

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1742**

Surprise Valley Electrification Corp.,            )  
Complainant,    )  
  )  
v.    )  
  )  
PacifiCorp, dba Pacific Power,                    )  
Defendant.    )  
  )  
\_\_\_\_\_)

**EXHIBIT SVEC/100**

**DIRECT TESTIMONY OF BRAD KRESGE**

**March 15, 2016**

1 **I. INTRODUCTION**

2  
3 **Q. Please state your name and business address.**

4 **A.** My name is Brad Kresge. I am the General Manager at Surprise Valley  
5 Electrification Corp. (“Surprise Valley”). My business address is 516 U.S.  
6 Highway 395E, Alturas, California 96101.

7 **Q. Please summarize your background and experience.**

8 **A.** I have worked at Surprise Valley since 1989, and I worked in positions of  
9 increasing responsibility until I became the General Manager in 2014. A further  
10 description of my educational background and work experience can be found in  
11 Exhibit SVEC/101 in this proceeding.

12 **Q. On whose behalf are you appearing in this proceeding?**

13 **A.** I am testifying on behalf of Surprise Valley in this Oregon Public Utility  
14 Commission (the “Commission” or “OPUC”) complaint.

15 **Q. Have you previously testified before the Commission?**

16 **A.** No.

17 **Q. What topics will your testimony address?**

18 **A.** My testimony will provide an overview of Surprise Valley and the Paisley  
19 geothermal qualifying facility (“QF”) project (“Paisley Project”).

20 My testimony will also summarize the negotiations with PacifiCorp to  
21 enter into a power purchase agreement (“PPA”) for the entire net output of the  
22 Paisley Project. The negotiations have been characterized by PacifiCorp  
23 delaying, providing incorrect information, refusing to answer questions and  
24 provide draft PPAs, and failing to live up to its promises to enter into a contract at  
25 avoided cost rates in effect before August 20, 2014.

1 **Q. Please summarize what Surprise Valley is requesting the Commission to do**  
2 **in this proceeding.**

3 **A.** There are a number of factual and legal issues that are addressed throughout this  
4 testimony and will be addressed in briefing; however, Surprise Valley is asking the  
5 Commission to order PacifiCorp to enter into a PPA to purchase the entire net  
6 output of the Paisley Project at rates in effect before August 20, 2014.

7 PacifiCorp has raised a number of obstacles and excuses regarding why it  
8 will not enter into a PPA. PacifiCorp's reasons have constantly changed  
9 throughout the over two years of discussions, but my understanding is that the  
10 company's potentially most important remaining issue is that Surprise Valley has  
11 not provided transmission arrangements. As will be explained by other witnesses  
12 and legal briefing, Surprise Valley has provided sufficient transmission  
13 arrangements. In addition, this is a new issue that was not raised until after  
14 Surprise Valley filed our complaint, and it is unclear what transmission  
15 arrangements would be acceptable to PacifiCorp. If the Commission addresses  
16 the transmission arrangements issues, Surprise Valley requests that the  
17 Commission conclude that it has already provided sufficient transmission  
18 arrangements, and the additional transmission requirements (whatever those are)  
19 are not required.<sup>1</sup>

20 If the Commission determines that Surprise Valley needs to provide  
21 additional transmission arrangements, then Surprise Valley requests that the  
22 Commission direct PacifiCorp to specifically state what those are and to direct

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<sup>1</sup> Counsel has informed me that PacifiCorp's transmission arrangement arguments may be outside of the Commission's jurisdiction and subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC"). This issue may be addressed in legal briefing, once it becomes clear what PacifiCorp's position is.

1 PacifiCorp to enter into a PPA at rates in effect prior to August 20, 2014 after the  
2 transmission arrangement issue is resolved.

3 Surprise Valley also does not know if PacifiCorp believes that additional  
4 metering is required to sell the net output to PacifiCorp, or if Surprise Valley's  
5 points of delivery are acceptable. Surprise Valley requests that the Commission  
6 direct PacifiCorp to inform Surprise Valley what metering and points of delivery  
7 PacifiCorp believes are necessary, and to purchase the net output of the Paisley  
8 Project pending resolution of these issues (if any).<sup>2</sup>

9 **Q. Is Surprise Valley sponsoring additional witnesses?**

10 **A.** Yes. Lynn Culp, Surprise Valley's Member Service Manager, is submitting more  
11 detailed testimony on the interconnection, transmission, and PPA negotiation  
12 process, as well as certain project details. Mr. Culp has been involved with the  
13 Paisley Project since February 2009, and was often the primary contact with  
14 PacifiCorp.

15 Gary Saleba and Gail Tabone with EES Consulting are submitting  
16 testimony on Surprise Valley's transmission arrangements. After Surprise Valley  
17 filed our complaint, PacifiCorp raised a new issue regarding the company's  
18 position that Surprise Valley needs to provide transmission arrangements across  
19 our own system to sell the net output of the Paisley Project. Mr. Saleba and Ms.  
20 Tabone explain why Surprise Valley has provided sufficient transmission  
21 arrangements. While it is still not entirely clear, PacifiCorp only communicated

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<sup>2</sup> Counsel has informed me that it is unclear what the specific grounds are for PacifiCorp's refusal to provide metering are, and this issue may also be subject to FERC's jurisdiction.

1           some their position on what transmission arrangements they believe Surprise  
2           Valley should provide in the last couple months.

3                     Stephen Anderson with Evergreen Engineering is submitting testimony on  
4           electrical engineering, and technical details regarding metering, distribution,  
5           transmission, generation, and delivery. Mr. Anderson will also provide an overall  
6           description of the Surprise Valley electrical system.

7                     Shawn Dolan of Kootenai Electