1998	43.77	3	19.65%	\$324,480
1999	45.63	4	18.78%	\$337,459
2000	45.15	5	17.94%	\$350,957
2001	45.28	6	17.12%	\$364,995
2002	47.10	7	16.32%	\$379,595
2003	48.64	8	15.54%	\$394,779
2004	52.33	9	14.77%	\$410,570
2005	56.48	10	14.01%	\$426,993
2006	56.82	11	13.24%	\$444,073
2007	59.95	12	12.47%	\$461,836
2008	63.47	13	11.71%	\$480,309
2009	73.32	14	10.94%	\$499,521
2010	74.49	15	10.17%	\$519,502
2011	78.76	16	9.41%	\$540,282
2012	82.76	17	8.64%	\$561,893
2013	87.41	18	7.88%	\$584,369
2014	96.76	19	7.11%	\$607,744
2015	97.76	20	6.34%	\$632,054

a. Energy produced after commercial operation in 1995 will be valued at the 1996 Total Cost rate. Energy produced after 2015 during the initial 20 contract years will be valued at the 2015 Total Cost rate.

b. Shown as the percent of the Project Budget as amended pursuant to Section 5.6(b) to reflect the actual capital cost of the Project.

c. Major Maintenance allowance is fixed by Contract Year and is not subject to adjustment based on the actual cost of Major Maintenance.



EXHIBIT D - SCHEDULE D-3

If at the end of Contract Years 1 through 19, the average annual retail price ("AARP") for electricity paid by James River to PacifiCorp under the applicable tariff falls outside the ranges set forth below as applicable to such Contract Year ("Year-1"), the royalties paid to James River during the following Contract Year ("Year -2") shall be adjusted as follows:

- (a) If the AARP exceeds the "Ceiling" amount applicable to Year-1, as indicated below, the Revenue Requirement (Line 12 Schedule D-1) applicable to Year-2 shall be decreased by the difference between what James River actually paid to PacifiCorp for electricity during during Year-1 and the amount it would have paid if the cost of electricity had been such "Ceiling" amount.
- (b) If the AARP falls below the "Floor" amount applicable to Year-1, as indicated below, the Revenue Requirement (Line 12 Schedule D-1) applicable to Year-2 shall be increased by the difference between what James River actually paid to PacifiCorp for electricity during during Year-1 and the amount it would have paid if the cost of electricity had been such "Floor" amount.

<u>Calendar Year</u>	<u>Floor (\$/MWH)</u>	<u>Ceiling (\$/MWH)</u>
1996	35.10	41.34
1997	36.51	42.99
1998	37.97	44.71
1999	39.48	46.50
2000	41.06	48.36
2001	42.71	50.29
2002	44.41	52.31
2003	46.19	54.39
2004	48.04	56.58
2005	49.96	58.84
2006	51.95	61.19
2007	54.04	63.64
2008	56.20	66.18
2009	58.45	68.83
2010	60.78	71.58
2011	63.21	74.45
2012	65.75	77.43
2013	68.37	80.53
2014	71.11	83.75
2015	73.95	87.09

The above floor and ceiling values are specific to an expected Camas Mill load factor of 88%. If the actual load factor is other than 88% for Year-1, the floor and ceiling values may be adjusted in a manner consistent with the retail tariff in effect during Year-1.

There shall be no true-up at the end of the twentieth (20th) Contract Year.

ILLUSTRATIVE EXAMPLE 1 - EXHIBIT D, SCHEDULE D-1  
ROYALTY PAYMENT CALCULATION

LINE NO.	DESCRIPTION	1	2	3	4	5	6	7	8	9	10	11	12	ABBREVIATIONS
1	CONTRACT YEAR NO.													80M: BEGINNING OF MONTH
2	CY BEGINNING MONTH (MO/YR)	Dec-85												CY: CONTRACT YEAR
3	CY ENDING MONTH (MO/YR)	Dec-86												80M: END OF MONTH
4	CY CAPITAL COST BASIS (\$)	59,399,000								7.00%				YTD: YEAR TO DATE
5	CY CAPITAL RECOVERY FACTOR (EXHIBIT D, SCHEDULE 2)	21.37%												
6	CY CAPITAL RECOVERY (\$) [LINE 4 X LINE 5]	12,693,568												
7	CY MAJOR MAINTENANCE ALLOWANCE (\$) [EXHIBIT D, SCHEDULE 2]													
8	PRIOR CY REVENUE BALANCE (\$)													
9	REVENUE BALANCE INTEREST RATE													
10	REVENUE BALANCE INTEREST (\$) [LINE 8 X LINE 9]													
11	ADJUSTED REVENUE BALANCE (\$) [LINE 8 + LINE 10]													
12	CY REVENUE REQUIREMENT (\$) [LINE 6 + LINE 7 + LINE 11]													
13	CONTRACT YEAR MONTH NO.													
14	CALENDAR MONTH (MO/YR)	Dec-85/Jan-86	Feb-86	Mar-86	Apr-86	May-86	Jun-86	Jul-86	Aug-86	Sep-86	Oct-86	Nov-86	Dec-86	
15	CY MONTHLY ENERGY TOTAL COSTS (EXHIBIT D, SCHEDULE 2)	41.14	41.14	41.14	41.14	41.14	41.14	41.14	41.14	41.14	41.14	41.14	41.14	
16	ENERGY GENERATION FOR MONTH (MMBtu)	48,800	31,200	31,200	31,200	31,200	31,200	31,200	31,200	31,200	31,200	31,200	31,200	
17	PROJECT REVENUE FOR MONTH (\$) [LINE 15 X LINE 16]	1,925,352	1,283,568	1,283,568	1,283,568	1,283,568	1,283,568	1,283,568	1,283,568	1,283,568	1,283,568	1,283,568	1,283,568	
18	80M CY TO PROJECT REVENUE (\$) [SUM ALL CY MONTHS LINE 17]	1,925,352	3,208,920	4,492,488	5,776,056	7,059,624	8,343,192	9,626,760	10,910,328	12,193,896	13,477,464	14,761,032	16,044,600	
19	CY REVENUE REQUIREMENT (\$) [LINE 12]	12,993,568	12,993,568	12,993,568	12,993,568	12,993,568	12,993,568	12,993,568	12,993,568	12,993,568	12,993,568	12,993,568	12,993,568	
20	80M REVENUE REQUIREMENT BALANCE (\$) [LINE 18 - LINE 19; IF >= 0, LINE 20=0]	-11,068,214	-9,784,846	-8,501,478	-7,217,510	-5,933,942	-4,650,374	-3,366,806	-2,083,238	-799,670	0	0	0	
21	80M CYTD ROYALTY PAYMENTS (\$) [SUM PRIOR MONTHS LINE 22]	0	0	0	0	0	0	0	0	0	0	0	483,898	5,767,466
22	80M CYTD ROYALTY PAYMENT (\$)	0	0	0	0	0	0	0	0	0	0	0	483,898	1,283,568
													483,898	1,767,466
													483,898	5,051,934

ILLUSTRATIVE EXAMPLE 2 - EXHIBIT D, SCHEDULE D-1  
ROYALTY PAYMENT CALCULATION

LINE NO.			LINE NO.			ABBREVIATIONS								
CONTRACT YEAR NO.	1	1	CY MAJOR MAINTENANCE ALLOWANCE (\$) [ EXHIBIT D, SCHEDULE 2 ]	7	300,000	BOM: BEGINNING OF MONTH								
CY BEGINNING MONTH (MO/YR)	2	Jan-96	PRIOR CY REVENUE BALANCE (\$)	8	0	CY: CONTRACT YEAR								
CY ENDING MONTH (MO/YR)	3	Jan-97	REVENUE BALANCE INTEREST RATE	9	7.00%	EOM: END OF MONTH								
CY CAPITAL COST BASIS (\$)	4	60,250,000	REVENUE BALANCE INTEREST (\$) [ LINE 8 X LINE 9 ]	10	0	YTD: YEAR TO DATE								
CY CAPITAL RECOVERY FACTOR [ EXHIBIT D, SCHEDULE 2 ]	5	21.37%	ADJUSTED REVENUE BALANCE (\$) [ LINE 8 + LINE 10 ]	11	0									
CY CAPITAL RECOVERY (\$) [ LINE 4 X LINE 5 ]	6	12,875,425	CY REVENUE REQUIREMENT (\$) [ LINE 6 + LINE 7 + LINE 11 ]	12	>>>>>	13,175,425	*****							
CONTRACT YEAR MONTH NO.	13	1	2	3	4	5	6	7	8	9	10	11	12	
CALENDAR MONTH (MO/YR)	14	Jan96/Feb96	Mar-96	Apr-96	May-96	Jun-96	Jul-96	Aug-96	Sep-96	Oct-96	Nov-96	Dec-96	Jan-97	
CY MONTHLY ENERGY TOTAL COSTS [ EXHIBIT D, SCHEDULE 2 ]	15	41.14	41.14	41.14	41.14	41.14	41.14	41.14	41.14	41.14	41.14	41.14	42.31	
ENERGY GENERATION FOR MONTH (MMH)	16	46,000	32,000	31,500	31,000	30,000	29,000	30,000	30,500	31,000	32,000	33,000	34,000	
PROJECT REVENUE FOR MONTH (\$) [ LINE 15 X LINE 16 ]	17	1,892,440	1,316,480	1,295,910	1,275,340	1,234,200	1,193,060	1,234,200	1,254,770	1,275,340	1,316,480	1,357,620	1,436,540	
EOM CY YTD PROJECT REVENUE (\$) [ SUM ALL CY MONTHS LINE 17 ]	18	1,892,440	3,208,920	4,504,830	5,780,170	7,014,370	8,207,430	9,441,630	10,696,400	11,971,740	13,268,220	14,645,840	16,064,380	
CY REVENUE REQUIREMENT (\$) [ LINE 12 ]	19	13,175,425	13,175,425	13,175,425	13,175,425	13,175,425	13,175,425	13,175,425	13,175,425	13,175,425	13,175,425	13,175,425	13,175,425	
EOM REVENUE REQUIREMENT BALANCE (\$) [ LINE 18 - LINE 19; IF >= 0, LINE 20=0 ]	20	-11,282,985	-9,966,505	-8,670,595	-7,395,255	-6,161,055	-4,967,995	-3,733,795	-2,479,025	-1,203,685	0	0	0	
EOM CY YTD ROYALTY PAYMENTS (\$) [ SUM PRIOR MONTHS LINE 22 ]	21	0	0	0	0	0	0	0	0	0	0	112,795	1,470,415	
EOM CY MONTHLY ROYALTY PAYMENTS (\$)	22	0	0	0	0	0	0	0	0	0	0	112,795	1,436,540	
				0	0	0	0	0	0	0	0	112,795	1,470,415	2,908,955

ILLUSTRATIVE EXAMPLE 3 - EXHIBIT D, SCHEDULE D-1  
ROYALTY PAYMENT CALCULATION

LINE NO.		LINE NO.		ABBREVIATIONS																																																																																																																																																																		
1	CONTRACT YEAR NO.	4		7	CY MAJOR MAINTENANCE ALLOWANCE (\$) ( EXHIBIT D, SCHEDULE 2 )	337,459	BOM: BEGINNING OF MONTH																																																																																																																																																															
2	CY BEGINNING MONTH (MO/YR)	Jan-99		8	PRIOR CY REVENUE BALANCE (\$)	1,000,000	CY: CONTRACT YEAR																																																																																																																																																															
3	CY ENDING MONTH (MO/YR)	Dec-99		9	REVENUE BALANCE INTEREST RATE	3.50%	EOM: END OF MONTH																																																																																																																																																															
4	CY CAPITAL COST BASIS (\$)	59,399,000		10	REVENUE BALANCE INTEREST (\$) ( LINE 8 X LINE 9 )	35,000	YTD: YEAR TO DATE																																																																																																																																																															
5	CY CAPITAL RECOVERY FACTOR ( EXHIBIT D, SCHEDULE 2 )	18.76%		11	ADJUSTED REVENUE BALANCE (\$) ( LINE 8 + LINE 10 )	1,035,000																																																																																																																																																																
6	CY CAPITAL RECOVERY (\$) ( LINE 4 X LINE 5 )	11,155,132		12	CY REVENUE REQUIREMENT (\$) ( LINE 6 + LINE 7 + LINE 11 )	>>>>> 12,527,591																																																																																																																																																																
<table border="1"> <thead> <tr> <th>LINE NO.</th> <th>CONTRACT YEAR MONTH NO.</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> <th>6</th> <th>7</th> <th>8</th> <th>9</th> <th>10</th> <th>11</th> <th>12</th> </tr> </thead> <tbody> <tr> <td>14</td> <td>CALENDAR MONTH (MO/YR)</td> <td>Jan-99</td> <td>Feb-99</td> <td>Mar-99</td> <td>Apr-99</td> <td>May-99</td> <td>Jun-99</td> <td>Jul-99</td> <td>Aug-99</td> <td>Sep-99</td> <td>Oct-99</td> <td>Nov-99</td> <td>Dec-99</td> </tr> <tr> <td>15</td> <td>CY MONTHLY ENERGY TOTAL COSTS ( EXHIBIT D, SCHEDULE 2 )</td> <td>45.63</td> <td>45.63</td> <td>45.63</td> <td>45.63</td> <td>45.63</td> <td>45.63</td> <td>45.63</td> <td>45.63</td> <td>45.63</td> <td>45.63</td> <td>45.63</td> <td>45.63</td> </tr> <tr> <td>16</td> <td>ENERGY GENERATION FOR MONTH (MWH)</td> <td>32,000</td> <td>31,000</td> <td>25,000</td> <td>12,500</td> <td>30,000</td> <td>29,000</td> <td>30,000</td> <td>30,500</td> <td>31,000</td> <td>32,000</td> <td>33,000</td> <td>34,000</td> </tr> <tr> <td>17</td> <td>PROJECT REVENUE FOR MONTH (\$) ( LINE 15 X LINE 16 )</td> <td>1,460,160</td> <td>1,414,530</td> <td>1,140,750</td> <td>570,375</td> <td>1,368,900</td> <td>1,323,270</td> <td>1,368,900</td> <td>1,391,715</td> <td>1,414,530</td> <td>1,460,160</td> <td>1,505,790</td> <td>1,551,420</td> </tr> <tr> <td>18</td> <td>EOM CY YTD PROJECT REVENUE (\$) ( SUM ALL CY MONTHS LINE 17 )</td> <td>1,460,160</td> <td>2,874,690</td> <td>4,015,440</td> <td>4,585,615</td> <td>5,954,715</td> <td>7,277,965</td> <td>8,646,865</td> <td>10,038,600</td> <td>11,453,130</td> <td>12,913,290</td> <td>14,419,080</td> <td>15,970,500</td> </tr> <tr> <td>19</td> <td>CY REVENUE REQUIREMENT (\$) ( LINE 12 )</td> <td>12,527,591</td> <td>12,527,591</td> <td>12,527,591</td> <td>12,527,591</td> <td>12,527,591</td> <td>12,527,591</td> <td>12,527,591</td> <td>12,527,591</td> <td>12,527,591</td> <td>12,527,591</td> <td>12,527,591</td> <td>12,527,591</td> </tr> <tr> <td>20</td> <td>EOM REVENUE REQUIREMENT BALANCE (\$) ( LINE 18 - LINE 19; IF &gt;= 0, LINE 20=0 )</td> <td>-11,067,431</td> <td>-9,652,901</td> <td>-8,512,151</td> <td>-7,941,776</td> <td>-6,572,876</td> <td>-5,249,606</td> <td>-3,880,706</td> <td>-2,488,991</td> <td>-1,074,461</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>21</td> <td>BOM CY YTD ROYALTY PAYMENTS (\$) ( SUM PRIOR MONTHS LINE 22 )</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>385,699</td> <td>1,891,489</td> </tr> <tr> <td>22</td> <td>CONTRACT MONTH ROYALTY PAYMENT (\$) ( LINE 18 - LINE 19 - LINE 21; IF : LINE 19 &gt;= LINE 18, LINE 22 = 0 )</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>385,699</td> <td>1,505,790</td> <td>1,551,420</td> </tr> <tr> <td>23</td> <td>EOM CY YTD ROYALTY PAYMENTS (\$)</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>385,699</td> <td>1,891,489</td> <td>3,442,909</td> </tr> </tbody> </table>													LINE NO.	CONTRACT YEAR MONTH NO.	1	2	3	4	5	6	7	8	9	10	11	12	14	CALENDAR MONTH (MO/YR)	Jan-99	Feb-99	Mar-99	Apr-99	May-99	Jun-99	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99	15	CY MONTHLY ENERGY TOTAL COSTS ( EXHIBIT D, SCHEDULE 2 )	45.63	45.63	45.63	45.63	45.63	45.63	45.63	45.63	45.63	45.63	45.63	45.63	16	ENERGY GENERATION FOR MONTH (MWH)	32,000	31,000	25,000	12,500	30,000	29,000	30,000	30,500	31,000	32,000	33,000	34,000	17	PROJECT REVENUE FOR MONTH (\$) ( LINE 15 X LINE 16 )	1,460,160	1,414,530	1,140,750	570,375	1,368,900	1,323,270	1,368,900	1,391,715	1,414,530	1,460,160	1,505,790	1,551,420	18	EOM CY YTD PROJECT REVENUE (\$) ( SUM ALL CY MONTHS LINE 17 )	1,460,160	2,874,690	4,015,440	4,585,615	5,954,715	7,277,965	8,646,865	10,038,600	11,453,130	12,913,290	14,419,080	15,970,500	19	CY REVENUE REQUIREMENT (\$) ( LINE 12 )	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	20	EOM REVENUE REQUIREMENT BALANCE (\$) ( LINE 18 - LINE 19; IF >= 0, LINE 20=0 )	-11,067,431	-9,652,901	-8,512,151	-7,941,776	-6,572,876	-5,249,606	-3,880,706	-2,488,991	-1,074,461	0	0	0	21	BOM CY YTD ROYALTY PAYMENTS (\$) ( SUM PRIOR MONTHS LINE 22 )	0	0	0	0	0	0	0	0	0	0	385,699	1,891,489	22	CONTRACT MONTH ROYALTY PAYMENT (\$) ( LINE 18 - LINE 19 - LINE 21; IF : LINE 19 >= LINE 18, LINE 22 = 0 )	0	0	0	0	0	0	0	0	0	385,699	1,505,790	1,551,420	23	EOM CY YTD ROYALTY PAYMENTS (\$)	0	0	0	0	0	0	0	0	0	385,699	1,891,489	3,442,909
LINE NO.	CONTRACT YEAR MONTH NO.	1	2	3	4	5	6	7	8	9	10	11	12																																																																																																																																																									
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18	EOM CY YTD PROJECT REVENUE (\$) ( SUM ALL CY MONTHS LINE 17 )	1,460,160	2,874,690	4,015,440	4,585,615	5,954,715	7,277,965	8,646,865	10,038,600	11,453,130	12,913,290	14,419,080	15,970,500																																																																																																																																																									
19	CY REVENUE REQUIREMENT (\$) ( LINE 12 )	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591	12,527,591																																																																																																																																																									
20	EOM REVENUE REQUIREMENT BALANCE (\$) ( LINE 18 - LINE 19; IF >= 0, LINE 20=0 )	-11,067,431	-9,652,901	-8,512,151	-7,941,776	-6,572,876	-5,249,606	-3,880,706	-2,488,991	-1,074,461	0	0	0																																																																																																																																																									
21	BOM CY YTD ROYALTY PAYMENTS (\$) ( SUM PRIOR MONTHS LINE 22 )	0	0	0	0	0	0	0	0	0	0	385,699	1,891,489																																																																																																																																																									
22	CONTRACT MONTH ROYALTY PAYMENT (\$) ( LINE 18 - LINE 19 - LINE 21; IF : LINE 19 >= LINE 18, LINE 22 = 0 )	0	0	0	0	0	0	0	0	0	385,699	1,505,790	1,551,420																																																																																																																																																									
23	EOM CY YTD ROYALTY PAYMENTS (\$)	0	0	0	0	0	0	0	0	0	385,699	1,891,489	3,442,909																																																																																																																																																									



ILLUSTRATIVE EXAMPLE 4 (PAGE 2 OF 2) - EXHIBIT D, SCHEDULE D-1  
ROYALTY PAYMENT CALCULATION

LINE NO.				LINE NO.				ABBREVIATIONS	
CONTRACT YEAR NO.	1	5		CY MAJOR MAINTENANCE ALLOWANCE (\$)	7	350,957		BOM: BEGINNING OF MONTH	
[ EXHIBIT D, SCHEDULE 2 ]								CY: CONTRACT YEAR	
CY BEGINNING MONTH (MO/YR)	2	Jun-00		PRIOR CY REVENUE BALANCE (\$)	8	207,491		EOM: END OF MONTH	
CY ENDING MONTH (MO/YR)	3	May-01		REVENUE BALANCE INTEREST RATE	9	8.00%		YTD: YEAR TO DATE	
CY CAPITAL COST BASIS (\$)	4	59,399,000		REVENUE BALANCE INTEREST (\$)	10	18,599			
[ EXHIBIT D, SCHEDULE 2 ]				[ LINE 8 X LINE 9 ]					
CY CAPITAL RECOVERY FACTOR	5	17.94%		ADJUSTED REVENUE BALANCE (\$)	11	224,090			
[ EXHIBIT D, SCHEDULE 2 ]				[ LINE 8 + LINE 10 ]					
CY CAPITAL RECOVERY (\$)	6	10,658,181		CY REVENUE REQUIREMENT (\$)	12	>>>>>	11,231,228		
[ LINE 4 X LINE 5 ]				[ LINE 8 + LINE 7 + LINE 11 ]			-----		

LINE NO.	13	1	2	3	4	5	6	7	8	9	10	11	12
CONTRACT YEAR MONTH NO													
CALENDAR MONTH (MO/YR)	14	Jun-00	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01
CY MONTHLY ENERGY TOTAL COSTS	15	45.15	45.15	45.15	45.15	45.15	45.15	45.15	45.15	45.15	45.15	45.15	45.15
[ EXHIBIT D, SCHEDULE 2 ]													
ENERGY GENERATION FOR MONTH (MWH)	16	32,000	31,000	25,000	12,500	30,000	29,000	30,000	30,500	31,000	32,000	33,000	34,000
PROJECT REVENUE FOR MONTH (\$)	17	1,444,800	1,399,650	1,128,750	564,375	1,354,500	1,309,350	1,354,500	1,377,075	1,399,650	1,444,800	1,489,950	1,535,100
[ LINE 15 X LINE 16 ]													
EOM CY YTD PROJECT REVENUE (\$)	18	1,444,800	2,844,450	3,973,200	4,537,575	5,892,075	7,201,425	8,555,925	9,933,000	11,332,650	12,777,450	14,267,400	15,802,500
[ SUM ALL CY MONTHS LINE 17 ]													
CY REVENUE REQUIREMENT (\$)	19	11,231,228	11,231,228	11,231,228	11,231,228	11,231,228	11,231,228	11,231,228	11,231,228	11,231,228	11,231,228	11,231,228	11,231,228
[ LINE 12 ]													
EOM REVENUE REQUIREMENT BALANCE (\$)	20	-9,786,428	-8,386,778	-7,258,028	-6,693,653	-5,338,153	-4,029,803	-2,675,303	-1,298,228	0	0	0	0
[ LINE 18 - LINE 19, IF >= 0, LINE 20=0 ]													
BOM CY YTD ROYALTY PAYMENTS (\$)	21	0	0	0	0	0	0	0	0	0	101,422	1,546,222	3,036,172
[ SUM PRIOR MONTHS LINE 22 ]													
CONTRACT MONTH ROYALTY PAYMENT (\$)	22	0	0	0	0	0	0	0	0	101,422	1,444,800	1,469,950	1,535,100
[ LINE 18 - LINE 19 + LINE 21 ]													
EOM CY YTD ROYALTY PAYMENT (\$)	23	0	0	0	0	0	0	0	0	101,422	1,546,222	3,036,172	4,571,272

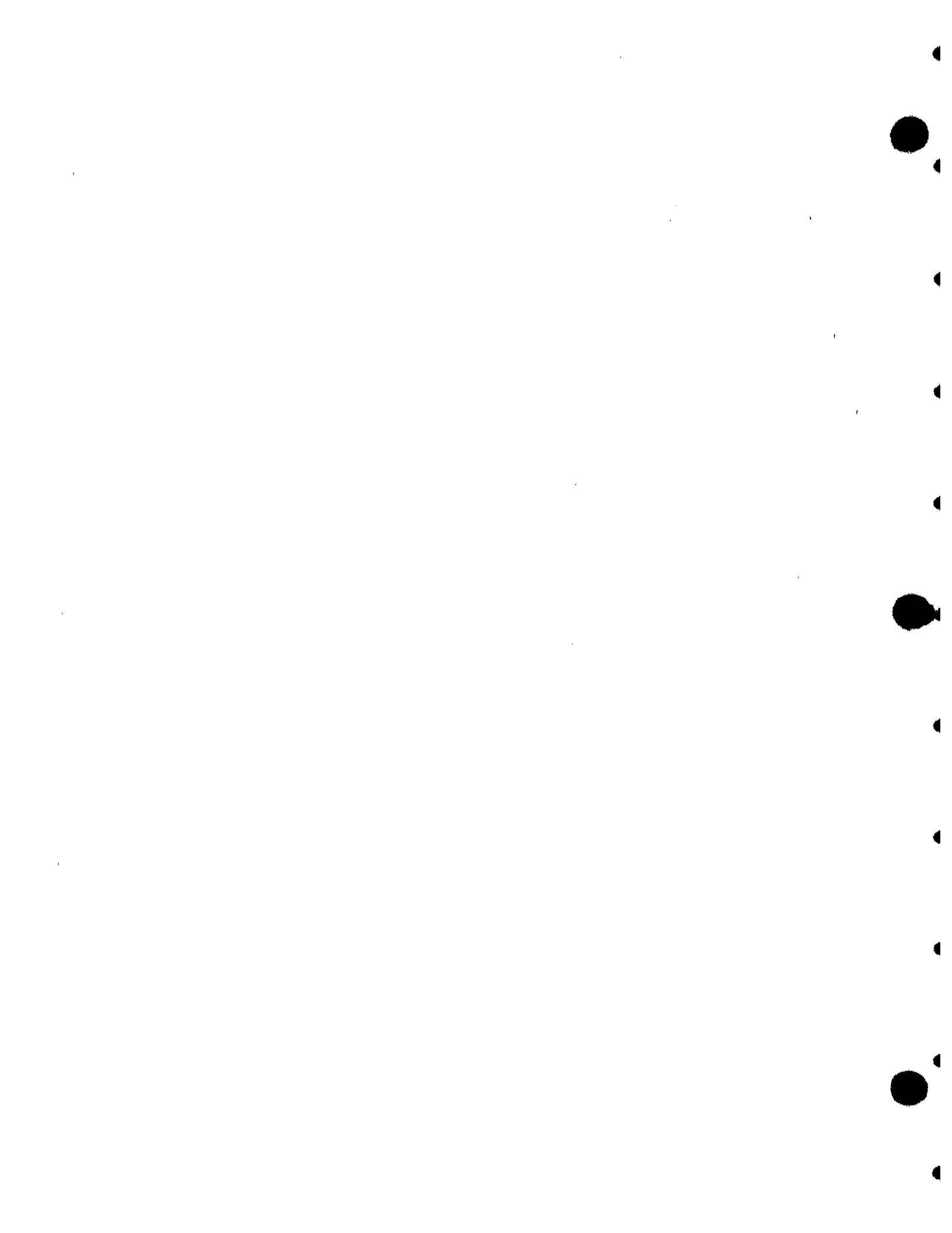


EXHIBIT E  
INTERCONNECTION POINT

[To be agreed to by PacifiCorp and James River.]



EXHIBIT F

FORM OF ROYALTY STATEMENT

[To be agreed to by PacifiCorp and James River.]

Exhibit G to  
Development Agreement

Confidentiality Agreement  
[See attached.]

**CONFIDENTIALITY AGREEMENT**  
between  
**JAMES RIVER CORPORATION OF NEVADA**  
and  
**PACIFICORP dba PACIFICORP ELECTRIC OPERATIONS**

James River Corporation of Nevada ("JR Corp") and PacifiCorp Electric Operations ("PEO") wish to explore PEO's possible acquisition of the development rights for: 1) certain existing cogeneration potential involving the development, construction and operation of an approximately 50 average MW steam turbine generator (the "Phase I Project"); and 2) future cogeneration installations, to be located at JR Corp's manufacturing facilities near Camas, Washington.

In this regard, either party may provide business and/or technical information to the other party which the party providing the information may regard as confidential and proprietary. The term "Confidential Information" shall mean all business and technical information provided by any party, via documents that are prominently marked with "Confidential Information" or similar indication of the confidential and proprietary nature of the document, except for information that: (a) already was in the receiving party's possession before receipt from the other party; (b) is or becomes generally available to the public, by publication or otherwise, through no fault of the receiving party; (c) is or becomes available to the receiving party, without restriction, from a third party who is legally entitled to provide such information; or (d) was or is independently developed by the receiving party without relying on any Confidential Information. For a period of four (4) years from the date of this Agreement, no party shall, without the prior written approval of the other party: 1) use any Confidential Information for any purpose other than that first stated above; or 2) except as required by law or court order, voluntarily disclose any Confidential Information to any third parties except for those who need the information to assist any party with the preparation of other agreements, documents or analyses which are determined by the parties to be necessary.

PacifiCorp dba  
PacifiCorp Electric Operations

James River Corporation  
of Nevada

By: *Diana Snowden*  
Diana Snowden  
Vice President

By: *A. G. Elsbree*  
A. G. Elsbree, Vice President &  
Resident Manager, Camas Mill

Date: 7/10/91

Date: 7/10/91

Exhibit H to  
Development Agreement

Improvements  
[See attached.]

EXHIBIT H - PROJECT IMPROVEMENTS

CAMAS, WASHINGTON

STEAM TURBINE GENERATOR  
TURBINE GENERATOR IMPROVEMENTS

CE/C File 2417-02

AR ESTIMATE - 12/31/92

SUMMARY

	Purchases	Labor	Materials	Total
<hr/>				
SITE PREPARATION				
02001 DEMOLITION	0	241,000	0	241,000
02002 RELOCATIONS	12,000	159,500	40,500	212,000
TOTAL SITE PREPARATION	12,000	400,500	40,500	453,000
<hr/>				
BUILDINGS & STRUCTURES				
02201 PIPE BRIDGE MODIFICATIONS	94,500	95,800	41,300	231,600
02202 EFFLUENT PUMP STATION ELECT. BUILDING EXPANSION	5,900	8,100	4,600	18,600
02203 STEAM PLANT PIPE SUPPORTS	55,000	22,400	10,700	88,100
TOTAL BUILDINGS & STRUCTURES	155,400	126,300	56,600	338,300
<hr/>				
PROCESS EQUIPMENT				
02301 NO. 4 RECOVERY BOILER MODIFICATIONS	1,071,000	35,000	19,000	1,125,000
02302 HgO RECOVERY BOILER MODIFICATIONS	1,221,000	50,000	27,000	1,298,000
02303 NO. 4 RECOVERY BOILER I.D. FAN MOTOR DRIVE	255,300	139,600	50,100	445,000
02304 HgO RECOVERY BOILER I.D. FAN MOTOR DRIVE	259,300	139,200	42,500	441,000

	Purchases	Labor	Materials	Total
02305 NO. 16 PAPER MACHINE LINESHAFT MOTOR DRIVE	38,500	52,600	9,400	100,500
02306 BOILER FEEDWATER PUMP DRIVE TURBINE MODIFICATIONS	33,000	15,000	3,000	51,000
02307 BOILER FILL PUMP	10,000	4,500	500	15,000
02308 DEMINERALIZED WATER PUMP DRIVE REPLACEMENT	34,100	3,500	800	38,400
02309 EMERGENCY SETTLED WATER PUMP MOTOR REPLACEMENT	4,500	3,000	600	8,100
02310 NO. 1 HOTWELL M.D. PUMP MOTOR REPLACEMENT	4,500	3,000	600	8,100
02311 NO. 2 HOTWELL WEST PUMP MOTOR REPLACEMENT	4,500	3,000	600	8,100
02312 NO. 4 POWER BOILER MODIFICATIONS	40,700	5,500	600	46,800
02313 MgO RECOVERY BOILER ATTEMPERATOR BOOSTER PUMP	32,700	9,000	1,300	43,000
<b>TOTAL PROCESS EQUIPMENT</b>	<b>3,009,300</b>	<b>462,900</b>	<b>156,000</b>	<b>3,628,200</b>

## SUPPORT SERVICES

02500 PIPING TO NO. 20 PAPER MACHINE	34,200	151,900	90,300	276,400
02501 PIPING 150 PSI DISTRIBUTION	17,500	106,300	33,500	157,300
02502 PIPING 75 PSI DISTRIBUTION	52,900	183,000	111,700	347,600
02503 PIPING 40 PSI DISTRIBUTION	52,900	262,800	168,300	484,000
02504 PIPING STEAM PLANT	4,500	89,300	32,200	126,000

	Purchases	Labor	Materials	Total
02505 PIPING NO. 4 RECOVERY BOILER	900	41,500	8,400	50,800
02506 PIPING HgO RECOVERY BOILER	2,100	62,900	14,300	79,300
02510 PIPING INSULATION	0	307,900	177,000	484,900
02520 MOTOR CONTROL EQUIPMENT	88,000	17,000	6,000	111,000
02521 VARIABLE SPEED DRIVES	154,000	17,000	14,000	185,000
02522 MOTOR WIRING	1,000	113,000	78,000	192,000
02523 CONTROL WIRING FOR MOTOR AUXILIARIES	0	57,000	26,000	83,000
02524 LIGHTING EQUIPMENT & INSTALLATION	11,000	14,000	6,000	31,000
02525 SERVICE & WELDING RECEPTACLES	0	7,000	3,000	10,000
02526 MONITORING/SUPPORT SYSTEMS FOR BUILDING FACILITIES	1,000	3,000	1,000	5,000
02527 CONSTRUCTION POWER	0	5,000	2,000	7,000
02528 PROGRAMMABLE LOGIC CONTROLLERS	8,000	8,000	3,000	19,000
02529 INSTRUMENTATION FIELD WIRING	0	70,000	26,000	96,000
02530 GROUNDING	0	25,000	9,000	34,000
02531 SWITCHGEAR	309,000	22,000	5,000	336,000
02532 TRANSFORMERS	180,000	20,000	10,000	210,000
02535 SUBSTATION EQUIPMENT	186,000	8,000	0	194,000
02537 MEDIUM VOLTAGE POWER FEEDERS	0	278,000	371,000	649,000
02538 LOW VOLTAGE POWER FEEDERS	0	15,000	12,000	27,000

	Purchases	Labor	Materials	Total
02541 INSTRUMENTATION NO. 3 POWER BLR., NO.3 REC. BLR. & NO. 4 P.B	28,600	4,300	600	33,500
02542 INSTRUMENTATION NO. 4 RECOVERY BOILER	32,400	13,100	1,700	47,200
02543 INSTRUMENTATION MgO RECOVERY BOILER	40,300	15,800	3,500	59,600
02544 INSTRUMENTATION BATCH DIGESTER & PANDIA DIGESTER	45,300	14,500	4,400	64,200
02545 INSTRUMENTATION NO. 1 AND 2 EVAPORATORS	8,400	2,200	500	11,100
02546 INSTRUMENTATION MgO EVAPORATORS	600	2,900	900	4,400
02547 INSTRUMENTATION NO. 4 CONCENTRATOR	7,200	1,300	0	8,500
02548 INSTRUMENTATION NO. 16 & NO. 20 PAPER MACHINES	5,200	3,500	1,300	10,000
02570 PAINTING	0	7,000	23,000	30,000
02571 CLEANUP	0	20,000	0	20,000
02590 SPARES	351,000	0	0	351,000
TOTAL SUPPORT SERVICES	1,622,000	1,969,200	1,243,600	4,834,800

## INDIRECT COSTS

02810 STARTUP	15,000	0	0	15,000
02840 ENGINEERING	1,456,600	0	0	1,456,600
02850 PROJECT MANAGEMENT	364,000	0	0	364,000
02860 CONSTRUCTION MANAGEMENT	267,800	0	0	267,800
02870 SALES TAX	364,700	224,900	113,700	703,300



	Purchases	Labor	Materials	Total
TOTAL INDIRECT COSTS	2,468,100	224,900	113,700	2,806,700
CONTINGENCIES				
02900 CONTINGENCY	653,500	286,300	144,800	1,084,600
TOTAL CONTINGENCIES	653,500	286,300	144,800	1,084,600
ESTIMATE TOTAL	7,920,300	3,470,100	1,755,200	13,145,600

CAMAS, WASHINGTON

STEAM TURBINE GENERATOR  
NATURAL GAS PIPELINE IMPROVEMENTS

CE/C File 2417-03

AR ESTIMATE - 12/31/92

SUMMARY

	Purchases	Labor	Materials	Total
<u>SITE IMPROVEMENTS</u>				
03100 WALKWAY AT MILL GAS PRV'S	5,000	3,000	500	8,500
TOTAL SITE IMPROVEMENTS	<u>5,000</u>	<u>3,000</u>	<u>500</u>	<u>8,500</u>
 <u>SUPPORT SERVICES</u>				
03500 PIPING	1,174,800	0	0	1,174,800
03570 PAINTING	0	10,000	1,000	11,000
TOTAL SUPPORT SERVICES	<u>1,174,800</u>	<u>10,000</u>	<u>1,000</u>	<u>1,185,800</u>
 <u>INDIRECT COSTS</u>				
03850 PROJECT MANAGEMENT	42,000	0	0	42,000
03860 CONSTRUCTION MANAGEMENT	30,900	0	0	30,900
03870 SALES TAX	89,700	1,000	100	90,800
TOTAL INDIRECT COSTS	<u>162,600</u>	<u>1,000</u>	<u>100</u>	<u>163,700</u>
 <u>CONTINGENCIES</u>				
03900 CONTINGENCIES	152,500	2,100	200	154,800

	Purchases	Labor	Materials	Total
TOTAL CONTINGENCIES	152,500	2,100	200	154,800

ESTIMATE TOTAL	1,494,900	16,100	1,800	1,512,800
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TOTAL PROJECT IMPROVEMENTS AREA 02 AND 03	<u>9,415,200</u>	<u>3,486,200</u>	<u>1,757,000</u>	<u>14,658,400</u>
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LEASE

Between

JAMES RIVER PAPER COMPANY, INC.,  
a Virginia corporation,  
as lessor

and

PACIFICORP,  
an Oregon corporation,  
as lessee

Dated as of January 13, 1993

Cogeneration Facility  
Camas, Washington

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## LEASE

This LEASE ("Lease") dated as of January 13, 1993 is between JAMES RIVER PAPER COMPANY, INC., a Virginia corporation ("James River"), and PACIFICORP, an Oregon corporation ("PacifiCorp").

### RECITALS

WHEREAS, PacifiCorp desires to develop, construct, and operate, by itself or through its agents, a cogeneration facility at the Premises (as defined below) owned by James River adjacent to James River's Camas Mill; and

WHEREAS, James River desires to lease to PacifiCorp, among other things, the Premises, and to provide to PacifiCorp certain easements needed for such development and operation; and

WHEREAS, PacifiCorp desires to lease, among other things, the Premises and to benefit from such easements.

NOW, THEREFORE, in consideration of the agreements and covenants hereinafter set forth, and intending to be legally bound hereby, the parties hereto hereby covenant and agree as follows:

## ARTICLE I

### DEFINITIONS

Except as otherwise defined herein, capitalized terms have the meanings assigned to them in Exhibit A hereto. The Rules of Interpretation attached to such Exhibit A shall be applicable to this Lease and its exhibits.

## ARTICLE II

### GRANT

James River hereby demises and leases to PacifiCorp, and PacifiCorp hereby leases from James River, subject to the terms of this Lease, those premises situated in Camas, Clark County, Washington, as more particularly described in Exhibit B attached hereto and made a part hereof (the "Premises").

TOGETHER WITH all rights and privileges as set forth in Article III,



UNDER AND SUBJECT to Permitted Liens, including the Permitted Encumbrances set forth in Exhibit D hereto insofar as they relate to the Premises.

TO HAVE AND TO HOLD the Premises, subject as aforesaid, unto PacifiCorp and, subject to the provisions hereof, unto its successors and assigns, commencing on the Effective Date and expiring at such time as is specified in Article IV.

The parties hereto acknowledge that the title to the Facility is and shall remain the property of PacifiCorp, regardless of the manner of installation or affixation of the Facility to the Premises; subject, however, to the provisions of this Lease. It is the intention of the parties that the separation of the title to the Premises from the title to the Facility is to remain so separated through the term of this Lease and the period thereafter during which PacifiCorp may or shall remove the Facility from the Premises pursuant to Article XVI.

### ARTICLE III

#### EASEMENTS; MILL CLOSURE

Section 3.1. Easements. In addition to the lease of the Premises set forth in Article II, subject to the terms of this Lease and for the term hereof, James River hereby grants to PacifiCorp the Easements, and the parties hereby covenant with respect thereto, as set forth in Exhibit C attached hereto and made a part hereof, and as follows:

(a) Future Easements for Use and Removal. Subject to the written consent of James River, which consent shall not be unreasonably withheld or delayed, such additional easements (without additional compensation therefor) upon, over and across the Mill Site as shall be reasonably required by PacifiCorp to comply with any Permits obtained by James River or PacifiCorp with respect to environmental, construction or operating aspects of the Facility, or as shall be requested by PacifiCorp for the proper and economical repair and maintenance of the Facility and for the removal of the Facility and restoration of the Premises pursuant to Article XVI; provided, that any future easements sought by PacifiCorp shall not materially interfere with James River's use, enjoyment and operation of the Mill and shall be maintained in a condition comparable to those maintained by James River.

(b) Cross-Easements. Each party hereby grants and confirms to the other all necessary and reasonable rights of ingress and egress upon, over and across its respective fee or leasehold estate, together with all rights necessary and reasonable for all purposes of operation, maintenance, repair and replacement of any line, meter, rail or roadway or other improvement, privilege or appurtenance granted hereunder; provided, however, that such rights of egress or ingress by PacifiCorp shall not materially interfere with James River's operation of the Mill and that such rights of egress and ingress by James River shall not materially interfere with PacifiCorp's operation of the Facility.

(c) Future Combustion Turbine Easement. In the event that PacifiCorp in its sole discretion decides to construct a combustion turbine peaking unit on the Mill Site, James River shall grant to PacifiCorp a lease or easement of adequate land at the Mill Site for the

placement and operation of such a unit, and the use of available space, if any, on James River's gas transmission facilities (subject to James River's prior right to use such facilities at any time), subject to PacifiCorp's compliance with all Applicable Laws.

### Section 3.2. Mill Closure.

(a) Mill Closure Easement. In the event that prior to the expiration of the Term of the Development Agreement (i) James River elects in its sole discretion to permanently cease operations at the Mill, (ii) the Mill is closed for any continuous period greater than 12 months other than as a result of a Force Majeure Event, or (iii) the sum of (A) the beginning-of-year Revenue Recovery Account balance calculated pursuant to Exhibit D of the Development Agreement, plus (B) the Revenue Requirements for the succeeding two Contract Years, exceeds (C) the anticipated Revenue Recovery for the same three Contract Years (calculated on the assumption that Facility output will be the lesser of a 95 percent capacity factor or, after at least three Contract Years have elapsed, the average capacity factor over the previous three Contract Years) (the events in clauses (i) through (iii) collectively or individually being referred to herein as a "Mill Closure"), then, subject to the rights of other third parties, if any, in the Mill Site, James River hereby grants PacifiCorp an easement for use of all such portions of the Mill Site and any equipment, fixtures or machinery thereon as may reasonably be necessary for PacifiCorp to operate the Facility, including the use of available space, if any, on James River's gas transmission facilities (the "Mill Closure Easement"). The term of the Mill Closure Easement shall commence on the date that Mill Closure occurs, and shall continue in effect until the earliest to occur of (i) the date, if any, that PacifiCorp permanently ceases to produce electricity at the Facility, (ii) the date of any Reinstatement, as such term is defined in Section 3.2(d), below, or (iii) the date that is 20 years from the Effective Date of the Development Agreement. If the Mill Closure Easement has not commenced prior to the date of termination or expiration of the Term of the Development Agreement, then the Mill Closure Easement shall terminate and be of no further force or effect.

(b) Further Mill Closure Assistance. In the event of a Mill Closure, James River agrees to exercise reasonable efforts to (i) provide PacifiCorp with all necessary operating and maintenance manuals for the Boilers and related equipment, (ii) assist PacifiCorp in the transition of personnel from James River to PacifiCorp, (iii) provide PacifiCorp with access to any boiler fuel stockpiled by James River for use at the Mill, the fair market value of which shall be immediately subtracted from the balance, if any, of the Revenue Recovery account, (iv) assist PacifiCorp in emplacing boiler fuel supply contracts with James River's suppliers, and (v) give PacifiCorp reasonable notice (but in any event, if possible, not less than 60 days notice given in the manner required by this Lease) of any Mill Closure other than a cessation of operations caused by a Force Majeure Event.

(c) Use of Gas Agreements. James River hereby assigns to PacifiCorp, for the limited purposes described in this Section 3.2, and subject to any existing liens or encumbrances or contractual prohibitions against alienation, all of James River's rights as a customer under James River's natural gas supply and transportation agreements for the Mill which are in place during the Term of the Development Agreement. During, and only during, the occurrence and continuation of a Mill Closure, PacifiCorp may exercise the rights assigned to it pursuant to the previous sentence, subject to the limitations contained in such sentence.

(d) Reinstatement of Obligations. James River shall be permitted to terminate the Mill Closure and the Mill Closure Easement, and to reinstate and resume operation of the Mill and/or the Facility subject to and in accordance with the terms of the Project Agreements under the following circumstances: (i) in the case of a Mill Closure as a result of the events described in Section 3.2(a)(ii), above, by providing 7 days notice to PacifiCorp of its intent to so reinstate, together with a covenant that the Mill will be kept open for a period of not less than 12 consecutive months, or (ii) in the case of a Mill Closure as a result of the events described in Section 3.2(a)(iii), above, by decreasing (by a cash payment or otherwise) the balance in the Revenue Recovery Account so as to satisfy the requirement set forth in such Section 3.2(a)(iii), and by providing 7 days notice of its intent to so reinstate (the events in clauses (i) and (ii) collectively or individually being referred to herein as a "Reinstatement").

#### ARTICLE IV

##### TERM

###### Section 4.1. Term.

(a) The term of this Lease (the "Lease Term") shall commence on the Effective Date and will, unless sooner terminated as provided herein, continue in effect for a period equal to the Term, or, if applicable, the Extended Term, as defined in Section 3.1 of the Development Agreement. PacifiCorp shall not be entitled to possession of the leased property until such time as a memorandum of lease in a form mutually acceptable to the parties has been recorded in accordance with Section 19.8.

(b) Promptly following the Commercial Operation Date, the parties shall enter into a recordable supplementary agreement fixing the termination date of this Lease, and shall record such agreement.

Section 4.2. Expiration. Upon the expiration or earlier termination of this Lease, PacifiCorp shall surrender possession of the Premises and the Easements quietly and peaceably to James River, subject to PacifiCorp's option to have the Facility dismantled and removed as set forth in Article XVI in the event that James River does not exercise the Purchase Option or the option described in Section 13.2.

#### ARTICLE V

##### USE

The Premises and the Easements shall be used solely for the erection, construction, operation, repair and maintenance of the Facility and any additions or modifications thereto and for no other purpose. PacifiCorp shall not use, nor permit to be used, the Premises or the Easements in any manner or purpose which will violate any Applicable Law, or cause forfeiture of James River's fee and title to the Premises. PacifiCorp shall maintain any structures or improvements installed on the Easements hereunder in a commercially reasonable manner.

provided that so long as James River operates the Facility pursuant to the Development Agreement, PacifiCorp shall be deemed to have satisfied its obligations under this sentence insofar as such obligations relate to the operating duties for which James River is responsible under the Development Agreement.

## ARTICLE VI

### RENT

Section 6.1. Consideration. James River and PacifiCorp have entered into this Lease in consideration of the mutual obligations of such parties contained herein and in the other Project Agreements, and for other good and valuable consideration, the receipt of which is hereby acknowledged.

### Section 6.2. Net Lease.

(a) If, by law, any Imposition is or may be payable by PacifiCorp in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), PacifiCorp may cause the Imposition to be bonded and/or pay the same (with any interest accruing during the term hereof on the unpaid balance of such Imposition) in installments as the same become due and before any additional interest or other charge may be added thereto for the nonpayment of any such installment; and provided further, that any Imposition accruing during a fiscal tax period during which this Lease shall commence or expire shall be adjusted between James River and PacifiCorp as of the commencement or expiration of this Lease, so that PacifiCorp shall pay only an amount which bears the same relation to the total Imposition as the part of such fiscal tax period included within the term of the Lease bears to the entire fiscal tax period. With respect to any Imposition which by law is or may be payable in installments, PacifiCorp shall pay only those installments which accrue during the term of this Lease (whether or not PacifiCorp elects to pay the Imposition in installments). If either party's consent is required to cause the bonding of any Imposition, such party will not unreasonably withhold or delay its consent upon request.

(b) Except as set forth in subsections 6.3(a), above, the parties' responsibilities for payment of taxes shall be as specified in Section 11.4 of the Development Agreement.

### Section 6.3. Payment of Impositions.

(a) If at any time during the term of this Lease, any Impositions payable by PacifiCorp as provided herein are not paid when due, James River shall have the right, but not the obligation, to pay the same and be reimbursed therefor by PacifiCorp within thirty (30) days after written notice to PacifiCorp of such payment, provided, that unless James River believes that failure to promptly pay such Imposition will result in a material adverse effect on James River, James River shall notify PacifiCorp whenever James River intends to make any such payment, and will refrain from making such payment if after receiving such notice PacifiCorp promptly notifies James River that such Imposition is being or will be contested as herein provided.

(b) PacifiCorp shall prepare and file any tax return, rendition, report or similar information ("Reports") as to the Premises and the real or personal property thereon, as may be required by Applicable Law, including ad valorem real property taxes on centrally assessed utility property and general and special assessments related thereto. Upon receipt, each party shall furnish to the other any tax assessment notices related to the Premises that it receives. As to any appeal or contest of any taxes or assessments paid or payable by PacifiCorp pursuant to Section 11.4 of the Development Agreement:

(i) PacifiCorp may undertake any such appeal or contest relating to the Premises. James River shall cooperate in any such action, and the cost of the actions shall be borne by PacifiCorp.

(c) The provisions of this Section 6.4 shall survive any expiration or termination of this Lease.

Section 6.4. Apportionment. If, after the Effective Date and during the term of this Lease, the Premises shall not be separately assessed but shall be assessed as part of a larger tract of land, then James River and PacifiCorp shall apportion any Impositions resulting from such assessment. PacifiCorp's proportionate share of any such Impositions, if any, shall be determined by multiplying the amount of such Impositions by a fraction, the numerator of which shall be the acreage of the Premises, and the denominator of which shall be the acreage of all the land covered by such Impositions or, if such Impositions are not based upon acreage of the Premises used, such other equitable method as is mutually agreed by the parties hereto. Before the calculation of each party's proportionate share of the Impositions, the amount of any such Impositions shall be reduced by the amount of the Impositions attributable to all improvements located in the larger tract including the Premises. PacifiCorp's proportionate share of the Impositions so calculated shall then be increased by the amount of the Impositions allocable to those improvements owned or leased by PacifiCorp. James River and PacifiCorp shall each, on request of the other, apply individually (if legally required) or join in the other's application (if legally required) for separate assessments for the Premises.

## ARTICLE VII

### QUIET ENJOYMENT

Section 7.1. Quiet Enjoyment. James River warrants that it owns the Premises, subject to no liens, encumbrances, restrictions or charges other than Permitted Liens, with full right, title and authority to lease the Premises pursuant to the terms of this Lease. James River warrants that it will defend and hold harmless PacifiCorp and its successors and permitted assigns in their peaceable, quiet and undisputed enjoyment of the Premises (subject to Permitted Liens) against any and all claims of all Persons claiming by, through or under James River.

## ARTICLE VIII

### ACCESS RIGHTS

Section 8.1. James River's Rights of Access. During any period that James River is managing construction of or operating the Facility, James River, its contractors, employees, agents and invitees and any utility company or other entity which supplies services to the Mill Site shall be entitled to enter into or upon the Premises without the prior consent of PacifiCorp, so long as such Persons comply with James River's reasonable rules for safety and security and so long as they shall not take any action which would materially interfere with the operation or utilization of the Facility. Nothing in this Section 8.1 shall reduce or interfere with James River's rights of access as set forth in Section 10.3 hereof.

Section 8.2. PacifiCorp's Rights of Access. Subject to Section 3.1, PacifiCorp, its contractors, employees, agents and invitees and any utility company or other entity which supplies services to the Premises shall not be entitled to enter the Mill, Mill Site and all other locations owned or controlled by James River except as is reasonably necessary in connection with the rights and obligations of PacifiCorp under the Project Agreements and except for emergencies or with the prior consent of James River, which consent shall not be unreasonably withheld or delayed, and shall enter subject to James River's reasonable rules for safety and security. PacifiCorp shall not take any action or request access to the Mill Site or the Mill for any purpose which would materially interfere with the operation or utilization thereof.

## ARTICLE IX

### LIENS

Section 9.1. James River's Discharge of Liens. James River shall not directly or indirectly do any act which shall give rise to any Lien on or with respect to the Premises, the Easements or the Facility, title thereto or any interest therein, except Permitted Liens. James River shall within thirty (30) days of notice of the filing thereof, at its own expense, take such action as may be necessary to discharge or eliminate (or bond in a manner reasonably satisfactory to PacifiCorp) any such Lien (not excepted above) if the same shall arise at any time. Except as otherwise provided herein, James River further agrees that it shall pay or cause to be paid on or before the time or times prescribed by law (after giving effect to any applicable grace period) any Impositions imposed on James River under the laws of any jurisdiction that, if unpaid, might result in any Lien prohibited herein.

Section 9.2. PacifiCorp's Discharge of Liens. PacifiCorp covenants and agrees that it will keep, or cause to be kept, the Premises, the Easements, the Mill and the Mill Site, title thereto or any interest therein, free and clear of mechanics', laborers' or materialmen's liens and other liens of a similar nature which may arise in connection with work of any character performed with respect to the Facility by or at the direction of PacifiCorp and shall not directly or indirectly create, incur, assume or suffer to exist any such Lien (except for the First Mortgage Indenture) by any Person claiming by, through or under PacifiCorp; provided, however, that

PacifiCorp shall not be responsible or liable for, nor be deemed to have breached its obligations hereunder as a result of, any Liens resulting from acts or omissions of James River. PacifiCorp shall within thirty (30) days of notice of the filing thereof, at its own expense, take such action as may be necessary to discharge or eliminate (or bond in a manner satisfactory to James River) any such Lien (other than the First Mortgage Indenture) if the same shall arise at any time; provided, however, that PacifiCorp shall not be required to discharge any such Lien during any period that PacifiCorp shall in good faith contest the validity or the amount of any such Lien, provided such contest of the validity or application of any such Lien by appropriate proceedings does not involve any imminent danger of the sale, forfeiture or loss of any of James River's rights in the ownership of the Premises, the Easements, the Mill or the Mill Site or any part thereof.

Section 9.3. Discharge by Other Party. Upon either party's discovery of a Lien required to be discharged by it under this Article IX, such party shall promptly give written notice thereof to the other party. If such party shall fail to discharge any such Lien within the period allotted for such discharge hereunder (including such time during which such Lien may be contested in good faith), then, in addition to any other right or remedy of the other party, the other party may, but shall not be obligated to, procure the discharge of the same either by applying the amount claimed to be due by deposit in court or bonding. Any amount paid or deposited by the other party for any of the aforesaid purposes, and all costs and other expenses of the other party, including reasonable counsel fees, in defending any such action or in procuring the discharge of such Lien, with all necessary disbursements in connection therewith, together with interest thereon at the rate described in Section 19.13 from the date of payment or deposit, shall be payable by such party to the other party within fifteen (15) days of demand.

Section 9.4. No Authority to Bind James River. Neither PacifiCorp nor any agent, employee, representative, contractor, subcontractor, supplier, materialman, workman or other Person who shall engage in or participate in any construction of any improvements to the Facility or in any additions, alterations, changes or replacements thereto shall have any power or authority to do any act or thing or to make any contract or agreement (other than the Project Agreements) which will bind James River or which may create or be the foundation for any mechanics' lien or other Lien or claim upon or against James River's interest in the Mill, and James River shall have no responsibility to any such Person who shall engage in or participate in any such construction.

Section 9.5. Notice of Nonresponsibility. PacifiCorp agrees to notify James River at least thirty (30) days prior to the commencement of any building or improvement upon the Premises or any portion of the Mill Site in accordance with the terms of this Lease or the Development Agreement. James River may post and keep posted on the Mill Site and/or the Premises notices of nonresponsibility.

## ARTICLE X

### ALTERATIONS AND MAINTENANCE

Section 10.1. Alterations and Maintenance. Except as set forth in any other Project Agreement, James River shall have no obligation hereunder for the alteration or

maintenance of the Premises or the Facility. PacifiCorp shall make no alterations to the Premises without the prior written consent of James River, which consent shall not be unreasonably be withheld.

Section 10.2. Maintenance. PacifiCorp agrees to maintain the Premises and the Facility in good working condition in accordance with Prudent Mill Practices. So long as James River operates the Facility pursuant to the Development Agreement, PacifiCorp shall be deemed to have satisfied its obligations under this Section 10.2 insofar as such obligations relate to the operating duties for which James River is responsible under the Development Agreement.

Section 10.3. Power Plant Expansion. PacifiCorp acknowledges and agrees that James River shall have the right to enter upon the Premises and modify the Facility in connection with future development, construction and operation of the Gas Turbine Project. In connection therewith, James River, its constructors, employees, agents and invitees, shall be entitled to enter into or upon the Premises without the prior consent of PacifiCorp in order to construct, interconnect and operate the Gas Turbine Project so long as such Persons comply with James River's reasonable rules for safety and security and so long as they shall not take any action which would materially interfere with the operation or utilization of the Facility. James River shall make reasonable efforts to coordinate the exercise of its rights under this Section 10.3 with PacifiCorp so as to minimize inconvenience to PacifiCorp.

## ARTICLE XI

### INDEMNIFICATION AND LIMITATION OF LIABILITY

#### Section 11.1. Indemnity.

(a) Each party agrees to indemnify, defend, and hold harmless the other party, as to the extent provided under, and in accordance with the provisions of, Section 8.2 of the Development Agreement.

(b) The provisions of this Article XI shall survive the expiration of this Lease or any earlier termination thereof.

#### Section 11.2. Toxic Wastes and Hazardous Materials.

(a) James River or PacifiCorp (as the case may be) shall not store, use, release or dispose, or permit or acquiesce in the storage, use, release or disposal on the Premises or the Mill Site of any Hazardous Materials in violation of any Applicable Law or in any manner or amount which would materially impair the value of such property. In the event of any such storage, use, release or disposal, James River or PacifiCorp (as the case may be) shall, at the direction of any Governmental Authority, remove any such Hazardous Materials, or otherwise comply with the regulations or orders of such authority, all at the expense of the party storing, using, releasing or disposing of such Hazardous Materials. If there has been a change in the condition of such property or the laws, rules or regulation pertaining to the health or the environment affecting such property so that the value of such property has been materially impaired, and if the party



obligated hereunder to remove such Hazardous Materials or otherwise comply with the applicable regulations shall fail to proceed with such removal or otherwise comply with such regulations or orders within the cure period permitted under the Applicable Law or if the Applicable Law does not specify a cure period, within such reasonable cure period as requested by the noncomplying party and consented to by the complying party, the complying party may declare the non-complying party to be in default under this Lease or may, but shall not be obligated to, do whatever is reasonably necessary to eliminate such Hazardous Materials from such property or otherwise comply with the applicable regulation or order, and the cost thereof shall become immediately due and payable upon notice and with interest thereon at the Default Rate. Each party shall give to the other and its agents and employees access to its respective property for such purposes and hereby specifically grants to the other party a license effective upon expiration of the applicable cure period to remove the Hazardous Materials or otherwise comply with applicable regulations. Each party shall indemnify the other party and hold the other party harmless from and against all loss, damage and expense (including reasonable attorneys' fees and costs incurred in the investigation, defense and settlement of claims) that the other party may incur as a result of or in connection with the assertion against the other of any claim relating to the use, misuse, release or discharge of any Hazardous Materials or the failure to comply with any federal, state, or local laws, rules, regulations or orders relating thereto. James River shall indemnify PacifiCorp and hold PacifiCorp harmless from and against all loss, damage, expense, liability and response costs (including reasonable attorneys' fees and costs incurred in the investigation, defense and settlement of claims) that PacifiCorp may incur as a result of or in connection with the assertion of any claim relating to the use, misuse, release or discharge of any Hazardous Materials at the Mill or in connection with activities at the Mill, or at the Premises prior to the Effective Date, except to the extent such loss, damage or expense arises out of the negligence or willful misconduct of PacifiCorp.

(b) Each party shall promptly notify the other in writing of any order or pending action by any Governmental Authority, or any claims made by any third party, relating to Hazardous Materials on, or emanations from, its respective property, and shall promptly furnish the other with copies of any correspondence or legal pleadings in connection therewith. Each party shall have the right, but shall not be obligated under this Lease, to notify any Governmental Authority of any state of facts which may come to its attention with respect to Hazardous Materials on or emanating from the other party's respective property; provided, however, that prior to any governmental notification, the notifying party shall inform the other party of the intent to notify the Governmental Authority and shall provide such other party with a reasonable opportunity to cure in accordance with any applicable regulations or orders relating thereto.

(c) PacifiCorp shall promptly remediate any release of Hazardous Materials on the Premises, the Mill Site and the Mill or elsewhere to the extent PacifiCorp is responsible for such emission, as required by Applicable Law, unless such emission was caused by James River. James River shall promptly remediate any release of Hazardous materials on the Premises, Mill Site (to the extent it affects the Premises) or elsewhere to the extent James River is responsible for such emission, as required by Applicable Law, unless such emission was caused by PacifiCorp

(d) The liability of each party to the other under the covenants of this Section 11.2 to indemnify the other party or as to their obligation to clean up Hazardous

Materials is not limited by any exculpatory provision in Section 11.3 and shall survive the termination of this Lease.

Section 11.3. Limitation of Liability. Notwithstanding any other provision of this Lease (except Section 19.9) or any other Project Agreement or the failure of essential purposes of any remedies set forth in this Lease, each party shall only be liable for direct damages as a result of a breach or default hereunder. In no event shall either party or their officers, directors, employees or agents be liable, whether under contract, tort (including negligence), strict liability, or any other cause of or form of action whatsoever, for claims of customers, cost of money, loss of use of capital or revenue or any other incidental, special or consequential loss or damage of any nature arising at any time or from any cause whatsoever, or for exemplary or punitive damages.

## ARTICLE XII

### ASSIGNMENTS, SUBLEASES AND MORTGAGES

Section 12.1. Subletting. PacifiCorp may not assign or sublet or permit the assignment or sublease, or occupancy by any third party of the Facility or the Premises, unless in accordance with Section 14.4 of the Development Agreement.

Section 12.2. Assignment and Mortgaging by James River. James River may not assign, sell or otherwise dispose of its interests in this Lease unless in accordance with Section 14.4 of the Development Agreement.

Section 12.3. Binding Effect; Successors and Assigns. The terms and provisions of this Lease and the respective rights and obligations hereunder of James River and PacifiCorp shall be binding upon, and inure to the benefit of, their respective permitted successors and assigns.

Section 12.4. Limitation of Liability. Notwithstanding anything to the contrary contained herein, the parties agree that (a) James River shall have no liability whatsoever with respect to, and no lien shall be placed on any of James River's assets, in connection with, the obligations of PacifiCorp under any contract between PacifiCorp and any other Person, and (b) PacifiCorp shall have no liability whatsoever with respect to, and no lien shall be placed on any of PacifiCorp's assets in connection with, the obligations of James River under its financing agreements or other contracts between James River and any other Person.

## ARTICLE XIII

### TERMINATION; OPTION TO PURCHASE

Section 13.1. Termination. This Lease shall terminate only (a) upon the expiration hereof, (b) as expressly provided in Articles XIV or XV or (c) by the mutual agreement of James River, and PacifiCorp and shall not terminate, nor shall PacifiCorp's interest be extinguished, lost, conveyed or otherwise impaired, or be merged into or with any other

interest or estate in the Premises or any other property interest, in whole or in part, by any other cause or for any other reason whatsoever, including (i) any damage to or destruction of all or any part of the Facility or the taking of the Facility or any portion thereof by condemnation, requisition, eminent domain or otherwise, (ii) any prohibition, limitation or restriction of any party's use of all or any part of the Premises or the Facility or the interference of such use by any Person or any eviction by paramount title or otherwise, (iii) the coincident ownership by any Person (including James River) of any estate or interest in the Premises or any other rights granted or conveyed pursuant to this Lease with any estate or interest in the Premises or the Facility, (iv) any inadequacy, incorrectness or failure of the description of the Premises or any property or rights intended to be granted or conveyed by this Lease, (v) except as provided in Article XIV, any default in the performance or the observance by any party of any of their respective covenants and agreements to be performed and observed by such party hereunder, or (vi) any other reason whatsoever, whether similar or dissimilar to any of the foregoing.

### Section 13.2. Option to Purchase.

(a) To the extent permitted by Applicable Laws, and subject to PacifiCorp's being able to obtain a release of the Facility from the First Mortgage Indenture (which release PacifiCorp will use its best efforts to obtain), following the expiration of the Term or, if applicable, the Extended Term, if James River and PacifiCorp are unable to successfully reach a new agreement as contemplated by Section 3.1, James River shall have the option, upon or within six (6) months after the expiration or earlier termination of this Lease, to purchase all right, title and interest of PacifiCorp, its successors or assigns, in and to the Facility at its then fair market value to a third party, taking into consideration the fact that this Lease has expired and such third party does not have a right to maintain the Facility on the Premises and deducting any dismantling, removal and reinstallation costs which such third party would incur. If James River chooses to exercise this option, it shall do so by giving written notice of exercise to PacifiCorp (or its successors or assigns) on or before the termination of the option, and James River and PacifiCorp shall close the purchase within one hundred twenty (120) days after delivery of the exercise notice. To the extent reasonably deemed necessary by either party, some or all of the purchase shall be accomplished through an escrow with a title insurance company or other escrow holder mutually acceptable to the parties.

(b) If James River exercises the foregoing option, PacifiCorp (or its successors or assigns) shall convey good, marketable and insurable title to the Facility to James River by statutory bargain and sale deed, bill of sale and other appropriate conveyances, each in form and substance reasonably satisfactory to James River, subject only to Permitted Encumbrances. James River shall have the right to obtain, at its own expense, a preliminary report of title or a policy of title insurance in such form and amount as James River may consider necessary or appropriate to ensure that title to the Facility is or will be so vested in James River. If the purchase and sale is completed through an escrow, each party hereto shall deposit into escrow such escrow instructions consistent with the terms and provisions hereof, as well as such other necessary sums and documents, as may be necessary to (i) convey good, marketable and insurable title to the Facility to James River, (ii) pay the purchase price for all of its right, title and interest in and to the Facility to PacifiCorp (or its successors or assigns), and (iii) to charge or credit the expenses of the escrow and prorated items to James River and PacifiCorp as hereinafter provided. All income, rents, charges for water and other utilities, other expenses of the Facility and current real

property taxes and assessments shall be prorated as of the closing date using the latest statement or bill or similar information. James River and PacifiCorp shall each pay one-half (1/2) of all documentary and other transfer taxes.

(c) If the foregoing option is exercised, James River and PacifiCorp shall attempt to agree on the fair market value of all right, title and interest of PacifiCorp (or its successors and assigns) in and to the Facility on the date the exercise notice is delivered. If they are unable to do so within thirty (30) days after delivery of the exercise notice, each of them shall, within ten (10) days thereafter, appoint a qualified, independent appraiser with not less than ten (10) years of experience in appraising facilities and equipment similar to the Facility in the pulp and paper industry in Oregon and Washington. The two appraisers so appointed shall meet and attempt to agree on the fair market value of the Facility. If they are able to agree, the amount on which they agree shall be considered the fair market value of the Facility. If they are not able to agree, each appraiser shall state in writing (to be sent to both parties) his determination of the fair market value of the Facility. If the lower of the fair market values of the Facility as determined by the two appraisers is greater than or equal to ninety percent (90%), of the higher of such values, the fair market value shall be the average of the two appraisals. If the two appraisers are unable to agree within twenty (20) days after the date on which the later of the them was appointed and the lower of the fair market values as determined by them is less than ninety percent (90%) of the higher of such values, they shall, within ten (10) days thereafter, jointly select a third independent, similarly qualified appraiser. Within thirty (30) days after the appointment of the third appraiser, the three appraisers shall each independently appraise the then fair market value of all right, title and interest of PacifiCorp (or its successors and assigns) in and to the Facility, and shall deliver copies of their appraisals to James River and PacifiCorp. The fair market value of all right, title and interest of PacifiCorp (or its successors and assigns) in and to the Facility shall be deemed to be the average of the appraisals, without considering, however, any appraisal which is more than twenty percent (20%) higher or lower than the median appraisal. James River shall have the right to review the fair market value of all right, title and interest of PacifiCorp (or its successors and assigns) in and to the Facility as determined by the appraisers (whether determined by agreement of the appraisers or otherwise) and to rescind the exercise notice within fifteen (15) days after such fair market value has been determined and it has been notified thereof. Each party shall pay the fees and costs of the appraiser appointed by such party, and both parties shall share the fees and costs of the third appraiser equally.

(d) The purchase price shall be payable by James River to PacifiCorp in cash upon closing of the purchase.

## ARTICLE XIV

### DEFAULT

Section 14.1. Dispute Resolution Requirement. Following the occurrence or claimed occurrence of an Event of Default or other dispute hereunder, the parties shall confer and attempt to resolve or cure such Event of Default, claimed Event of Default or dispute pursuant to Section 14.2 of the Development Agreement. In the event the parties are unable to resolve or settle such Event of Default, claimed Event of Default or dispute by such procedure,

either party may proceed to exercise such rights and remedies to which it may be entitled in law or at equity. Pending the outcome of the dispute resolution procedures described above, the parties shall continue to perform all of their obligations under this Lease.

Section 14.2. Bankruptcy. In addition to any other rights or remedies it may have, either party shall have the right to terminate this Lease, effective immediately, if, at any time, a Bankruptcy Event shall occur with respect to the other party.

Section 14.3. Remedies. Subject to the terms of Section 11.3, upon the occurrence and during the continuation of any Event of Default, the nondefaulting party may, at its option, and in addition to and cumulatively of any other rights the nondefaulting party may have at law or in equity, terminate this Lease and the other Project Agreements by notice to the other party and in conformity with procedures required hereby, or enforce, by all proper and legal suits and other means, its rights hereunder, without reentering or resuming possession of the Premises or the Facility, and without terminating this Lease. Should the nondefaulting party determine that it is necessary to take any legal action in connection with such enforcement, the defaulting party shall pay such nondefaulting party all reasonable attorneys' fees so incurred, all without prejudice to any remedies that might otherwise be used by either party for recovery or arrearages of sums due hereunder, damages as herein provided, or breach of covenant. Without prejudice to any other remedy for default, the nondefaulting party may perform any obligation or make any payment reasonably required to cure a default by the other party under this Lease after at least ten days notice to the defaulting party of the nondefaulting party's intent to pursue this remedy if the default is not cured within such time period; provided, however, that 10 days notice will not be required in cases of emergency where action is required to protect lives or property located at the Mill or Facility and the defaulting party is not proceeding to take appropriate remedial action (but the nondefaulting party in any event will attempt to notify the defaulting party, by telephone or in writing, as to the emergency and what actions the nondefaulting party is taking or proposes to take). The reasonable costs of performance, including reasonable attorneys' fees and all reasonable disbursements, shall immediately be repaid by the defaulting party upon demand, together with interest from the date of expenditure until fully paid at the default rate.

## ARTICLE XV

### CONDEMNATION; DAMAGE

Section 15.1. Condemnation of the Facility or Premises. If during the term of this Lease, all or a substantial part of the Facility or the Premises is condemned or transferred in lieu of condemnation, this Lease shall terminate at the time title vests in the condemning authority. For purposes of this Section 15.1, "a substantial part of the Facility or the Premises" shall be deemed to have been so condemned or transferred if the parties reasonably determine that the untaken portion cannot be practically and economically used or converted for use for the purposes for which the Facility or Premises has being used immediately prior to such condemnation or transfer. The net proceeds of the condemnation, which shall mean the total condemnation proceeds less the costs and expenses incurred in connection with the condemnation (including legal fees), shall be divided between PacifiCorp and James River in proportion to their respective interests in the property condemned. If any insubstantial portion of the Premises is condemned at any time, the term of this Lease shall not terminate and, subject to requirements, it

any, under the First Mortgage Indenture that the net proceeds thereof (together with any additional funds that may be provided by PacifiCorp hereunder) are sufficient to perform such restoration, the net proceeds of the condemnation shall be used to restore the Facility and the Premises.

Section 15.2. Damage to the Facility. If the Facility or any substantial part thereof is damaged or destroyed by any Casualty, PacifiCorp shall repair and restore it as nearly as possible to its value, condition and character immediately prior to such damage or destruction, subject to (1) the prior approval and consent of any indenture trustee, if such consent or approval is required, and (2) such changes or alterations as may be made at James River's election and cost provided, however, that such changes or alterations do not diminish the benefits accruing to PacifiCorp hereunder and the other Project Agreements. Such restoration shall be commenced and prosecuted with due diligence and in good faith in accordance with Prudent Mill Practices. Subject to requirements, if any, under the First Mortgage Indenture that the insurance proceeds (together with any additional funds that may be provided by PacifiCorp hereunder) are sufficient to perform such repair and restoration, all proceeds from insurance insuring interests of each party in the Facility with respect to a Casualty occurring on or after the date of this Lease shall be applied to effect such repairs and restorations, but if proceeds (plus the amount of any deductible) after the exercise of best efforts by PacifiCorp to maximize recovery are not sufficient to pay the entire costs of repair and restoration, PacifiCorp shall, at James River's direction, within a reasonable time after the Casualty proceed to repair and restore the Facility and shall pay the amount of all repairs and restoration costs in excess of such insurance proceeds, and the steam royalty under the Development Agreement shall be equitably adjusted to account for such excess costs.

Section 15.3. Advice of Casualty or Condemnation. PacifiCorp shall promptly advise James River of any significant Casualty to the Facility or any notice or communication received with respect to any proposed or pending condemnation or transfer in lieu of condemnation of any of the Facility or the Premises. James River shall promptly advise PacifiCorp of any significant Casualty to the Mill or any notice or communication received with respect to any proposed or pending condemnation or transfer in lieu of condemnation of any of the Mill, the Premises or the Mill Site.

## ARTICLE XVI

### POSSESSION, AND OWNERSHIP AND REMOVAL OF THE FACILITY, UPON TERMINATION

Section 16.1. Surrender of Possession. Upon termination of this Lease, and subject to Section 16.2, PacifiCorp shall peaceably and quietly yield up and surrender possession of the Premises to James River without representation or warranty except that at the time thereof there shall be no Liens on the Premises in any way created by PacifiCorp, its agents, contractors, employees, sublessees, successors and assigns.

Section 16.2. Removal. PacifiCorp may, at its option and at its sole cost and expense, remove the entire Facility, including all structural improvements and concrete, after the

expiration or termination of this Lease, provided, however, that James River shall permit PacifiCorp to leave such portions of the Facility intact as do not materially interfere with James River's operation of the Mill or materially diminish the value of the Mill Site, and further provided that PacifiCorp shall promptly take reasonable steps to vest title to such remaining portions of the Facility in James River, free of any liens or encumbrances. PacifiCorp must make its election to remove the Facility, if at all, within thirty (30) days after the expiration or termination of the Lease. In the event PacifiCorp elects to remove the Facility or a portion thereof pursuant to this Section 16.2, the term of this Lease shall be automatically extended for six (6) months or such lesser time as is necessary for PacifiCorp to remove the Facility.

## ARTICLE XVII

### INSURANCE

Section 17.1. Insurance. James River and PacifiCorp shall procure and maintain in full force and effect the insurance required to be maintained by James River and PacifiCorp (respectively) pursuant to Article 10 of the Development Agreement, and will comply with the requirements of the Development Agreement with respect to evidence of coverage, notices, waivers of subrogations, and the other matters described in such Article 10.

## ARTICLE XVIII

### FORCE MAJEURE

Section 18.1. Force Majeure. As further provided in Article 9 of the Development Agreement, neither James River nor PacifiCorp shall be liable in damages or otherwise to the other for any Force Majeure Event.

## ARTICLE XIX

### MISCELLANEOUS

Section 19.1. Entire Agreement. This Lease and the other Project Agreements shall contain the entire and sole understanding of the parties hereto with respect to the matters covered hereby or any transactions contemplated herein, and supersede and cancel any and all oral or written prior agreements, understandings, statements and representations between the parties with respect to the management and conduct of the Facility.

Section 19.2. Severability. Any material provision of this Lease that shall be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof (unless the unenforceability of such provision(s) prevents the primary intent of the parties hereunder from being carried out), and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In the event any such provision of this Lease is so held invalid, the parties shall promptly renegotiate in good faith new provisions to restore this Lease as near as possible to its original intent and effect. To

the extent permitted by Applicable Law, the parties hereto hereby waive any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

Section 19.3. Amendments. Neither this Lease nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification shall be sought.

Section 19.4. Headings. The Table of Contents and headings of the various Articles and Sections of this Lease are for convenience or reference only and shall not modify, define or limit any of the terms or provisions thereof.

Section 19.5. Sale of Premises. In the event that James River sells or transfers fee title to the Premises to any Person or entity other than PacifiCorp during the term of this Lease, this Lease shall remain in full force and effect and PacifiCorp shall attorn to the purchaser or transferee and shall recognize the same as the lessor for all purposes under this Lease.

Section 19.6. Disclaimer of Partnership, etc. James River does not in any way or for any purpose become a partner or agent of PacifiCorp in the conduct of its business or otherwise or a joint venturer, co-employer or member of a joint enterprise with PacifiCorp. As tenant under this Lease, PacifiCorp does not in any way or for any purpose become a partner or agent for James River in the conduct of its business or otherwise or a joint venturer, co-employer or member of a joint enterprise with James River. It is understood and agreed that no provision of this Lease shall be deemed to create any relationship between James River and PacifiCorp other than a relationship of landlord and tenant.

Section 19.7. Governing Law. This Lease has been delivered in, and shall in all respects be governed by and construed in accordance with, the laws of the State of Washington applicable to agreements made and to be performed entirely within such State, including all matters of construction, validity and performance.

Section 19.8. Recordation. The parties hereto have not recorded this Lease and PacifiCorp will not record this Lease without the consent of James River. PacifiCorp will record in the official records of Clark County, Washington a memorandum of this Lease in a form mutually acceptable to the parties hereto prior to commencement of any construction.

Section 19.9. Attorneys' Fees. If either party hereto commences litigation or arbitration for the judicial or other interpretation, enforcement, termination, cancellation or rescission hereof, or for damages for the breach hereof, the prevailing party in any such action, trial, arbitration, petition for review or appeal thereon shall be entitled to its reasonable attorneys' fees and court, arbitration and other costs incurred, to be paid by the losing party as fixed by the court or arbitrator in the same or a separate suit, and whether or not such action is pursued to decision or judgment.

Section 19.10. Notices. All notices, requests and communications required or permitted hereunder shall be delivered and shall be effective in accordance with Section 14.6 of the Development Agreement.



Section 19.11. Premises Regulations. All pertinent regulations and rules which may be in effect at the Premises and the Mill regarding employment, passes, badges, and proper conduct on the property shall be observed by PacifiCorp and PacifiCorp's employees, agents and representatives, and James River and James River's employees, agents and representatives.

Section 19.12. Third-Party Beneficiaries. This Lease is intended to be solely for the benefit of PacifiCorp and James River and their successors and permitted assigns and is not intended to and shall not confer any rights or benefits on any third party not a signatory hereto.

Section 19.13. Past Due Amounts. Any amounts due hereunder, if not timely paid by the party from whom they are due, shall bear interest at the Default Rate (subject to and limited by applicable usury laws) from the date that such amount was due without regard to any grace period herein provided until the time that such amount is paid.

Section 19.14. Compliance With Law. Except as herein otherwise specifically provided, each party shall, at its own cost and expense, obey and comply with all Applicable Laws, as they may pertain to the Premises or the Facility, to the protection and maintenance therefor, or otherwise to the performance of either party under this Lease.

Section 19.15. Counterparts. This Lease may be signed in multiple originals and/or using counterpart signature pages. All such multiple originals shall constitute but one and the same document.

Section 19.16. WAIVER OF JURY TRIAL. THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON OR ARISING OUT OF, UNDER OR IN CONNECTION WITH, THIS LEASE OR ANY OTHER PROJECT AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF THE PARTIES HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR EACH OF THE PARTIES TO ENTER INTO THIS LEASE.

Section 19.17. Estoppel Certificates. Within 10 days after receipt of a written request, either party shall deliver a written statement to the other stating whether this Lease is unmodified and in full force and effect, whether the other party is in compliance with this Lease and any other matters that may reasonably be requested.

Section 19.18. Decision-Making by Parties. Whenever this Lease provides for a determination, decision, permission, consent or approval of a party, the party will promptly make such determination, decision, grant or withholding of permission, consent or approval in a commercially reasonable manner. No change in rent, the rights of the parties or the economic terms of this Lease shall be required as a condition to granting of consent. Any denial of consent will include in reasonable detail the reason for denial or aspect of the request that was not acceptable.

IN WITNESS WHEREOF, James River and PacifiCorp have caused this Lease to be executed as of the day and year first above written.

JAMES RIVER PAPER COMPANY, INC.,  
a Virginia corporation, James River

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

PACIFICORP,  
an Oregon corporation, PacifiCorp

By: \_\_\_\_\_  
Name: Dennis P. Steinberg  
Title: Vice President

Exhibit J to  
Development Agmt.

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TRANSMISSION FACILITIES PURCHASE, EASEMENT  
AND LICENSE AGREEMENT

Between

PACIFICORP,  
an Oregon corporation,

and

JAMES RIVER PAPER COMPANY, INC.,  
a Virginia corporation

Dated as of January 13, 1993

Cogeneration Facility  
Camas, Washington

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This TRANSMISSION FACILITIES PURCHASE, EASEMENT AND LICENSE AGREEMENT (this "Agreement") dated January 13, 1993 (the "Closing Date") is between PACIFICORP, an Oregon corporation ("PacifiCorp"), and JAMES RIVER PAPER COMPANY, INC., a Virginia Corporation ("James River").

#### RECITALS

A. James River owns a certain electrical power transmission line as more particularly described in Exhibit A hereto (the "Transmission Line") and certain Transmission Line Towers described in Exhibit B hereto (the "Transmission Line Towers"), located on the Easement Property, as defined below (the Transmission Line and the Transmission Line Towers being collectively referred to herein as the "Transmission Facilities").

B. James River and PacifiCorp (the "Parties") are entering into a certain Development, Construction, Operation, and Steam Supply Agreement ("Development Agreement") and certain associated agreements relating thereto (collectively, the "Project Agreements"), which contemplate the development, construction and operation of an electrical cogeneration facility ("Facility") at James River's Camas Mill. The responsibilities of the parties for the design, construction, financing, operation, fuel supply, and other developmental aspects of the Facility are specified in the Project Agreements.

C. Pursuant to the Project Agreements, PacifiCorp will own the Facility and the electricity produced by the Facility, subject to James River's rights under the Project Agreements, and James River will be paid a royalty based upon the amount of electricity produced by the Facility.

D. In order to provide PacifiCorp with an adequate electricity transmission path from the Facility to PacifiCorp's electrical system, James River wishes to (i) transfer to PacifiCorp all of James River's title and interest in and to the Transmission Facilities, and (ii) grant to PacifiCorp the non-exclusive easement described in Article 3 according to the terms of this Agreement. In order to induce James River to undertake such transfer and to grant such easement, PacifiCorp wishes to grant to James River the non-exclusive license to use the Transmission Line Towers described in Article 4.

#### AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, PacifiCorp and James River agree as follows:

## ARTICLE 1 - DEFINITIONS

1.1 Definitions; Interpretation. Capitalized terms used in this Agreement without other definition shall have the meanings specified in Exhibit A to the Development Agreement. The Rules of Interpretation attached to such Exhibit A shall be applicable to this Agreement and its exhibits.

## ARTICLE 2 - SALE OF TRANSMISSION FACILITIES

2.1 Transfer of Assets. James River hereby agrees to sell, convey, transfer, assign and deliver to PacifiCorp and PacifiCorp hereby agrees to acquire from James River the Transmission Facilities 30 days prior to the date designated on the Project Schedule as the date when steam will first be run through the turbine to be located at the Facility.

2.2 Purchase Price. PacifiCorp shall pay to James River by wire transfer the sum of James River's net book cost of the Transmission Facilities as full consideration for the sale, transfer, assignment, conveyance and delivery of the Transmission Facilities, and the granting and conveyance of the Easement, contemporaneously with such sale and conveyance.

2.3 Conveyance of Bill of Sale by James River. James River shall deliver to PacifiCorp an executed bill of sale, attached in the form of Exhibit C, conveying in the aggregate all of James River's interest in the Transmission Facilities on the date of such sale and conveyance. In addition, James River shall deliver to PacifiCorp such other instruments as may be reasonably requested by PacifiCorp to vest in PacifiCorp title in and to the Transmission Facilities in accordance with the provisions hereof.

## ARTICLE 3 - GRANT OF EASEMENT

3.1 Grant of Easement. James River hereby grants and conveys to PacifiCorp, its successors, and assigns, for a term of years described herein, a non-exclusive easement (the "Easement") over and across the real property described in Exhibit D hereto (the "Easement Property") solely for the purposes of maintaining, repairing and replacing the Transmission Facilities, pursuant to the conditions described herein; RESERVING, HOWEVER, to James River, its successors, and assigns, the right to place, construct, reconstruct, maintain, repair, and relocate towers, poles, wires, structures and other facilities necessary for the transmission and distribution of electricity and communication signals, together with the necessary appurtenances on, over, under, and across the Easement Property. The Easement is granted subject to the following terms and conditions:

3.1.1 PacifiCorp shall not construct any improvements on the Easement Property, provided, however, that nothing in this Section 3.1.1 shall prevent PacifiCorp from maintaining, repairing, or reconstructing the Transmission Facilities.

3.1.2 PacifiCorp shall not modify or alter any of the improvements now on the Easement Property other than the Transmission Facilities without James River's prior written

consent, which will not be unreasonably withheld. In the event of such modification or alteration, PacifiCorp shall indemnify, reimburse and hold harmless James River for (i) the cost of any such modification or alteration of improvements, (ii) any diminution in value of such improvements as a result thereof, and (iii) all other damages suffered by, or harm caused to, James River arising out of the modification or alterations of any improvements.

3.1.3 The term of the Easement shall commence on the date first written above, and terminate on the date which is six (6) months after the date of expiration of the Term of the Development Agreement, as defined in Section 3.1 thereof, including the Extended Term, if applicable. The term shall include the term of the Mill Closure Easement defined in Section 3.2 of the Lease, if applicable.

3.1.4 If relocation of the Transmission Towers or a portion thereof is necessary solely to accommodate the needs or desires of James River with respect to James River's use of the Easement Property or the Mill Site, then James River shall bear the cost of such relocation.

3.2 Quiet Enjoyment. James River warrants that it owns the Easement Property and the Transmission Line Towers subject to no liens, encumbrances, restrictions or charges other than Permitted Liens, with full right, title and authority to grant the Easement and to convey the Transmission Line Towers pursuant to the terms of this Agreement. James River expressly disclaims all further warranties with respect to the Transmission Line Towers, as further set forth in Section 5.4, below. James River warrants that it will defend and hold harmless PacifiCorp and its permitted successors and assigns in their peaceable, quiet and undisputed enjoyment of the Easement subject to the terms and reservations contained in this Agreement against and any and all claims of all Persons claiming by, through or under James River.

#### ARTICLE 4 - GRANT OF LICENSE

4.1 Grant of License. PacifiCorp hereby grants to James River, its successors, and assigns, for the term described herein, a non-exclusive license ("License") to use the Transmission Line Towers. The scope of such License shall be limited as follows:

4.1.1 James River shall be permitted to use the Transmission Line Towers solely for the purpose of supporting, repairing, replacing, and maintaining, the electricity and communications transmission lines owned by James River and attached to the Transmission Line Towers, as more particularly described on Exhibit E hereto.

4.1.2 James River shall not modify or alter the Transmission Line Towers without PacifiCorp's prior written permission.

4.1.3 James River shall not prohibit or interfere with PacifiCorp's continued access to, use and enjoyment of the Transmission Line Towers, including the use of the Transmission Line Towers to support PacifiCorp's electricity and communications transmission lines, and PacifiCorp's ability to install, repair, maintain, and replace transmission lines over and across the Easement Property.

4.1.4 The term of the License shall commence on the date first written above, and terminate on the Option Expiration Date (as defined below).

## ARTICLE 5 - INDEMNITIES

5.1 Indemnity by James River. James River hereby agrees to indemnify, defend and hold harmless PacifiCorp, its officers, directors, and employees (PacifiCorp's "Indemnified Persons"), from and against any and all claims, demands, losses, liabilities, actions, lawsuits and other proceedings, judgments and awards, and costs and expenses (including reasonable attorneys' fees) arising directly or indirectly, in whole or in part, out of the negligence of James River, or any of its officers, directors, agents or employees, in connection with this Agreement or James River's services or work hereunder, whether within or beyond the scope of its duties or authority hereunder.

5.2 Indemnity by PacifiCorp. PacifiCorp hereby agrees to indemnify, defend and hold harmless James River, its officers, directors and employees (James River's "Indemnified Persons"), from and against any and all claims, demands, losses, liabilities, actions, lawsuits and other proceedings, judgments and awards, and costs and expenses (including reasonable attorneys' fees) arising directly or indirectly, in whole or in part, out of the negligence of PacifiCorp, or any of its officers, directors, agents or employees, in connection with this Agreement or PacifiCorp's actions hereunder, whether within or beyond the scope of its duties or authority hereunder.

5.3 Joint Liability. In the event that any claims, demands, losses, liabilities, actions, lawsuits and other proceedings, judgment and awards, and costs and expenses (including reasonable attorneys' fees) arise, directly or indirectly, in whole or in part, out of the joint or concurrent negligence of PacifiCorp and James River, or their respective officers, directors, agents or employees, each party's liability therefor shall be limited to such party's proportionate degree of fault.

5.4 Disclaimer of Warranties. EXCEPT AS SPECIFICALLY PROVIDED IN THIS AGREEMENT, JAMES RIVER MAKES NO WARRANTIES WITH RESPECT TO THE GOODS, MATERIALS OR OTHER ITEMS PROVIDED HEREUNDER, INCLUDING THE TRANSMISSION LINE TOWERS AND ANY GOODS OR MATERIALS ASSOCIATED THEREWITH. EXPRESS OR IMPLIED, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PURPOSE. PACIFICORP AGREES TO ACCEPT THE TRANSMISSION FACILITIES IN "AS IS" CONDITION.

5.5 Survival of Indemnities. The provisions of this Article 5 shall survive the expiration of this Agreement or any earlier termination thereof.

## ARTICLE 6 - OPTION TO PURCHASE

6.1 Grant of Option. PacifiCorp hereby grants to James River the exclusive right and option ("Option") to purchase and acquire from PacifiCorp all of PacifiCorp's right, title and interest in and to the Transmission Facilities, on and subject to the terms and conditions hereinafter set forth:

6.1.1 The Option shall commence on the earlier to occur of (i) the date that PacifiCorp permanently ceases to produce electricity at the Facility, or (ii) the date of expiration of the Term of the Development Agreement, as defined in Section 3.1 thereof, including the Extended Term, if applicable ( the "Option Commencement Date"), and shall terminate on the date which is six months after the Option Commencement Date (the "Option Expiration Date").

6.1.2 PacifiCorp shall provide James River with a reasonable opportunity for inspection of the Transmission Facilities, and shall provide to James River all documents, contracts, agreements, plans, reports, records and other written information of any kind in the possession or under the control of PacifiCorp relating to the Transmission Facilities, and disclose to James River all material facts known to PacifiCorp relating to the Transmission Facilities.

6.1.3 If James River elects to exercise the Option, it shall do so by giving written notice of exercise ("Exercise Notice") to PacifiCorp on or before the termination of the Option. PacifiCorp and James River shall close the purchase of the Transmission Facilities within fourteen (14) days thereafter.

6.1.4 If James River exercises the Option, PacifiCorp shall, to the extent permitted under Applicable Laws and subject to PacifiCorp's being able to obtain a release of the Transmission Facilities from the First Mortgage Indenture (which release PacifiCorp will use its best efforts to obtain), convey all of PacifiCorp's right, title and interest in and to the Transmission Facilities to James River by bill of sale and any other appropriate conveyances in form and substance reasonably satisfactory to James River. PacifiCorp shall use its best efforts to transfer to James River any and all permits and other approvals from Governmental Authorities necessary to operate the Transmission Facilities that are in PacifiCorp's possession or control.

6.1.5 The purchase price for the Transmission Facilities pursuant to the Option shall be PacifiCorp's net book cost of the Transmission Facilities at the time of exercise of the Option, including any sales or other tax obligations arising directly out of such sale.

6.1.6 The Option shall survive the sale or transfer of the Transmission Facilities, or any part thereof or interest therein, by PacifiCorp or its successors or assigns and shall continue to apply to the Transmission Facilities after any such sale or transfer.

6.1.7 Within seven (7) days from the date of execution of this Agreement James River shall pay One Hundred Dollars (\$100) to PacifiCorp in consideration of the Option.

6.1.8 Should James River elect not to exercise the Option, PacifiCorp shall arrange for removal of the Transmission Facilities from the Easement Property within thirty (30) days following the Option Expiration Date. The reasonable costs of such removal shall be shared equally by James River and PacifiCorp. James River and PacifiCorp shall, if necessary, extend the term of the Easement and License, subject to all of the terms of this Agreement, for such time as is reasonably necessary to provide PacifiCorp with the opportunity to have the Transmission Facilities removed in accordance with this Paragraph 6.1.8.





7.1.3 PacifiCorp shall return the Easement Property to James River at the expiration of the term of the Easement free from all environmental impairments caused by PacifiCorp, its personal property, fixtures or improvements, or its agents or any other Persons acting through or on behalf of PacifiCorp that could give rise to any claims against James River by any Governmental Authority.

7.1.4 James River shall promptly remediate any release of Hazardous Materials on the Easement Property to the extent James River is responsible for such emission, as required by Applicable Law, unless such emission was caused by PacifiCorp, in which event PacifiCorp shall remediate such release in accordance with Applicable Law.

7.1.5 The liability of each party to the other under the covenants of this Section to indemnify the other party or as to their obligation to clean up Hazardous Materials is not limited by any exculpatory provision in Section 7.2 and shall survive the termination of this Agreement.

7.2 Limitation of Liability. Notwithstanding any other provision of this Agreement (except Section 7.16) or any other Project Agreement or the failure of essential purposes of any remedies set forth in this Lease, each party shall only be liable for direct damages as a result of a breach or default hereunder. In no event shall either party or their officers, directors, employees or agents be liable, whether under contract, tort (including negligence), strict liability, or any other cause of or form of action whatsoever, for claims of customers, cost of money, loss of use of capital or revenue or any other incidental, special or consequential loss or damage of any nature arising at any time or from any cause whatsoever, or for exemplary or punitive damages.

7.3 Compliance With Applicable Laws. PacifiCorp shall, at its sole cost and expense, comply with all applicable statutes, laws, ordinances, rules, regulations, orders, covenants, conditions and restrictions of record, and conditional use or other permits now in force or which may hereafter be in force pertaining to its use of the Easement Property and the Transmission Facilities.

7.4 Maintenance. James River shall at all times operate and maintain the Transmission Facilities and shall complete any modifications or repairs thereto, in such a manner that PacifiCorp's activities on or about the Transmission Facilities and the Easement Property will not be adversely affected.

7.5 Insurance. James River shall be named as an additional insured on PacifiCorp's Comprehensive General Liability insurance policies, and shall be entitled to coverage thereunder for any casualties or occurrences associated with the Transmission Facilities and/or the Easement, and PacifiCorp's activities in connection therewith.

7.6 Reserved.

7.7 Taxes. Any sales, use or transfer taxes applicable to the sale to PacifiCorp of the Transmission Facilities, the conveyance to PacifiCorp of the Easement, and the conveyance to James River of the License (and any deficiency, interest or penalty asserted with respect thereto) shall be paid by PacifiCorp.

7.8 No Obligations Assumed. Except as provided in Section 7.6, PacifiCorp shall not assume liability for (x) any tax payable with respect to the transfer of the Transmission Facilities, Easement and License; or (y) any income tax or capital gains tax payable by James River or any penalties or interest with respect to such taxes.

7.9 Notices. All notices, requests and communications required or permitted hereunder shall be delivered and shall be effective in accordance with Section 14.6 of the Development Agreement.

7.10 Exhibits. The Exhibits referenced herein and attached hereto are hereby incorporated by reference.

7.11 Headings. The headings of the various Articles and Sections of this Agreement are for convenience or reference only and shall not modify, define or limit any of the terms or provisions thereof.

7.12 Severability. Any provision of this Agreement that shall be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof (unless the unenforceability of such provision(s) prevents the primary intent of the parties hereunder from being carried out), and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In the event any such provision of this Agreement is so held invalid, the parties shall promptly renegotiate in good faith new provisions to restore this Agreement as near as possible to its original intent and effect. To the extent permitted by Applicable Law, the parties hereto hereby waive any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

7.13 Further Assurances. Each Party agrees to execute and deliver all further instruments and documents, and take all further action that may be reasonably necessary to effectuate the purposes and intent of this Agreement.

7.14 Governing Law. This Agreement has been delivered in, and shall in all respects be governed by and construed in accordance with, the laws of the State of Washington applicable to agreements made and to be performed entirely within such State, including all matters of construction, validity and performance.

7.15 Recordation. The parties hereto have not recorded this Agreement and PacifiCorp will not record this Agreement without the prior written consent of James River. PacifiCorp will record in the official records of Clark County, Washington a memorandum of this Agreement in a form mutually acceptable to the parties hereto.

7.16 Attorneys' Fees. If either party hereto commences litigation or arbitration for the judicial or other interpretation, enforcement, termination, cancellation or rescission hereof, or for damages for the breach hereof, the prevailing party in any such action, trial, arbitration, petition for review or appeal thereon shall be entitled to its reasonable attorneys' fees and court, arbitration and other costs incurred, to be paid by the losing party as fixed by the court or

arbitrator in the same or a separate suit, and whether or not such action is pursued to decision or judgment.

7.17 Counterparts. This Agreement may be signed in any number of counterparts and each counterpart shall represent a fully executed original as if signed by both Parties.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have caused this Transmission Facilities Purchase, Easement and License Agreement to be executed by their duly authorized representatives as of the date first above written.

JAMES RIVER PAPER COMPANY, INC., a Virginia corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

PACIFICORP, an Oregon corporation

By: \_\_\_\_\_  
Name: Dennis P. Steinberg  
Title: Vice President

Schedule A to  
Development Agreement

Permits For Which PacifiCorp is Responsible

1. Prudency review by the public utilities commissions of all applicable states.

**ATTACHMENT B**

**Agreement of Purchase and Sale for Co-Generation Unit**

AGREEMENT OF PURCHASE AND SALE

by and between

GEORGIA-PACIFIC CONSUMER PRODUCTS (CAMAS) LLC as "Buyer"

and

PACIFICORP, as "Seller"

Georgia-Pacific Camas Generating Plant

Dated as of 10 MARCH, 2015



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**CAMAS COGENERATION PLANT**  
**AGREEMENT OF PURCHASE AND SALE**

**THIS AGREEMENT OF PURCHASE AND SALE (“Agreement”)**, effective as of the last date executed by either of the Parties (**“Effective Date”**), is by and between Georgia-Pacific Consumer Products (Camas) LLC, organized and existing under the laws of the State of Washington (**“Buyer”**), and PacifiCorp, a corporation organized and existing under the laws of Oregon (**“Seller”**). Buyer and Seller are sometimes referred to herein together as **“Parties”** and each individually as a **“Party.”**

**RECITALS**

WHEREAS Seller and Buyer are parties to certain agreements dated January 13, 1993, including the Camas Development, Construction, Operation and Steam Supply Agreement (the **“Supply Agreement”**) and the Lease (the **“Lease Agreement”**) (collectively the **“Camas Agreements”**). The Camas Agreements are scheduled to expire December 31, 2015.

WHEREAS Seller is the owner of the Cogen Assets (defined below).

WHEREAS Buyer operates the Cogen Assets under the terms of the Camas Agreements.

WHEREAS Seller desires to sell the Cogen Assets, and Buyer desires to purchase the Cogen Assets from or controlled by Seller, and acquire full rights to conduct business activities with the Cogen Assets.

WHEREAS the Parties have entered into that certain Transmission Facilities, Purchase, Easement, and License Agreement dated the date January 13, 1993 (the **“Transmission Agreement”**). The Transmission Agreement is scheduled to expire December 31, 2015.

WHEREAS the Buyer and an affiliate of Seller are expected to enter into that certain Bill of Sale Agreement on the date hereof (the **“Transmission Assets Bill of Sale”**) related to the assets subject to the Transmission Agreement.

WHEREAS Seller and Buyer agree that assets related to the Transmission Agreement and Transmission Assets Bill of Sale are not addressed by this Agreement.

NOW THEREFORE, both Parties hereby agree as follows.

**ARTICLE 1.**  
**DEFINITIONS**

The following terms shall have the respective meanings set forth below, whether used in singular or plural:

1.1 **“Assumed Liabilities”** means all liabilities listed on Exhibit A which arise after the Closing Date, but not including any Excluded Liabilities.

1.2 **“Closing”** means the completion of the transfer of Cogen Asset ownership contemplated in this Agreement.

- 1.3 “**Closing Date**” means the date when Closing occurs.
- 1.4 “**Cogen Assets**” is defined in Section 2.1.
- 1.5 “**Contractual Obligations**” means the obligations to be assumed by Buyer set forth in **Exhibit E**.
- 1.6 “**Effective Date**” is defined in the preamble.
- 1.7 “**Excluded Liabilities**” means the liabilities set forth in **Exhibit D**.
- 1.8 “**Excluded Property**” means property set forth on **Exhibit C**, plus any other Seller property not set forth in **Exhibit A**.
- 1.9 “**Necessary Regulatory Approvals**” means (i) any legally required or prudent approval by, exemption from or notice to, the public utility or service commissions, or state legislatures, of the states of Oregon and Wyoming, of the transactions contemplated by this Agreement; and (ii) any other approval from any governmental entity, state or federal, if deemed to be required in the sole, reasonable discretion of the Seller.
- 1.10 “**Permitted Liens**” means: (a) liens for property taxes and installments of assessments and charges of governmental authorities not yet due and payable as of the Closing Date, (b) liens incurred in the ordinary course of business (including inchoate workman’s and mechanics liens and inchoate liens incurred in connection with worker’s compensation, unemployment insurance, social security and other laws) which do not secure any amounts currently due and which do not currently present any risk of sale of the property subject to the lien, (c) prior to the Closing Date, liens incurred in the ordinary course of business which are discharged in full by the Closing Date, and (d) liens created solely by the act or omission of Buyer.
- 1.11 “**Total Consideration**” has the meaning set forth in Section 2.4.
- 1.12 “**Transfer Taxes**” shall have the meaning set forth in Section 2.6.

**ARTICLE 2.**  
**SALE AND PURCHASE OF COGEN ASSETS**

- 2.1 **Cogen Assets to be Sold or Assigned.** Subject to all terms and conditions of this Agreement, Seller agrees to sell and assign, and Buyer agrees to buy and assume, all of Seller’s right, title and interest in, to and comprising, relating or appurtenant to the cogeneration equipment located at Buyer’s facility located at 401 NE Adams Street, Camas, Washington including, but not limited to, the property listed in **Exhibit A** (“**Cogen Assets**”). The sale of the Cogen Assets to Buyer is in lieu of Seller decommissioning and removing the Cogen Assets.
- 2.2 **Assumption of Certain Liabilities.** Upon Closing, Buyer shall assume all the Assumed Liabilities.
- 2.3 **Instruments of Conveyance and Transfer.** In accordance with the terms hereof, and at the time described herein, the Parties shall deliver signed counterparts of such bills of sale, endorsements, assignments, consents, and other good and sufficient instruments of conveyance and assignment as shall be effective (i) to vest in Buyer title in the Cogen Assets, subject only to the Permitted Liens and (ii) to effectuate the assumption by Buyer of the Assumed Liabilities. Personal Property shall be conveyed via bill of sale. Such instruments of conveyance and transfer shall be in such forms as are set forth in **Exhibit I**.
- 2.4 **Consideration.** Seller shall receive three hundred and fifty thousand dollars (\$350,000) USD for the purchase of Cogen Assets at Closing (collectively, “**Total Consideration**”).
- 2.5 Intentionally omitted.



2.6 **Sales, Transfer and Other Taxes.** Any sales, transfer, purchase, use, business and occupation, or similar tax or fees that may be payable by reason of the sale hereunder of all or a portion of the Cogen Assets ("**Transfer Taxes**") shall be equally borne by the Parties.

2.7 **"As-Is" Sale; Disclaimer.**

2.7.1 SUBJECT TO THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH HEREIN, THE COGEN ASSETS ARE SOLD TO BUYER "AS IS, WHERE IS" AS OF THE EFFECTIVE DATE WITH NO ADDITIONAL REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, WITH RESPECT TO THE GENERATING CAPABILITY OF THE COGEN ASSETS, THE ABILITY OF BUYER TO GENERATE OR SELL ELECTRICAL ENERGY, OR THE ABILITY OF BUYER TO OPERATE THE COGEN ASSETS PROFITABLY. WITHOUT LIMITING THE FOREGOING, SUBJECT TO THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH HEREIN, SELLER MAKES NO ADDITIONAL REPRESENTATIONS OR WARRANTIES OF MERCHANTABILITY, USAGE OR SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO THE COGEN ASSETS, OR ANY PART THEREOF, OR AS TO THE WORKMANSHIP THEREOF, OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT, OR COMPLIANCE OF THE ASSETS WITH ANY LAWS, OR AS TO THE CONDITION OF THE ACQUIRED ASSETS, OR ANY PART THEREOF, AND ANY SUCH REPRESENTATIONS AND WARRANTIES NOT EXPRESSLY STATED HEREIN OR IN ANY CONVEYANCE DOCUMENTS OR CERTIFICATIONS ARE EXPRESSLY DISCLAIMED. BUYER ACKNOWLEDGES AND AGREES THAT IT HAS HAD (I) THE RIGHT AND ABILITY TO FULLY INVESTIGATE AND INSPECT THE COGEN ASSETS AND TO REQUEST ANY INFORMATION REGARDING THE COGEN ASSETS THAT BUYER DEEMS NECESSARY; AND (II) THE OPPORTUNITY TO SEEK RELEVANT ADVICE FROM APPROPRIATE EXPERTS AND OTHER CONSULTANTS.

2.7.2 BUYER FURTHER AND SPECIFICALLY AGREES, SUBJECT ONLY TO THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH HEREIN, THAT IT SHALL TAKE THE PROPERTY "AS-IS," "WHERE-IS," AND WITH ALL FAULTS AND CONDITIONS THEREON AS OF THE EFFECTIVE DATE. ANY INFORMATION, REPORTS, STATEMENTS, DOCUMENTS OR RECORDS (COLLECTIVELY, THE "DISCLOSURES") PROVIDED OR MADE TO BUYER OR ITS CONSTITUENTS BY SELLER OR ANY OF SELLER'S AFFILIATES OR REPRESENTATIVES CONCERNING THE CONDITION OF THE PROPERTY SHALL NOT BE REPRESENTATIONS OR WARRANTIES OF SELLER EXCEPT TO THE EXTENT EXPRESSLY SET FORTH HEREIN. BUYER SHALL NOT RELY ON SUCH DISCLOSURES, BUT RATHER, BUYER SHALL RELY ONLY ON ITS OWN INSPECTION OF THE PROPERTY AND THE REPRESENTATIONS AND WARRANTIES SET FORTH HEREIN. SUBJECT TO THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH HEREIN, ANY INSPECTION THAT MAY TAKE PLACE AFTER EXECUTION OF THIS AGREEMENT WILL IN NO WAY CREATE A CONDITION OF FURTHER DUE DILIGENCE AS A CONDITION TO CLOSE. BUYER ACKNOWLEDGES AND AGREES THAT, SUBJECT TO THE REPRESENTATIONS AND WARRANTIES SET FORTH HEREIN, SELLER HAS NOT MADE, DOES NOT MAKE AND SPECIFICALLY DISCLAIMS ANY REPRESENTATIONS, WARRANTIES, PROMISES, COVENANTS, AGREEMENTS OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE, OF, AS TO, CONCERNING OR WITH RESPECT TO (A) THE NATURE,

QUALITY OR CONDITION OF THE PROPERTY, (B) THE INCOME TO BE DERIVED FROM THE PROPERTY, (C) THE SUITABILITY OF THE PROPERTY FOR ANY AND ALL ACTIVITIES AND USES WHICH BUYER MAY CONDUCT, (D) THE COMPLIANCE OF OR BY THE PROPERTY OR ITS OPERATION WITH ANY LAWS, RULES, ORDINANCES OR REGULATIONS OF ANY APPLICABLE GOVERNMENTAL AUTHORITY OR BODY, (E) THE MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTY, OR (F) ANY OTHER MATTER WITH RESPECT TO THE PROPERTY, AND SPECIFICALLY DISCLAIMS ANY REPRESENTATIONS EXCEPT TO THE EXTENT EXPRESSLY SET FORTH HEREIN REGARDING WASTES, AS DEFINED BY THE U.S. ENVIRONMENTAL PROTECTION AGENCY REGULATIONS AT 40 C.F.R., OR ANY HAZARDOUS SUBSTANCE, AS DEFINED BY THE COMPREHENSIVE ENVIRONMENTAL RESPONSE COMPENSATION AND LIABILITY ACT OF 1980 ("CERCLA"), AS AMENDED, AND REGULATIONS PROMULGATED THEREUNDER. TO THE FULLEST EXTENT PERMITTED BY LAW, BUYER (AND ANY ENTITY AFFILIATED WITH OR CLAIMING BY, THROUGH OR UNDER BUYER) HEREBY WAIVE, RELEASE AND AGREE NOT TO MAKE ANY CLAIM OR BRING ANY COST RECOVERY ACTION OR CLAIM FOR CONTRIBUTION OR OTHER ACTION OR CLAIM AGAINST SELLER OR SELLER'S AFFILIATES BASED ON (A) ANY FEDERAL, STATE, OR LOCAL ENVIRONMENTAL OR HEALTH AND SAFETY LAW OR REGULATION, INCLUDING CERCLA OR ANY STATE EQUIVALENT, OR ANY SIMILAR LAW NOW EXISTING OR HEREAFTER ENACTED, (B) ANY DISCHARGE, DISPOSAL, RELEASE, OR ESCAPE OF ANY CHEMICAL, OR ANY MATERIAL WHATSOEVER, ON, AT, TO, OR FROM THE PROPERTY, OR (C) ANY ENVIRONMENTAL CONDITIONS WHATSOEVER ON, UNDER, OR IN THE VICINITY OF THE PROPERTY, EXCEPT FOR CLAIMS BASED UPON A BREACH OF ANY REPRESENTATIONS AND WARRANTIES CONTAINED HEREIN. WITHOUT LIMITATION UPON BUYER'S RIGHT TO RELY ON THE EXPRESS REPRESENTATIONS AND WARRANTIES CONTAINED HEREIN, BUYER REPRESENTS TO SELLER THAT BUYER HAS CONDUCTED SUCH INVESTIGATIONS OF THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, THE PHYSICAL AND ENVIRONMENTAL CONDITIONS THEREOF, AS BUYER DEEMS NECESSARY OR DESIRABLE TO SATISFY ITSELF AS TO THE CONDITION OF THE PROPERTY AND THE EXISTENCE OR NONEXISTENCE OR CURATIVE ACTION TO BE TAKEN WITH RESPECT TO ANY HAZARDOUS OR TOXIC SUBSTANCES ON OR DISCHARGED FROM THE PROPERTY, AND WILL RELY SOLELY UPON SAME AND NOT UPON ANY INFORMATION PROVIDED BY OR ON BEHALF OF SELLER OR ITS AGENTS, REPRESENTATIVES OR EMPLOYEES WITH RESPECT THERETO. UPON CLOSING, BUYER (AND ANY ENTITY AFFILIATED WITH OR CLAIMING BY, THROUGH OR UNDER BUYER) SHALL ASSUME THE RISK THAT ADVERSE MATTERS AND ADVERSE PHYSICAL AND ENVIRONMENTAL CONDITIONS, MAY NOT HAVE BEEN REVEALED BY BUYER'S INVESTIGATIONS, AND BUYER (AND ANY ENTITY AFFILIATED WITH OR CLAIMING BY, THROUGH OR UNDER BUYER), UPON CLOSING, SHALL BE DEEMED TO HAVE WAIVED, RELINQUISHED AND RELEASED SELLER (AND SELLER'S AFFILIATES) FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION (INCLUDING CAUSES OF ACTION IN TORT), LOSSES, DAMAGES, LIABILITIES, COSTS AND EXPENSES (INCLUDING ATTORNEYS' FEES) OF ANY AND EVERY KIND OR CHARACTER, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, WHICH BUYER MIGHT HAVE ASSERTED OR ALLEGED AGAINST SELLER (AND SELLER'S AFFILIATES) AT ANY TIME BY REASON OF OR ARISING OUT OF ANY LATENT OR PATENT CONSTRUCTION DEFECTS, ERRORS



OR OMISSIONS IN DESIGN OR CONSTRUCTION, OR PHYSICAL CONDITIONS, VIOLATIONS OF ANY APPLICABLE LAWS AND ANY AND ALL OTHER ACTS, OMISSIONS, LIABILITIES, EVENTS, CIRCUMSTANCES OR MATTERS REGARDING THE PROPERTY, EXCEPT FOR BREACHES BY SELLER OF THE EXPRESS PROVISIONS OF THIS AGREEMENT.

**ARTICLE 3.**  
**CONDITIONS PRECEDENT TO SELLER'S OBLIGATIONS**

Seller's obligation to sell the Cogen Assets and perform its obligations under Article 2 is subject to the fulfillment, prior to or at Closing, of each of the following conditions unless waived in writing by Seller on or prior to the Closing:

- 3.1 **Deliverables.** Buyer shall deliver or shall cause to be delivered to Seller, the following:
- 3.1.1 Original counterparts to each of the instruments of assignment and transfer necessary to consummate the transactions under Article 2, including a bill of sale substantially in such form as are set forth in **Exhibit I**, each such counterpart being properly executed by an authorized representative of Buyer, and such other instruments of assignment and assumption as Seller and its counsel may reasonably request.
  - 3.1.2 A certificate executed by the appropriate representative of Buyer, certifying as of the Closing Date: (a) a true and correct copy of the action of Buyer authorizing the execution, delivery and performance of this Agreement and the related documents to be executed by it, and the consummation of the transactions contemplated hereby and thereby; (b) a true and correct copy of Buyer's charter documents; and (c) incumbency matters.
  - 3.1.3 All other documents which are reasonably necessary to consummate the transactions contemplated hereby or reasonably necessary to demonstrate or evidence the delivery of the items, required to be delivered under this Agreement.
- 3.2 **Representations, Warranties, and Covenants of Buyer.** All representations and warranties made in this Agreement by Buyer shall be true and correct in all material respects as of the Closing Date as fully as though such representations and warranties had been made on and as of the Closing Date, except for representations and warranties specifically referring to another date in which case such representations and warranties shall be true and correct in all material respect as of such date; and as of the Closing Date, Buyer shall have complied in all material respects with all covenants made by it in this Agreement.
- 3.3 **Necessary Regulatory Approvals.** All Necessary Regulatory Approvals shall have been obtained and be in effect at the Closing Date, all on terms acceptable to Seller, in its sole discretion. Seller shall use commercially reasonable efforts to obtain the Necessary Regulatory Approvals and shall in good-faith support any filings before regulatory agencies.
- 3.4 **Third Party Consents.** Seller shall have obtained the legally required consents of third parties, including government agencies.
- 3.5 **Litigation.** At the Closing Date, there shall not be in effect any order, decree, or injunction of a court of competent jurisdiction restraining, enjoining, or prohibiting the consummation of the transactions contemplated by this Agreement (each Party agrees to use commercially reasonable efforts, including appeals to higher courts, to have any such order, decree or injunction set aside or lifted), and no action shall have been taken, and no statute, rule or regulations shall have been enacted or be in effect, by any state or federal government or governmental agency in the United States that would prevent, prohibit, restrict or limit the consummation of such transactions.

**ARTICLE 4.**  
**CONDITIONS PRECEDENT TO BUYER'S OBLIGATIONS**

Buyer's obligation to purchase the Cogen Assets, assume the Assumed Liabilities and otherwise perform its obligations under Article 2 is subject to the fulfillment, prior to or at Closing, of each of the following conditions unless waived in writing by Buyer at or prior to the Closing:

- 4.1 **Deliverables.** Seller shall deliver or shall cause to be delivered to Buyer, the following:
- 4.1.1 Original counterparts to each of the instruments of assignment and transfer necessary to consummate the transactions under Article 2, including a bill of sale substantially in the form as are set forth in **Exhibit I**, each such counterpart being properly executed by an authorized representative of Seller, and such other instruments of assignment and assumption as Buyer and its counsel may reasonably request.
  - 4.1.2 A certificate executed by the appropriate representative of Seller, certifying as of the Closing Date: (a) that the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby and thereby are duly authorized by Seller, and (b) incumbency matters.
  - 4.1.3 An affidavit from Seller, stating, under penalty of perjury, Seller's United States taxpayer identification number and that Seller is not a foreign person, pursuant to section 1445(b)(2) of the Internal Revenue Code of 1986 and Treasury Regulation 1.1445-2(b)(2)(iii)(B) (or any similar provision of state or other Tax Law).
  - 4.1.4 All other documents which are reasonably necessary to consummate the transactions contemplated hereby or reasonably necessary to demonstrate or evidence the delivery of the items, required to be delivered under this Agreement.
- 4.2 **Representations, Warranties, and Covenants of Seller.** All representations and warranties made in this Agreement by Seller shall be true and correct in all material respects as of the Closing Date as fully as though such representations and warranties had been made on and as of the Closing Date, except for representations and warranties specifically referring to another date in which case such representations and warranties shall be true and correct in all material respect as of such date; and as of the Closing Date, Seller shall have complied in all material respects with all covenants made by it in this Agreement. ANY INFORMATION, REPORTS, STATEMENTS, DOCUMENTS OR RECORDS (COLLECTIVELY, THE "DISCLOSURES") PROVIDED OR MADE TO BUYER OR ITS CONSTITUENTS BY SELLER OR ANY OF SELLER'S AFFILIATES OR REPRESENTATIVES CONCERNING THE CONDITION OF THE COGEN ASSETS ARE NOT REPRESENTATIONS OR WARRANTIES OF SELLER EXCEPT TO THE EXTENT EXPRESSLY SET FORTH HEREIN. BUYER SHALL NOT RELY ON SUCH DISCLOSURES, BUT RATHER, BUYER SHALL RELY ONLY ON ITS OWN INSPECTION OF THE COGEN ASSETS AND THE REPRESENTATIONS AND WARRANTIES SET FORTH HEREIN.
- 4.3 **Necessary Regulatory Approvals.** All legally required or prudent approval by, exemption from or notice to, the public utility or service commissions, or state legislatures, of the states of Oregon and Wyoming, of the transactions contemplated by this Agreement and any other approval from any governmental entity, state or federal, if deemed to be required in the sole, reasonable discretion of the Seller.
- 4.4 **Third Party Consents.** Buyer shall have obtained any legally required consents of third parties, including government agencies, necessary for consummation of the transactions contemplated by this Agreement. For the avoidance of doubt, and with regard to consents related to the Transmission Agreement, any interconnection or other service agreement with PacifiCorp, or any other agreement with

PacifiCorp, PacifiCorp or PacifiCorp's transmission function shall not be deemed to be "third parties" for the purposes of this Agreement.

4.5 **Litigation.** At the Closing Date, there shall not be in effect any order, decree, or injunction of a court of competent jurisdiction restraining, enjoining, or prohibiting the consummation of the transactions contemplated by this Agreement (each Party agreeing to use commercially reasonable efforts, including appeals to higher courts where appropriate, to have any such order, decree or injunction set aside or lifted), and no action shall have been taken, and no statute, rule or regulations shall have been enacted or be in effect, by any state or federal government or governmental agency in the United States that would prevent, prohibit, restrict or limit the consummation of such transactions.

4.6 **Material Adverse Effect.** Since the Effective Date, there shall not have been or occurred any event, change, circumstance, or occurrence that, individually or in the aggregate has had or which could be reasonably expected to have, a Material Adverse Effect. For the purposes of this Agreement, a "Material Adverse Effect" is any change or effect, through no fault of Buyer, that is adverse to substantially all of the operations, or utility of the Cogen Assets.

## **ARTICLE 5. REPRESENTATIONS AND WARRANTIES OF SELLER**

Seller represents and warrants the following to be true at the time of Closing:

5.1 **Organization and Powers of Seller.** Seller is an Oregon corporation, duly organized and validly existing under the laws of the State of Oregon, and is duly qualified to do business in the State of Washington. Seller has all requisite power and authority to own and operate the Cogen Assets and to carry on its business as now conducted.

5.2 **Authority Relative to Agreement; Governmental Authorization.** Seller has the corporate power and authority to execute and deliver this Agreement and, subject to obtaining the Necessary Regulatory Approvals, Seller has the authority to consummate the transactions contemplated by this Agreement, and this Agreement has been duly and validly authorized and constitutes the valid and binding obligation of Seller, enforceable in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedies of specific performance and injunctive relief are subject to the discretion of the court before which any proceeding may be brought.

5.3 **Non-Contravention; Approvals.** Except for the Necessary Regulatory Approvals and the consents and approvals required under the terms of contracts, permits, authorizations, easements, and rights of way included in the Cogen Assets, the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement will not violate, conflict with, result in a breach of any provision of or constitute a default under, or result in the termination of any note, bond, mortgage, deed of trust, contract, lease, or other instrument, obligation or agreement of any kind to which Seller is now a party or by which any of its assets may be bound or affected, or any of the charter documents of Seller.

5.4 **Title to the Cogen Assets; Claims, Liens, Assignment.** Seller has good and valid title to the Cogen Assets. To the best of Seller's knowledge, (a) the Cogen Assets are not subject to any claims of abandonment, forfeiture or adverse possession (except to the extent of any such claims by Seller or as may be set forth in **Exhibit G**); (b) the Cogen Assets are free from any liens, fees, charges or unpaid taxes; and (c) no part of the Cogen Assets has been transferred or assigned to any third person.



5.5 **Contracts and Commitments.** To the best of Seller's knowledge, except for the Contractual Obligations identified on **Exhibit E** and except for those not primarily related to the Cogen Assets, Seller is not a party to or bound by any oral or written: (a) express contract for personal services or employment related to the Cogen Assets that is not terminable, without liability or expense, by Seller on notice of sixty (60) days or less; (b) contract or commitment for Cogen Assets capital expenditures in excess of five thousand dollars (\$5,000) total cost; or (c) contract, agreement, or obligation that is material to the business or operation of the Cogen Assets. Seller has complied in all material respects with each Contractual Obligation.

5.6 **Permits, Licenses, and Certificates.** To the best of its knowledge, Seller has all material permits, licenses, certificates, and other governmental authorizations currently required for Seller to own the Cogen Assets and to operate the Cogen Assets as presently operated, and, assuming ongoing proper action by the other party thereto or the issuer thereof, all such permits, licenses, tariffs, franchises, certificates, and governmental authorizations are valid and in effect. **Exhibit J** sets forth, to the best knowledge of Seller, all permits, licenses, certificates and other governmental authorities currently required for Seller to own the Cogen Assets.

5.7 **Compliance with Laws.** To the best of Seller's knowledge, except as set forth in **Exhibit F**, Seller's ownership of the Cogen Assets has been and is in material compliance with all applicable laws, rules, orders, regulations or restrictions applicable to Seller. Except as set forth in **Exhibit F**, Seller has received no notice of violation or notice of noncompliance relating to the Cogen Assets with respect to any law, regulation, or governmental restriction applicable to the Cogen Assets.

5.8 **Legal Proceedings.** To the best of Seller's knowledge there are no material claims, actions, suits, inquiries, investigations, or proceedings, pending or threatened, relating to the Cogen Assets or to the operation of the Cogen Assets, before any federal, state, or local court or other governmental or regulatory body, or any arbitrator, United States or foreign.

5.9 **No Brokers.** Seller has not employed any broker or finder in connection with the transactions contemplated by this Agreement, and it has taken no action that would give rise to a valid claim against any Party for a brokerage commission, finder's fee, or other like payment by Buyer.

5.10 **Known Defects.** Except for those listed in **Exhibit G**, Seller knows of no material defect with respect to Seller's ownership of the Cogen Assets or any environmental condition, latent or otherwise that causes Seller to be in violation of any applicable laws.

5.11 **No Litigation.** Except as may arise in connection with obtaining the Necessary Governmental Approvals, there are no claims, arbitrations, grievances, charges, complaints or investigations pending or, to the best of Seller's knowledge, threatened against, relating to or affecting the Cogen Assets, that could reasonably be expected to (i) have a material adverse effect on the Cogen Assets or (ii) challenge the validity or propriety of the transactions contemplated in this Agreement.

5.12 **Assumed Liabilities.** The Assumed Liabilities relate exclusively to the Cogen Assets.

## **ARTICLE 6. REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer represents and warrants the following to be true at the time of Closing:

6.1 **Organization and Powers of Buyer.** Buyer is a Washington limited liability company duly organized and validly existing under the laws of the State of Washington, and is duly qualified to do

business in the State of Washington. Buyer has all requisite power and authority to purchase, own and operate the Cogen Assets, and to convey the Total Consideration according to the terms of this Agreement.

**6.2 Authority; Governmental Authorization and Approvals.** Buyer has the requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated by this Agreement. This Agreement has been duly executed and delivered by Buyer and constitutes the valid and binding obligation of Buyer enforceable in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally. No declaration, filing, or registration with, or notice to, or authorization, consent or approval of any governmental or regulatory body or authority, or other third party, is necessary for the execution and delivery of this Agreement by Buyer or the consummation by Buyer of the transactions contemplated by this Agreement.

**6.3 Non-Contravention.** The execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement will not violate, conflict with or result in a breach of any provision of, or constitute a default under, or result in the termination of any note, bond, mortgage, indenture, deed of trust, contract, lease or other instrument, obligation or agreement of any kind to which Buyer is now a party or by which any of its assets may be bound or affected, or any charter documents of Buyer.

**6.4 No Brokers.** Buyer has not employed any broker or finder in connection with the transactions contemplated by this Agreement, and it has taken no action that would give rise to a valid claim against any Party for a brokerage commission, finder's fee, or other like payment by Seller.

**6.5 Due Diligence.** Buyer represents and warrants that it has had the opportunity to perform due diligence with regard to the Cogen Assets to Buyer's satisfaction.

**6.6 No Claims.** To the best of Buyer's knowledge, there are no facts or circumstances that exist that would give rise to any claim, cause of action, investigation or inquiry by Buyer against Seller, whether based in contract, tort, statute, equity or otherwise, directly or indirectly relating to the transfer of ownership of the Cogen Assets by Seller prior to Closing.

## **ARTICLE 7. COVENANTS OF SELLER**

### **7.1 Indemnification by Seller.**

7.1.1 From and after the Closing Date, Seller shall indemnify and hold harmless Buyer, its officers, directors, employees, affiliates, representatives, agents, contractors and insurers and their respective successors and assigns ("Buyer Indemnified Parties") from and against any and all claims, demands, suits, losses, costs and damages including reasonable attorneys' fees and/or litigation expenses arising from, based upon, attributable to or resulting from: (i) any material inaccuracy in any representation or warranty made by Seller contained in this Agreement, (ii) any material breach of any covenant of Seller under this Agreement or (iii) any Excluded Liabilities.

7.1.2 Buyer shall promptly provide notice to Seller when it becomes aware of any claim arising under the foregoing indemnification provision, including details relating to the claim, estimated costs, and involved parties, provided that any failure of Buyer to provide such notice shall relieve Seller of its indemnification obligation hereunder only to the extent such failure to give notice shall have materially prejudiced the rights and defenses otherwise available to Seller. Seller may contest and defend in good faith any claim of a third party covered by the

foregoing indemnification provision, provided such contest is made without cost or prejudice to Buyer, and provided that within thirty (30) business days of the Seller's receipt of notice of the claim, Seller notifies Buyer of Seller's desire to defend and contest the claim. Buyer shall use commercially reasonable efforts to cooperate with Seller in Seller's investigation and response to any third party claim. If Seller does not notify Buyer of its desire to contest the claim, Seller shall reimburse Buyer upon submission of an invoice or other appropriate demand for any payment actually made by Buyer with respect to any claim to which the foregoing indemnity relates. Notwithstanding the foregoing, Buyer shall have the right to contest or defend any claim with counsel reasonably acceptable to Seller if, in the opinion of Buyer, the claim can reasonably be expected to involve a criminal penalty.

**7.2 General Pre-Closing Obligations.** Until Closing, and subject to the terms of this Agreement, Seller shall use commercially reasonable efforts to effectuate the transactions contemplated by this Agreement and shall perform such acts reasonably required to carry out Seller's obligations under this Agreement and to consummate and complete this Agreement, including, without limitation of the foregoing, promptly making application for and actively pursuing Necessary Regulatory Approvals.

**7.3 Preserve Relationships.** In addition to any action required under the Camas Agreements, Seller will use commercially reasonable efforts to maintain business relationships with entities that provide services and materials to the Cogen Assets until Closing, except for changes made in the ordinary course of business.

**7.4 Notification.** Seller will give Buyer prompt notice of any material event or condition of any kind learned by Seller between the Effective Date of this Agreement and the Closing Date pertaining to the Cogen Assets.

**7.5 Delivery of Physical Records.** Seller will tender to Buyer copies of all relevant Cogen Assets records. Such records and files shall be delivered at Closing to the facilities located at 401 Northeast Adams Street, Camas, WA 98607. Seller will retain such property records and contracts files not retrieved by Buyer for a period of seven years (or longer as required by law) after Closing.

**7.6 Maintain Properties.** Subject to Section 7.1 and the Camas Agreements, Seller shall maintain the Cogen Assets substantially in the same condition from the date of this Agreement until the earlier of December 31, 2015 or the Closing Date, except for obsolescence, ordinary wear and tear, and damage due to casualty. If the Parties agree that Closing is not reasonably likely to occur by December 31, 2015, then the Parties will cooperate prior to December 31, 2015 in placing the Cogen Assets in an extended lay-up condition. For the avoidance of doubt, Seller will not maintain the Cogen Assets subsequent to the earlier of January 1, 2016 or the Closing Date, if the Closing Date is extended beyond December 31, 2015 pursuant to Section 10.3,

**7.7 Liens and Encumbrances.** All monetary liens or monetary encumbrances on the property suffered or created by Seller, except for liens of general and special taxes and assessments not yet due and payable, are not Permitted Liens and shall be eliminated by Seller on or prior to the Closing Date.

## **ARTICLE 8. COVENANTS OF BUYER**

### **8.1 Indemnification by Buyer.**

8.1.1 From and after the Closing Date, Buyer shall indemnify and hold harmless Seller, its officers, directors, employees, affiliated corporations, representatives, agents, contractors, and insurers, and their respective successors and assigns, from and against any and all claims, demands,

suits, losses, costs and damages of including reasonable attorneys' fees and/or litigation expenses arising from, based upon, attributable to or resulting from: (i) any material-inaccuracy in any representation or warranty made by Buyer contained in this Agreement; (ii) any material breach of any covenant of Buyer under this Agreement; (iii) any Assumed Liability; (iv) Buyer's ownership and operation of the Cogen Assets on and after the Closing Date, including without limitation third party claims asserting personal injury, death or damage to property.

8.1.2 Seller shall promptly provide notice to Buyer when it becomes aware of any claim arising under the foregoing indemnification provision, including details relating to the claim, estimated costs, and involved parties, provided that any failure of Seller to provide such notice shall relieve Buyer of its indemnification obligation hereunder only to the extent such failure to give notice shall have materially prejudiced the rights and defenses otherwise available to Seller. Buyer may contest and defend in good faith any claim of a third party covered by the foregoing indemnification provision, provided such contest is made without cost or prejudice to Seller, and provided that within thirty (30) business days of the Buyer's receipt of notice of the claim, Buyer notifies Seller of Buyer's desire to defend and contest the claim. Seller shall reasonably cooperate with Buyer in Buyer's investigation and response to any such claim. If Buyer does not notify Seller of its desire to contest the claim, Buyer shall reimburse Seller upon submission of an invoice or other appropriate demand for any payment actually made by Seller with respect to any such claim to which the foregoing indemnity relates. Notwithstanding the foregoing, Seller shall have the right to contest or defend any claim with counsel reasonably acceptable to Buyer if, in the opinion of Seller, the claim can reasonably be expected to involve a criminal penalty.

8.2 **General Pre-Closing Obligations.** Until Closing and subject to the terms of this Agreement, Buyer shall use commercially reasonable efforts to effectuate the transactions contemplated by this Agreement, including without limitation securing transaction funding and acquiring all Necessary Regulatory Approvals (other than those required by law to be obtained by Seller), and shall perform such acts reasonably required to carry out Buyer's obligations under this Agreement and to consummate and complete this Agreement.

## ARTICLE 9. COVENANTS OF BUYER AND SELLER

9.1 **Interconnection.** Seller and Buyer acknowledge that this Agreement does not constitute or replace any interconnection agreement, transmission service agreement, or other agreement that may be necessary prior to Buyer delivering power generated by the Cogen Assets to Seller's electric system.

9.2 **Tax Matters.**

9.1.1 **Pre-Closing Tax Returns.** Subject to Section 5.7 of this Agreement, Seller has duly filed with the appropriate governmental agencies all material tax returns and tax reports due and required to be filed by Seller with respect to the Cogen Assets, and will have paid or provided for the payment of all such taxes due and payable through the date of Closing.

9.1.2 **Cooperation on Tax Matters.** Seller and Buyer shall, and shall cause each of their respective representatives to, provide the other with such necessary information as may be reasonably requested by the other Party in connection with the filing of tax returns or the determination of liability for taxes with respect to the Cogen Assets. Seller and Buyer shall retain until the expiration of the statute of limitations (and, to the extent notified by Seller) of the respective tax period, all tax returns, schedules, work papers, accounting records and other records that are owned by such person immediately after Closing and that relate to the Cogen Assets. Subject to



each Party's respective records management policy, after the end of such period, before disposing of any such tax returns, schedules, work papers, accounting records and other records, each shall give notice of such effect to the other, and shall give the other, at the other's cost and expense, a reasonable opportunity to remove and retain all or any part of such tax returns, schedules, work papers or other records as the other may select. Seller and Buyer further agree, upon request, to use commercially reasonable efforts to obtain any certificate or other document from any tax authority or any other person as may be necessary to mitigate, reduce, or eliminate any tax that could be imposed on any such Party (or its affiliates).

- 9.3 **Conduct of Business.** Between the Effective Date of this Agreement and Closing, Buyer and Seller shall continue to operate and maintain the Cogen Assets in accordance with the Camas Agreements.

## **ARTICLE 10. CLOSING**

10.1 **Time and Place.** Unless this agreement is terminated and the transactions herein contemplated are abandoned, and subject to the satisfaction and waiver of the conditions set forth in Article 3 and Article 4 of this Agreement, the Closing shall take place on or before December 31, 2015, or such other date that is agreed to by the Parties. The Closing shall be held at Georgia-Pacific's offices at 133 Peachtree Street, Atlanta, Georgia, or at such other place as the Parties may mutually agree. At least thirty (30) days prior to the Closing Date, each Party shall send the other Party written confirmation that it is able to perform all of its Closing obligations on the Closing Date.

10.2 **Actions at Closing.** At the Closing, the following events shall occur, each being declared to have occurred simultaneously with the other:

- (i) Seller shall deliver or cause to be delivered the deliverables described in Section 4.1; and
- (ii) Buyer shall deliver or cause to be delivered the deliverables described in Section 3.1.

10.3 **Failure of Conditions Precedent; Waiver.** The following provisions shall govern the failure of a condition:

10.3.1. If the transactions contemplated by this Agreement will fail to close due to the failure of any condition precedent set forth in this Agreement, the Party benefiting from such condition precedent may waive the requirement of compliance with such condition and consummate the transactions contemplated hereby without any adjustment to the Total Consideration.

10.3.2. If Seller delivers a written notice to Buyer to the effect that one or more of the conditions (which shall be specified in detail in such notice) to the obligations of Seller set forth in Article 3 has not been met by October 31, 2015, or is otherwise impossible to satisfy prior to the Closing Date, the Parties shall set a new Closing Date not later than six months following December 31, 2015, and will cooperate to cure any such Article 3 condition or obtain any Article 3 regulatory approval that has prevented Closing from occurring on December 31, 2015.



10.3.3. If Buyer delivers a written notice to Seller to the effect that one or more of the conditions (which shall be specified in detail in such notice) to the obligations of Buyer set forth in Article 4 has not been met by October 31, 2015, or is otherwise impossible to satisfy prior to the Closing Date, the Parties shall set a new Closing Date not later than six months following December 31, 2015, and will cooperate to cure any such Article 4 condition or obtain any Article 4 regulatory approval that has prevented Closing from occurring on December 31, 2015.

10.4 **Further Assurances.** From time to time after Closing, each Party, upon the request of the other Party, shall without further consideration and to the extent commercially reasonable execute, deliver, and acknowledge all such further instruments of transfer and conveyance and perform all such other acts as either Party may reasonably request to more effectively carry out the intent of this Agreement.

#### **ARTICLE 11. SURVIVAL OF WARRANTIES, REPRESENTATIONS, AND COVENANTS**

11.1 **Survival.** Sections 2.7, 7.1, 7.5, 8.1, 9.1, 9.2, Articles 11, 12, 13 14, 15 and 16 of this Agreement contemplate performance of one or both Parties after Closing or termination, as applicable, and therefore shall survive Closing or termination, as applicable.

11.2 **Time for Bringing Action.** Any claim under Sections 7.1 or 8.1 that Seller or Buyer breached a representation, warranty covenant or other obligation under this Agreement must be brought in the appropriate court within one (1) year of the Closing Date or be forever barred provided, however, that all claims for indemnification for third party claims alleging personal injury, death or property damage under Section 7.1 must be brought in the appropriate court within the shorter of the applicable statute of limitations or two (2) years of the Closing Date or be forever barred. Any claim arising hereunder shall not be extinguished by delivery of deeds (or any other article of conveyance) at Closing.

#### **ARTICLE 12. TERMINATION**

12.1 **Termination.** This Agreement may be terminated and abandoned at any time prior to the Closing Date if:

- 12.1.1 The Parties agree in writing to terminate this Agreement by mutual consent; or
- 12.1.2 Subject to Sections 10.3.1 and 10.3.2 of this Agreement, one or more of the conditions to the obligations of Seller set forth in Section 3 has not been met or is otherwise impossible to satisfy;
- 12.1.3 Subject to Sections 10.3.1 and 10.3.3 of this Agreement, one or more of the conditions to the obligations of Buyer set forth in Section 4 has not been met or is otherwise impossible to satisfy;
- 12.1.4 Seller has breached any warranty or has defaulted in a material respect under one or more of its covenants contained in this Agreement (which shall be specified in detail in such notice), and such breach of warranty or such default has not been remedied (or waived by Buyer) within thirty (30) days after the date such notice is delivered by Buyer to Seller;
- 12.1.5 Buyer has breached a warranty or has defaulted in a material respect under one or more of its covenants contained in this Agreement (which shall be specified in detail in such notice), and such breach of warranty or such default has not been remedied (or waived by Seller) within thirty (30) days after the date such notice is delivered by Seller to Buyer; or

12.1.6 Any court of competent jurisdiction in the United States or any state shall have issued an order, judgment, or decree (other than a temporary restraining order) restraining, enjoining, or otherwise prohibiting the purchase of the Cogen Assets from Seller by Buyer and such order, judgment, or decree shall have become final and non-appealable; or

12.2 **Effect of Termination.** Any termination pursuant to this Section 12 shall: relieve the non-breaching party of its obligations to consummate the transaction as set forth in this Agreement; constitute a failure of the conditions to the obligations of the Parties to consummate the transaction as set forth in this Agreement; *provided, however,* that the termination of this Agreement shall not relieve any Party from any liability hereunder for the breach or inaccuracy of any representation or warranty or failure to perform or comply with any covenant or obligation of such Party prior to such termination. Any termination pursuant to Section 12 shall not have the effect of terminating or supplanting any of the Camas Agreements, nor the rights of the parties created thereunder, including, without limitation, the purchase options created pursuant to the Lease Agreement and the Transmission Agreement.

### **ARTICLE 13. LIMITATION OF LIABILITY**

NEITHER PARTY SHALL BE LIABLE FOR ANY LOST OR PROSPECTIVE PROFITS AND IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY OTHER SPECIAL, PUNITIVE, EXEMPLARY, CONSEQUENTIAL, INCIDENTAL OR INDIRECT LOSSES OR DAMAGES (IN TORT, CONTRACT OR OTHERWISE) UNDER OR IN RESPECT OF THIS AGREEMENT OR FOR ANY FAILURE OF PERFORMANCE RELATED HERETO, HOWSOEVER CAUSED. THE FOREGOING LIMITATION OF LIABILITY SHALL NOT APPLY TO (I) THIRD PARTY INDEMNIFICATION OBLIGATIONS, (II) BREACHES OF THE CONFIDENTIALITY PROVISIONS, (III) ANY CLAIMS RELATED TO FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.,.

FOR ANY CLAIM WHETHER IN CONTRACT, WARRANTY, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE FOR ANY LOSS OR DAMAGE ARISING OUT OF, CONNECTED WITH OR RESULTING FROM THIS AGREEMENT, OR THE PERFORMANCE OR BREACH THEREOF, OR FROM THE PURCHASE OR OPERATION OF THE PROJECT, SHALL IN NO CASE EXCEED THE TOTAL CONSIDERATION EXCEPT WITH RESPECT TO ANY CLAIMS RELATING TO FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

### **ARTICLE 14. CONFIDENTIALITY**

For a period of three years from the Closing Date, Seller and Buyer shall hold, and shall cause their respective affiliates and representatives to hold, in confidence and not to disclose or release without the prior written consent of the other Party, any and all Confidential Information (as defined herein) of the other Party; provided that the parties may disclose, or may permit disclosure of, Confidential Information (i) to their respective Representatives who have a need to know such information and are informed of their obligation to hold such information confidential to the same extent as is applicable to the parties and in respect of whose failure to comply with such obligations, Seller or Buyer, as the case may be, shall be responsible, (ii) if the parties, their affiliates or their representatives are compelled to disclose any such Confidential Information by judicial or administrative process or, in the opinion of legal counsel, by other requirements of law, or (iii) to its lenders and financial institutions. Notwithstanding the foregoing, in the event that any demand or request for disclosure of Confidential Information is made pursuant to clause (ii)

above, Seller or Buyer, as the case may be, shall promptly notify the other of the existence of such request or demand and shall provide the other a reasonable opportunity to seek an appropriate protective order or other remedy, which the parties shall cooperate in obtaining. In the event that such appropriate protective order or other remedy is not obtained, the Party who is required to disclose Confidential Information shall furnish, or cause to be furnished, only that portion of the Confidential Information that is legally required to be disclosed. "Confidential Information" shall mean (i) all proprietary technical, economic, environmental, operations, financial and/or other business information or material of one Party or its affiliates which, prior to, on or following the Closing Date, has been disclosed by Seller or Buyer or their respective affiliates in written, oral (including by recording), electronic, or visual form to, or otherwise has come into the possession of, the other, and (ii) the terms of this Agreement (except to the extent that such information can be shown to have been (1) in the public domain through no fault of such Party or its affiliates; (2) Buyer can demonstrate was already in its possession prior to the date of this Agreement and not known by Buyer to be subject to an obligation of secrecy; (3) is developed by or for Buyer independent of and without reference to the Confidential Information; or (4) lawfully acquired from other sources by such Party or its affiliates; provided, however, in the cause of subclause (4) that such sources did not provide such information in breach of any confidentiality or other legal obligations).

#### **ARTICLE 15. CAMAS AGREEMENTS**

15.1 **Termination of the Camas Agreements.** The Camas Agreements shall expire according to their terms on December 31, 2015.

#### **ARTICLE 16. MISCELLANEOUS**

16.1 **Assignment.** Neither Party may assign its rights under this Agreement to any third party without the written consent of the other Party.

16.2 **No Discharge.** No assignment of this Agreement shall operate to discharge the assignor of any duty or obligation under this Agreement without the written consent of the other Party.

16.3 **Reserved.**

16.4 **Post-Closing Access.** Buyer shall allow Seller reasonable access during normal business hours and upon written advance notice to the Cogen Assets after the Closing Date to enable Seller to retrieve the Excluded Property.

16.5 **Termination of Use of Name and Logo.** The Cogen Assets do not include the right of Buyer to use names, logos, trade names and/or trademarks of Seller or its divisions and/or affiliates. As soon as practicable after Closing, but in any event within ninety (90) days of the Closing Date, Buyer shall remove the names, logos, trade names and/or trademarks of Seller and its divisions and affiliates from all of the Cogen Assets.

16.6 **Reserved.**

16.7 **Time of the Essence.** Time is of the essence of this Agreement and each provision hereof.

16.8 **Amendment.** This Agreement may be amended only by an instrument in writing executed by the Parties that expressly refers to this Agreement and states that it is an amendment of this Agreement.

16.9 **Section Headings.** The section headings contained in this Agreement are for reference only and shall not in any way affect the meaning or interpretation of this Agreement.

16.10 **Waiver.** Any of the terms or conditions of this Agreement may be waived at any time and from time to time, in writing, by the Party entitled to the benefit of such terms or conditions.

16.11 **Choice of Law; Jury Waiver.** This Agreement shall be subject to and be construed under the laws of the State of Washington applicable to contracts made and entered into in the State of Washington. TO THE FULLEST EXTENT PERMITTED BY LAW, EACH OF THE PARTIES HERETO WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY FURTHER WAIVES ANY RIGHT TO CONSOLIDATE ANY ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. The parties hereto irrevocably submit to the exclusive jurisdiction of the United States District Court for the Western District of Washington or the Clark County Superior Court, for the purposes of any suit, action or other proceeding arising out of this Agreement or any transaction contemplated hereby.

16.12 **Notices.** All notices, requests, demands, and other communications given by Buyer or Seller shall be in writing and shall be deemed to have been duly given when delivered personally, or three days after deposit in the mail, if sent by first class United States mail, postage prepaid, to the following addresses:

If to Buyer, to: Georgia-Pacific Consumer Products (Camas) LLC  
c/o Georgia-Pacific LLC  
401 NE Adams Street  
Camas, Washington 98607  
Attn: Joe C. Ertolacci

With a copy to: Georgia-Pacific Consumer Products (Camas) LLC  
c/o Georgia-Pacific LLC  
133 Peachtree Street NE  
Atlanta, Georgia 30303  
Attn: General Counsel

If to Seller, to: Chris Delinski  
Director, Plant  
PacifiCorp  
1407 W North Temple, Ste 330  
Salt Lake City, UT 84116

With a copy to: Doug Kusyk  
Legal Counsel  
PacifiCorp d/b/a PacifiCorp Energy  
825 NE Multnomah, Ste 1800  
Portland, OR 97232



or to such other address as Buyer or Seller may designate in writing.

**16.13 Counterparts.** This Agreement may be executed in one or more counterparts, each of which for all purposes shall be deemed to be an original and both of which shall constitute one and the same instrument.

**16.14 Construction of Agreement.** This Agreement is the result of arms-length negotiations between two sophisticated parties and any ambiguities or uncertainties will not be construed for or against either Party, but will be construed in a manner that most accurately reflects the intent of the Parties when this Agreement was executed.

**16.15 Publicity.** Neither Seller nor Buyer shall issue or cause the publication of any press release or other public announcement with respect to the transactions contemplated by this Agreement without the consent of the other Party hereto except as such release or announcement may be required by law or the rules or regulations of a national securities exchange in the United States. Notwithstanding the foregoing, the parties may disclose the fact that the transactions contemplated in this Agreement have occurred, without disclosing details other than the names of the parties and general description of the transaction.

**16.16 Entire Agreement; No Third Party Beneficiaries.** This Agreement (a) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof or thereof and (b) are not intended to confer upon any Persons other than the parties identified herein and the successors and permitted assigns any rights, benefits or remedies hereunder and no Person shall be a third party beneficiary of this Agreement.

**16.17 Remedies; Specific Performance.** The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms and that monetary damages, even if available, would not be an adequate remedy therefor. It is accordingly agreed that the parties shall be entitled to specific performance of the terms hereof, this being in addition to any other remedy to which they are entitled at law or in equity. The parties acknowledge that the awarding of equitable remedies is within the discretion of the applicable court.

**16.18 Fees, Costs and Expenses.** Except as expressly provided otherwise in this Agreement, all fees, costs and expenses incurred in connection with this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby (collectively, the "Transactions") shall be paid by the Party incurring such fees, costs and expenses, whether or not the Transactions are consummated. In the event of termination of this Agreement, the obligation of each Party to pay its own fees, costs and expenses will be subject to any rights of such Party arising from a breach of this Agreement or any other Transaction Document by any other Party.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the dates indicated below.

**GEORGIA-PACIFIC CONSUMER PRODUCTS (CAMAS) LLC**, a Washington limited liability corporation

**PACIFICORP**, an Oregon corporation

Signature: *Michael E. Adams* PR  
Print Name: Michael E. Adams  
Title: Vice President  
Date: 3/2/15

Signature: *Dana M. Ralston*  
Print Name: DANA M. RALSTON  
Title: VP - THERMAL GEN  
Date: 3/6/15

*Bull*

*mu*



## EXHIBIT A

### PROPERTY INCLUDED IN SALE and ASSUMED LIABILITIES

#### Personal Property:

1. The "Cogen Assets", which consist of a 60MW steam turbine (GE serial number 270T291) and corresponding generator (GE serial number 290T291) located on the Georgia-Pacific Camas mill site located in Camas, Washington, and further consists of (a) the steam turbine generator and its auxiliaries, located in the turbine building at the east end of the steam plant; (b) the electrical substation and other transmission assets that transforms the 13.8kV power from the generator terminals to the 69kV PacifiCorp transmission system; (c) motor control centers that power the turbine generator facility and associated equipment; and (d) steam plant control room with associated generator controls and interface.
2. Cogen Assets records, drawings and maps.
3. Plant equipment specific tools not comprising Excluded Property located at Buyer's facility located at 401 NE Adams Street, Camas, Washington.
4. Plant inventory not comprising Excluded Property located at Buyer's facility located at 401 NE Adams Street, Camas, Washington.

#### Assumed Liabilities:

None.

**EXHIBIT B**

**PERMITTED ENCUMBRANCES**

None.



**EXHIBIT C**

**PROPERTY EXCLUDED FROM SALE**

1. Property, contracts, obligations and rights associated with the January 13, 1993 Transmission Facilities Purchase, Easement and License Agreement
2. Any right existing prior to the Closing Date to electrically interconnect the Cogen Assets with, or supply power to, Seller's electric system.

## **EXHIBIT D**

### **EXCLUDED LIABILITIES**

1. Seller income taxes
2. Any Seller employee claim, severance or relocation costs
3. Any obligations or liabilities of Seller relating to the Excluded Property
4. Any obligations or liabilities to the extent they did not arise from or in connection with the Cogen Assets
5. Any obligations or liabilities related to taxes not expressly assumed by Buyer
6. Any liabilities for trade payables of Seller arising before Closing Date
7. Any human resources or benefit obligations relating to employees who worked on the Cogen Assets

**EXHIBIT E**

**PROJECT CONTRACTUAL OBLIGATIONS DELEGATED TO  
BUYER**

None.

**EXHIBIT F**  
**NON-COMPLIANCE ITEMS**

None.

**EXHIBIT G**  
**KNOWN DEFECTS TO PROJECT**

None

**EXHIBIT H**

**SELLER'S NECESSARY REGULATORY APPROVALS AND THIRD PARTY  
CONSENTS**

1. All applicable approvals from Oregon and Wyoming state public utility commissions.

**EXHIBIT I**  
**FORM OF BILL OF SALE**

**BILL OF SALE**

This BILL OF SALE (this "**Bill of Sale**"), is made and delivered [•], 2015 by **PacifiCorp**, an Oregon corporation ("**Seller**") for the benefit of **Georgia-Pacific Consumer Products (Camas) LLC** a Washington limited liability company ("**Buyer**"). Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Purchase Agreement (defined below).

WHEREAS, Seller and Buyer are parties to that certain Agreement of Purchase and Sale, dated as of [•], 2015 (the "**Purchase Agreement**"), the terms of which are incorporated herein by reference, which provides, among other things, Seller has agreed to sell, transfer, assign, convey and deliver to Buyer and Buyer has agreed to purchase and acquire from Seller, all of Seller's right, title and interest in, to and under the Cogen Assets;

WHEREAS, the execution and delivery of this Bill of Sale by each of Seller and Buyer is a condition to the obligations of the parties to the Purchase Agreement to consummate the transactions contemplated by the Purchase Agreement; and

NOW THEREFORE, in consideration of the mutual promises and covenants set forth in the Purchase Agreement, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by Seller, and subject to the terms and conditions of the Purchase Agreement, each party hereto agrees as follows:

1. **Transfer of Cogen Assets.** Effective as of the date hereof, Seller does hereby sell, transfer, assign, convey and deliver to Buyer all of Seller's right, title and interest in, to and under the Cogen Assets, free and clear of all encumbrances.

2. **Further Actions.** From and after the date of this Bill of Sale, each of the parties hereto shall use all reasonable efforts to take, or cause to be taken, all appropriate action, do or cause to be done all things necessary, proper or advisable under applicable Law, and execute and deliver such documents and other papers, as may be required to carry out the provisions of this Bill of Sale and consummate and make effective the transactions contemplated by this Bill of Sale.

3. **No Representations or Warranties.** Except as provided in the Purchase Agreement, Seller makes no representations or warranties with respect to the Purchased Assets.

4. **Miscellaneous.**

(a) This Bill of Sale shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(b) Nothing in this Bill of Sale, express or implied, is intended to or shall be construed to modify, expand or limit in any way the terms of the Purchase Agreement. To the extent that any provision of this Bill of Sale conflicts or is inconsistent with the terms of the Purchase Agreement, the Purchase Agreement will govern.

(c) This Bill of Sale may not be changed except in a writing signed by the parties hereto. This Bill of Sale, and any disputes arising hereunder or controversies related hereto, shall be governed by and construed in accordance with the laws of the State of Washington, without regard to its conflict of law or choice of law rules.

(d) This Bill of Sale may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

*[Signatures on Following Page]*



**IN WITNESS WHEREOF**, each of the parties hereto has executed and delivered this Bill of Sale as of the date first above written.

**SELLER:**

**PACIFICORP**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**BUYER:**

**GEORGIA-PACIFIC CONSUMER  
PRODUCTS (CAMAS) LLC**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT J**  
**REQUIRED PERMITS**

None.

**ATTACHMENT C**

**Purchase Agreement for Transmission Facilities**

## Purchase Agreement

THIS PURCHASE AGREEMENT is made and entered into as of this \_\_\_\_\_ day of March, 2015 (this "Purchase Agreement") by PacifiCorp, an Oregon corporation ("PacifiCorp"), for the benefit of Georgia-Pacific Consumer Products (Camas) LLC, organized and existing under the laws of the State of Washington ("Buyer"). Capitalized terms used but not defined in this Purchase Agreement shall have the meanings assigned to such terms in the Transmission Agreement (as defined below). PacifiCorp and Buyer are sometimes referred to herein together as ("Parties").

### RECITALS

WHEREAS, the Parties entered into that certain Transmission Facilities Purchase, Easement and License Agreement, dated as of January 13, 1993 (the "Transmission Agreement"), pursuant to which PacifiCorp has agreed, subject to the terms and conditions of the Transmission Agreement, to provide Buyer an option to acquire all of PacifiCorp's right, title and interest in and to the transmission facilities, including all transmission lines, transmission towers and components associated with the items set forth in Exhibits A and B of the Transmission Agreement; and

WHEREAS, pursuant to the Transmission Agreement, the purchase price for the transmission facilities pursuant to the Option (as defined in the Transmission Agreement) would be PacifiCorp's net book cost of the transmission facilities, including any sales or other tax obligations arising directly out of such sale; and

WHEREAS, Buyer desires to acquire all of PacifiCorp's rights, title and interests in and to the transmission facilities and PacifiCorp desires to transfer such rights, title and interest to Buyer outside of the previously referenced Option.

NOW, THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, PacifiCorp and Buyer hereby agree as follows:

1. Effective Date. The effective date of this Purchase Agreement shall commence as of the last date executed by either of the Parties.

2. Transmission Facilities. The Parties acknowledge and agree that the transmission facilities included in this Purchase Agreement are those transmission facilities, including all transmission towers, transmission lines and associated components, starting at and including structure 6/2 (also called Y8) immediately outside of Lady Island substation and continue following the electrical pathway to the generator located on Buyer's manufacturing facility in Camas, WA (the "Transmission Facilities").

3. Sale. Subject to the terms and conditions of this Purchase Agreement, including delivery of the consideration specified herein, PacifiCorp does hereby agree to sell, assign, convey, transfer and deliver to Buyer upon the Closing, all of PacifiCorp's right, title and interest in and to the Transmission Facilities.

4. Representations and Warranties. PacifiCorp represents and warrants to Buyer on the date hereof and on the Closing that it has good and valid title to the Transmission Facilities. Except for PacifiCorp's warranty of title to the Transmission Facilities, such Transmission Facilities are being sold in "as-is" condition with no guarantees or warranties, either expressed or implied.

5. Purchase Price. Buyer shall pay to PacifiCorp at the Closing a purchase price \$135,967.76.

6. Further Assurances. PacifiCorp shall, from time to time after the date hereof, at Buyer's request and expense, prepare, execute and deliver to Buyer such other instruments of conveyance and transfer and take such other action as Buyer may reasonably request in order to sell, transfer, convey, assign and deliver and vest in Buyer, its successors and assigns, title to and possession of the Transmission Facilities as provided in the Transmission Agreement and to further effect the purposes of this Purchase Agreement.

7. Relationship to Transmission Agreement; Construction. The Parties agree that no Option notice has been delivered by Buyer under the Transmission Agreement and that this Purchase Agreement or any related communications will not serve as an Option notice under the Transmission Agreement. The terms and conditions of the Transmission Agreement, including all of the covenants, representations and warranties contained therein, shall all survive the execution and delivery of this Purchase Agreement. For the avoidance of doubt the execution and delivery of this Purchase Agreement shall in no way supplant, limit or extinguish Buyer's right to exercise the Option created by Article 6 of the Transmission Agreement unless the Closing has occurred in which case the Option will be terminated coincident with the Closing.

8. No Waiver. It is understood and agreed that nothing in this Purchase Agreement shall constitute a waiver or release of any claims arising out of the contractual relationships between PacifiCorp and Buyer.

9. No Third Party Beneficiary. Nothing in this Purchase Agreement, express or implied, is intended or shall be construed to confer upon, or give to, any person other than Buyer, PacifiCorp and their successors and permitted assigns any remedy or claim under or by reason of this Purchase Agreement or any agreements, terms, covenants or conditions hereof and all the agreements, terms, covenants and conditions contained in this Purchase Agreement shall be for the sole and exclusive benefit of Buyer, PacifiCorp and their successors and permitted assigns.

10. Binding Effect. This Purchase Agreement and all of the provisions hereof shall be binding upon and shall inure to the benefit of PacifiCorp, Buyer and their respective successors and permitted assigns.

11. Governing Law. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State of Washington (regardless of the laws

that might otherwise govern under applicable principles of conflicts of law) as to all matters, including matters of validity, construction, effect, performance and remedies.

12. Severability. Any term or provision of this Purchase Agreement that is invalid or unenforceable in any situation will not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

13. Conditions Precedent. PacifiCorp's obligation to sell, and Buyer's obligation to buy the Purchased Assets is subject to obtaining all necessary approvals by the appropriate state regulatory commissions.

14. Covenants. PacifiCorp shall use commercially reasonable efforts to acquire all necessary regulatory approvals prior to the Closing of this Purchase Agreement.

15. Closing. The closing (the "Closing") shall take place on December 31, 2015 upon satisfaction or waiver of the conditions precedent in Article 13. In the event that the Closing does not occur on December 31, 2015 as a result of the conditions precedents set forth in Article 13 not being satisfied or waived, the Closing of this Purchase Agreement shall be postponed until such conditions are satisfied; provided, however, in the event the Closing does not occur within six months of December 31, 2015 this Purchase Agreement shall terminate, except as mutually agreed.

16. Easements. Notwithstanding Article 3.1.3 of the Transmission Agreement, the Easement (as defined in the Transmission Agreement) granted by James River to PacifiCorp, and any other easements granted by Buyer (or its predecessors-in-title) to PacifiCorp related to the Transmission Facilities, shall terminate upon the Closing of this transaction. At Closing, the parties hereto shall enter into the necessary documents to remove such easements from title to Buyer's property. Further, at Closing, PacifiCorp shall assign to Buyer all of its right, title and interest in that certain Easement No. 51-044556 granted by the State of Washington, Department of Natural Resources. PacifiCorp agrees to reasonably cooperate with Buyer to obtain consent to the assignment from the Department of Natural Resources

17. Crossing Permit. At Buyer's option, at Closing, PacifiCorp shall assign all of its interest in the Wireline Crossing Permit, No. 241,200, from Burlington Northern Company, dated June 16, 1982, to Buyer, to the extent assignment is allowed by the terms of such Crossing Permit. PacifiCorp further agrees to reasonably cooperate with Buyer to locate such Crossing Permit, and subject to Article 6 of this Purchase Agreement, take such actions required to assist Buyer in the procurement of any replacement Wireline Crossing Permit.

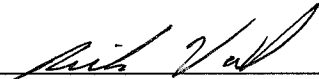
18. Jury Trial. To the fullest extent permitted by law, each of the parties hereto waives any right it may have to a trial by jury in respect of litigation directly or indirectly arising out of, under or in connection with this Agreement. Each party further waives any right to consolidate, or to request the consolidation of, any action in which a jury trial has been waived with any other action in which a jury trial cannot be or has not been waived.

19. Counterparts. This Purchase Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Purchase Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement.

IN WITNESS WHEREOF, PacifiCorp and Buyer have caused its duly authorized representative to execute this Purchase Agreement on the dates indicated below.

PACIFICORP

Georgia-Pacific Consumer Products  
(Camas) LLC

By: 

By: 

Name: Rick Vail

Name: MICHAEL E. ADAMS

Title: VP, Transmission

Title: VICE PRESIDENT

Date: 3/19/15

Date: MARCH 18, 2015


**ATTACHMENT D**

**Costs of Assets and Accumulated Depreciation**



PacificCorp	Locations - 220000 Camas Cogeneration and 238093 Camas-Troutdale 115KV	Location	Location Description	FERC Acct	OrgYr	Cap.date	Acquisition Value	Accumulated Depreciation	Net Book Value	towa Curve Depreciation Ratio	Accum.dep.	Book val.	Quantity	Bun	
Asset	SNo.	Asset description	Location	Location Description	FERC Acct	OrgYr	Cap.date	Acquisition Value	Accumulated Depreciation	Net Book Value	towa Curve Depreciation Ratio	Accum.dep.	Book val.	Quantity	Bun
		IMPROVEMENTS TO PLANT OWNED BY JAMES RIVER CORP.	220000	Camas Cogeneration	3032730	1996	12/31/1996	13,873,442.53	(13,196,190.62)	677,251.91		(13,196,190.62)	677,251.91	0.000	
311009220000	1	BC-BOILER CONTROLS	220000	Camas Cogeneration	3110000	1996	12/31/1996	265,004.52	(249,183.49)	15,821.03		(249,183.49)	15,821.03	0.000	
311018220000	1	BU-INDEPENDENT BUILDINGS-ROOF	220000	Camas Cogeneration	3110000	1996	12/31/1996	64,014.07	(60,192.36)	3,821.71		(60,192.36)	3,821.71	0.000	
311018220000	2	BU-INDEPENDENT BUILDINGS-ROOF	220000	Camas Cogeneration	3110000	1996	12/31/1996	4,126,843.13	(3,880,466.52)	246,376.61		(3,880,466.52)	246,376.61	0.000	
311018220000	3	BU-INDEPENDENT BUILDINGS-ROOF	220000	Camas Cogeneration	3110000	1996	12/31/1996	72,618.12	(68,282.75)	4,335.37		(68,282.75)	4,335.37	0.000	
311018220000	4	BU-INDEPENDENT BUILDINGS-ROOF	220000	Camas Cogeneration	3110000	1996	12/31/1996	354,486.56	(333,323.36)	21,163.20		(333,323.36)	21,163.20	0.000	
311018220000	5	BU-INDEPENDENT BUILDINGS-ROOF	220000	Camas Cogeneration	3110000	1996	12/31/1996	392,688.51	(369,244.61)	23,443.90		(369,244.61)	23,443.90	0.000	
311018220000	6	BU-INDEPENDENT BUILDINGS-ROOF	220000	Camas Cogeneration	3110000	1996	12/31/1996	128,716.48	(121,031.98)	7,684.50		(121,031.98)	7,684.50	0.000	
311018220000	7	BU-INDEPENDENT BUILDINGS-ROOF	220000	Camas Cogeneration	3110000	1996	12/31/1996	21,338.02	(20,064.12)	1,273.90		(20,064.12)	1,273.90	0.000	
311018220000	8	BU-INDEPENDENT BUILDINGS-ROOF	220000	Camas Cogeneration	3110000	1996	12/31/1996	308,024.73	(289,635.35)	18,389.38		(289,635.35)	18,389.38	0.000	
312005220000	1	AH-PLANT COMPUTER	220000	Camas Cogeneration	3120000	1996	12/31/1996	1,231,410.61	(1,158,216.28)	73,194.33		(1,158,216.28)	73,194.33	0.000	
312006220000	1	AS-AUXILIARY STEAM SAFETY VALVE	220000	Camas Cogeneration	3120000	1996	12/31/1996	281,180.12	(264,466.93)	16,713.19		(264,466.93)	16,713.19	0.000	
312022220000	1	CD-FW HEATER DRAIN TANK ASSEMBLY	220000	Camas Cogeneration	3120000	1996	12/31/1996	19,273.05	(18,127.48)	1,145.57		(18,127.48)	1,145.57	0.000	
312022220000	2	CD-FW HEATER DRAIN TANK ASSEMBLY	220000	Camas Cogeneration	3120000	1996	12/31/1996	165,885.94	(156,025.77)	9,860.17		(156,025.77)	9,860.17	0.000	
312022220000	3	CD-FW HEATER DRAIN TANK ASSEMBLY	220000	Camas Cogeneration	3120000	1996	12/31/1996	11,357.33	(10,682.26)	675.07		(10,682.26)	675.07	0.000	
312024220000	1	EX-EXTRACTION SYSTEM	220000	Camas Cogeneration	3120000	1996	12/31/1996	170,360.04	(160,233.94)	10,126.10		(160,233.94)	10,126.10	0.000	
312065220000	1	MS-MAIN STEAM ISOLATION VALVE	220000	Camas Cogeneration	3120000	1996	12/31/1996	1,166,019.89	(1,096,712.35)	69,307.54		(1,096,712.35)	69,307.54	0.000	
312065220000	2	MS-MAIN STEAM ISOLATION VALVE	220000	Camas Cogeneration	3120000	1996	12/31/1996	1,199,059.41	(1,127,788.01)	71,271.40		(1,127,788.01)	71,271.40	0.000	
312065220000	3	MS-MAIN STEAM ISOLATION VALVE	220000	Camas Cogeneration	3120000	1996	12/31/1996	99,462.73	(93,550.73)	5,912.00		(93,550.73)	5,912.00	0.000	
312065220000	4	MS-MAIN STEAM ISOLATION VALVE	220000	Camas Cogeneration	3120000	1996	12/31/1996	1,454,083.24	(1,367,653.37)	86,429.87		(1,367,653.37)	86,429.87	0.000	
314007220000	1	AZ-AIR CONDITIONING SYSTEM	220000	Camas Cogeneration	3140000	1996	12/31/1996	90,514.53	(85,158.86)	5,355.67		(85,158.86)	5,355.67	0.000	
314032220000	1	CT-COOLING TOWER PIPING	220000	Camas Cogeneration	3140000	1996	12/31/1996	58,851.65	(55,369.44)	3,482.21		(55,369.44)	3,482.21	0.000	
314050220000	1	GN-GENERATOR PROTECTION(PANELS,RELAYS,ACC.)	220000	Camas Cogeneration	3140000	1996	12/31/1996	7,256,649.77	(6,827,279.73)	429,370.04		(6,827,279.73)	429,370.04	0.000	
314050220000	2	GN-GENERATOR PROTECTION(PANELS,RELAYS,ACC.)	220000	Camas Cogeneration	3140000	1996	12/31/1996	688.32	(647.58)	40.74		(647.58)	40.74	0.000	
314062220000	1	LO-LUBE OIL PUMPS & PUMP MOTORS	220000	Camas Cogeneration	3140000	1996	12/31/1996	132,846.41	(124,986.00)	7,860.41		(124,986.00)	7,860.41	0.000	
314062220000	2	LO-LUBE OIL PUMPS & PUMP MOTORS	220000	Camas Cogeneration	3140000	1996	12/31/1996	23,058.83	(21,694.46)	1,364.37		(21,694.46)	1,364.37	0.000	
314062220000	3	LO-LUBE OIL PUMPS & PUMP MOTORS	220000	Camas Cogeneration	3140000	1996	12/31/1996	6,883.23	(6,475.96)	407.27		(6,475.96)	407.27	0.000	
314062220000	4	LO-LUBE OIL PUMPS & PUMP MOTORS	220000	Camas Cogeneration	3140000	1996	12/31/1996	85,007.94	(79,978.10)	5,029.84		(79,978.10)	5,029.84	0.000	
314062220000	5	LO-LUBE OIL PUMPS & PUMP MOTORS	220000	Camas Cogeneration	3140000	1996	12/31/1996	39,922.75	(37,560.55)	2,362.20		(37,560.55)	2,362.20	0.000	
314084220000	1	TB-TURBINE I P COUPLER	220000	Camas Cogeneration	3140000	1996	12/31/1996	9,498,519.18	(8,936,499.57)	562,019.61		(8,936,499.57)	562,019.61	0.000	
314084220000	2	TB-TURBINE I P COUPLER	220000	Camas Cogeneration	3140000	1996	12/31/1996	31,318.71	(29,465.61)	1,853.10		(29,465.61)	1,853.10	0.000	
314084220000	3	TB-TURBINE I P COUPLER	220000	Camas Cogeneration	3140000	1996	12/31/1996	688.32	(647.58)	40.74		(647.58)	40.74	0.000	
314084220000	4	TB-TURBINE I P COUPLER	220000	Camas Cogeneration	3140000	1996	12/31/1996	826,813.65	(777,891.76)	48,921.89		(777,891.76)	48,921.89	0.000	
314084220000	5	TB-TURBINE I P COUPLER	220000	Camas Cogeneration	3140000	1996	12/31/1996	494,216.22	(464,973.85)	29,242.37		(464,973.85)	29,242.37	0.000	
314084220000	6	TB-TURBINE I P COUPLER	220000	Camas Cogeneration	3140000	1996	12/31/1996	12,389.82	(11,656.72)	733.10		(11,656.72)	733.10	0.000	
314084220000	7	TB-TURBINE I P COUPLER	220000	Camas Cogeneration	3140000	2007	04/09/2007	58,068.38	(22,720.59)	35,347.79		(22,720.59)	35,347.79	0.000	
315002220000	1	AC-AUXILIARY TRANSFORMER	220000	Camas Cogeneration	3150000	1996	12/31/1996	250,893.89	(235,958.79)	14,935.10		(235,958.79)	14,935.10	0.000	
315002220000	2	AC-AUXILIARY TRANSFORMER	220000	Camas Cogeneration	3150000	1996	12/31/1996	1,652,664.55	(1,554,285.47)	98,379.08		(1,554,285.47)	98,379.08	0.000	
315002220000	3	AC-AUXILIARY TRANSFORMER	220000	Camas Cogeneration	3150000	1996	12/31/1996	308,363.35	(290,007.24)	18,356.11		(290,007.24)	18,356.11	0.000	
315002220000	5	AC-AUXILIARY TRANSFORMER	220000	Camas Cogeneration	3150000	1996	12/31/1996	365,155.58	(343,418.76)	21,736.82		(343,418.76)	21,736.82	0.000	
315002220000	6	AC-AUXILIARY TRANSFORMER	220000	Camas Cogeneration	3150000	1996	12/31/1996	723,083.76	(680,040.35)	43,043.41		(680,040.35)	43,043.41	0.000	
315002220000	7	AC-AUXILIARY TRANSFORMER	220000	Camas Cogeneration	3150000	1996	12/31/1996	410,584.92	(386,143.81)	24,441.11		(386,143.81)	24,441.11	0.000	
315002220000	8	AC-AUXILIARY TRANSFORMER	220000	Camas Cogeneration	3150000	1996	12/31/1996	354,142.61	(333,061.36)	21,081.25		(333,061.36)	21,081.25	0.000	
315002220000	9	AC-AUXILIARY TRANSFORMER	220000	Camas Cogeneration	3150000	2005	04/05/2005	79,761.05	(39,149.46)	40,611.59		(39,149.46)	40,611.59	0.000	
315002220000	10	AC-AUXILIARY TRANSFORMER	220000	Camas Cogeneration	3150000	2013	01/28/2013	159,163.59	(14,508.70)	144,654.89		(14,508.70)	144,654.89	0.000	
40063084	0	AIR PURIFIER	220000	Camas Cogeneration	3520000	1996	12/31/1996	25,075.98	(5,682.69)	19,393.29		(5,682.69)	18,005.40	1.000	EA
40063087	0	CLEARING, GRADING, & FILL MATERIAL (SURF	220000	Camas Cogeneration	3520000	1996	12/31/1996	10,614.87	(2,405.53)	8,209.34		(2,405.53)	7,621.84	1.000	LO
40063088	0	CONTROL BUILDING	220000	Camas Cogeneration	3520000	1996	12/31/1996	101,340.42	(22,965.66)	78,374.76		(22,965.66)	72,765.85	1.000	EA
40063089	0	FENCE	220000	Camas Cogeneration	3520000	1996	12/31/1996	1,866.10	(422.89)	1,443.21		(422.89)	1,339.93	1.000	LO
40063091	0	FOUNDATION AND SUBSTRUCTURE	220000	Camas Cogeneration	3520000	1996	12/31/1996	219,557.82	(49,755.97)	169,801.85		(49,755.97)	157,649.94	1.000	LO
40063095	0	RETAINING WALL	220000	Camas Cogeneration	3520000	1996	12/31/1996	24,177.89	(5,479.17)	18,698.72		(5,479.17)	17,360.55	1.000	LO
40063096	0	STORM SEWER SYSTEM	220000	Camas Cogeneration	3520000	1996	12/31/1996	14,007.31	(3,174.32)	10,832.99		(3,174.32)	10,057.72	1.000	LO
40063085	0	BATTERY AND RACK	220000	Camas Cogeneration	3530000	1996	12/31/1996	14,944.11	(3,672.01)	11,272.10		(3,672.01)	10,572.89	1.000	EA
40063086	0	BATTERY CHARGER	220000	Camas Cogeneration	3530000	1996	12/31/1996	7,980.44	(1,960.92)	6,019.52		(1,960.92)	5,646.13	1.000	EA
40063090	0	FOUNDATION AND SUBSTRUCTURE	220000	Camas Cogeneration	3530000	1996	12/31/1996	17,186.31	(4,222.95)	12,963.36		(4,222.95)	12,159.25	1.000	LO

Asset	SNo.	Asset description	Location	Location Description	FERC Acct	OrgYr	Cap.date	Acquisition Value	Accumulated Depreciation	Net Book Value	Depreciation Ratio	Accum.dep.	Book val.	Quantity	BUn
40063092	0	GROUND GRID SYSTEM	220000	Camas Cogeneration	3530000	1996	12/31/1996	4,861.82	(1,194.63)	3,667.19	0.2457161	(1,422.09)	3,439.73	1,000	LO
40063093	0	GROUP OPERATED SWITCH 69KV 1200A	220000	Camas Cogeneration	3530000	1996	12/31/1996	20,642.98	(5,072.31)	15,570.67	0.2457161	(6,038.15)	14,604.83	1,000	EA
40063094	0	RELAY AND CONTROL	220000	Camas Cogeneration	3530000	1996	12/31/1996	234,433.13	(57,604.01)	176,829.12	0.2457161	(68,572.64)	165,860.49	1,000	LO
40063097	0	STEEL STRUCTURE	220000	Camas Cogeneration	3530000	1996	12/31/1996	32,295.04	(7,935.41)	24,359.63	0.2457161	(9,446.43)	22,848.61	1,000	LO
40063098	0	VOLTAGE TRANSFORMER 69KV	220000	Camas Cogeneration	3530000	1996	12/31/1996	5,973.03	(1,467.67)	4,505.36	0.2457161	(1,747.14)	4,225.89	1,000	EA
40063099	1	VOLTAGE TRANSFORMER 69KV INSTALL COSTS	220000	Camas Cogeneration	3530000	1996	12/31/1996	2,656.11	(652.65)	2,003.46	0.2457161	(776.92)	1,879.19	1,000	EA
40063099	1	VOLTAGE TRANSFORMER 69KV	220000	Camas Cogeneration	3530000	1996	12/31/1996	5,973.03	(1,467.67)	4,505.36	0.2457161	(1,747.14)	4,225.89	1,000	EA
40063099	1	VOLTAGE TRANSFORMER 69KV INSTALL COSTS	220000	Camas Cogeneration	3530000	1996	12/31/1996	2,656.11	(652.65)	2,003.46	0.2457161	(776.92)	1,879.19	1,000	EA
40063100	0	WOOD STRUCTURE	220000	Camas Cogeneration	3530000	1996	12/31/1996	54,655.31	(13,429.69)	41,225.62	0.2457161	(15,986.90)	38,668.41	1,000	LO
40024816	1	BREAKER S/N 477423 INSTALL COSTS	220000	Camas Cogeneration	3534000	1996	12/31/1996	21,437.44	(5,267.53)	16,169.91	0.2457161	(6,270.54)	15,166.90	0,000	LO
40024812	0	STEP-UP TRANSFORMER S/N 0951014R0877	220000	Camas Cogeneration	3534000	1996	12/31/1996	460,717.77	(113,205.79)	347,511.98	0.2457161	(134,761.81)	325,955.96	1,000	LO
40024812	1	STEP-UP TRANSFORMER S/N 0951014R0877 INSTALL COSTS	220000	Camas Cogeneration	3534000	1996	12/31/1996	119,007.16	(29,241.98)	89,765.18	0.2457161	(34,810.07)	84,197.09	1,000	LO
40024816	0	BREAKER S/N 477423	220000	Camas Cogeneration	3534000	1996	12/31/1996	48,780.00	(11,986.03)	36,793.97	0.2457161	(14,268.35)	34,511.65	1,000	LO
30064196	0	CY2013 JAMES RIVER SUB COMM EQUIP (C/C 13747)	220000	Camas Cogeneration	3970000	2013	01/09/2013	7,843.17	(551.35)	7,291.82	0.2457161	(551.35)	7,291.82	1,000	LO
350200238093	1966	ACCESS ROAD RIGHT OF WAY	238093	Camas- Troutdale 115KV	3502000	1966	12/31/1966	49,784,203.39	(45,750,124.06)	4,034,079.33	0.6151472	(781.01)	350.54	0,000	
354700238093	1966	TOWERS NOT CLASSIFIED BY FUNCTION	238093	Camas- Troutdale 115KV	3540000	1966	12/31/1966	1,131.55	(696.07)	435.48	0.6678133	(331,446.92)	70,662.52	2,000	EA
355010238093	1966	WOOD POLES, <=60 FT	238093	Camas- Troutdale 115KV	3550000	1966	12/31/1966	402,126.44	(268,545.40)	133,581.04	0.6209445	(1,211.46)	29.30	2,000	EA
355150238093	1966	WOOD POLES, >=65 FT	238093	Camas- Troutdale 115KV	3550000	1966	12/31/1966	1,240.76	(770.44)	470.32	0.6209445	(4,516.25)	109.25	3,000	EA
355270238093	1966	CROSSARM, CROSS BRACES	238093	Camas- Troutdale 115KV	3550000	1966	12/31/1966	4,625.50	(2,872.18)	1,753.32	0.6209445	(6,358.90)	153.82	17,000	EA
355710238093	1966	ANCHOR	238093	Camas- Troutdale 115KV	3550000	1966	12/31/1966	6,512.72	(4,044.04)	2,468.68	0.6209445	(7,284.60)	176.23	130,000	EA
356810238093	1966	POST INSULATOR	238093	Camas- Troutdale 115KV	3560000	1966	12/31/1966	175.11	(116.52)	58.59	0.6654031	(170.00)	5.11	3,000	EA
356800238093	1966	DISC INSULATOR	238093	Camas- Troutdale 115KV	3560000	1966	12/31/1966	3,514.77	(2,338.74)	1,176.03	0.6654031	(3,412.24)	102.53	243,000	EA
356060238093	1966	WIRE, <=499 MCM	238093	Camas- Troutdale 115KV	3560000	1966	12/31/1966	905.50	(602.52)	302.98	0.6654031	(879.09)	26.41	5,308,000	FT
356070238093	1966	WIRE, >=500 THRU <=999 MCM	238093	Camas- Troutdale 115KV	3560000	1966	12/31/1966	26,460.19	(17,606.69)	8,853.50	0.6654031	(25,688.27)	771.92	12,677,000	FT
40086729	0	STEEL STRUCTURE	238093	Camas- Troutdale 115KV	3530000	1995	12/31/1995	13,553.34	(3,479.42)	10,073.92	0.2567202	(4,139.31)	9,414.03	1,000	LO
40086730	0	FOUNDATION AND SUBSTRUCTURE	238093	Camas- Troutdale 115KV	3530000	1995	12/31/1995	33,148.19	(8,509.81)	24,638.38	0.2567202	(10,123.75)	23,024.44	1,000	LO
40086731	0	BUS	238093	Camas- Troutdale 115KV	3530000	1995	12/31/1995	4,535.49	(1,164.35)	3,371.14	0.2567202	(1,385.18)	3,150.31	1,000	LO
40086728	0	GROUP OPERATED SWITCH 69KV	238093	Camas- Troutdale 115KV	3530000	1995	12/31/1995	11,355.11	(2,915.09)	8,440.02	0.2567202	(3,467.95)	7,887.16	4,000	EA
354709238093	1995	TOWERS NOT CLASSIFIED BY FUNCTION	238093	Camas- Troutdale 115KV	3540000	1995	12/31/1995	89,894.62	(25,608.81)	64,285.81	0.2848759	(31,806.05)	58,088.57	3,000	EA
355019238093	1995	WOOD POLES, <=60 FT	238093	Camas- Troutdale 115KV	3550000	1995	12/31/1995	564.12	(157.71)	406.41	0.2795646	(249.68)	314.44	3,000	EA
355159238093	1995	WOOD POLES, >=65 FT	238093	Camas- Troutdale 115KV	3550000	1995	12/31/1995	22,753.17	(6,360.98)	16,392.19	0.2795646	(10,070.31)	12,682.86	24,000	EA
356819238093	1995	POST INSULATOR	238093	Camas- Troutdale 115KV	3560000	1995	12/31/1995	845.08	(249.85)	595.23	0.2956472	(366.73)	478.35	81,000	EA
356079238093	1995	WIRE, >=500 THRU <=999 MCM	238093	Camas- Troutdale 115KV	3560000	1995	12/31/1995	12,184.91	(3,602.43)	8,582.48	0.2956472	(5,287.81)	6,897.10	5,103,000	FT
354709238093	1996	TOWERS NOT CLASSIFIED BY FUNCTION	238093	Camas- Troutdale 115KV	3540000	1996	12/31/1996	7,571.32	(2,047.48)	5,523.84	0.2704255	(2,544.43)	5,026.89	0,000	EA
355159238093	1996	WOOD POLES, >=65 FT	238093	Camas- Troutdale 115KV	3550000	1996	12/31/1996	2,990.60	(795.83)	2,194.77	0.2661107	(1,260.69)	1,729.91	1,000	EA
355019238093	1996	WOOD POLES, <=60 FT	238093	Camas- Troutdale 115KV	3550000	1996	12/31/1996	2,313.38	(615.62)	1,697.76	0.2661107	(975.20)	1,338.18	3,000	EA
355719238093	1996	ANCHOR	238093	Camas- Troutdale 115KV	3550000	1996	12/31/1996	6,986.85	(1,859.28)	5,127.57	0.2661107	(2,945.32)	4,041.53	121,000	EA
356809238093	2008	DISC INSULATOR	238093	Camas- Troutdale 115KV	3560000	2008	05/08/2009	3.54	(0.36)	3.18	0.1008976	(0.54)	3.00	3,000	EA
				Camas- Troutdale 115KV Total				662,853.09	(359,592.38)	303,260.71					
				Grand Total				50,447,056.48	(46,109,716.44)	4,337,340.04					

Yellow = 1995 vintage transmission assets assumed to be part of sale. 1996 vintage asset replaced an original 1995 pole retired.

**ATTACHMENT E**

**Proposed Journal Entries**

**Proposed Entry to Record the Sale of Camas Cogeneration and Transmission Facility**

**1. Record receipt of proceeds and closing costs from the sale of Camas Cogeneration assets**

FERC Account	Description	Debit	Credit
131	Cash	\$ 485,968	
102	Electric Plant Purchased or Sold - Sales Price		\$ 485,968

**2. Record the retirement of Camas Cogeneration and Transmission assets**

FERC Account	Description	Debit	Credit
108	Accumulated Depreciation	\$ 34,873,245	
102	Electric Plant Purchased or Sold	1,228,663	
101	Electric Plant in Service		\$ 36,101,908

**3. To clear account 102 - Electric plant purchased or sold to account 421.2 - Loss on disposition of property and record the Oregon Balancing Account Regulatory Liability Adjustment**

FERC Account	Description	Debit	Credit
421.2	Loss on Disposition of Property	\$ 555,537	
254	Other Regulatory Liabilities - OR 25.1998%	187,158	
102	Electric Plant Purchased or Sold		\$ 742,695

**4. Record current and deferred tax on the sale of Camas Cogeneration and Transmission assets and to record the deferred tax on the Oregon Balancing Account Regulatory Liability Adjustment**

FERC Account	Description	Debit	Credit
146	Accounts Receivable from Associated Companies	\$ 2,078,843	
409.1	Income Taxes, Utility Operating Income		\$ 2,078,843
410.1	Provision for Deferred Income Taxes, Utility Operating Income	\$ 1,796,982	
282	Accumulated Deferred Income Taxes - Other Property		\$ 1,796,982
410.1	Provision for Deferred Income Taxes, Utility Operating Income	\$ 58,240	
283	Accumulated Deferred Income Taxes - Other	35,622	
182.3109	Regulatory Asset - FAS 109		\$ 93,862
410.1	Provision for Deferred Income Taxes, Utility Operating Income	\$ 71,028	
190	Accumulated Deferred Income Taxes		\$ 71,028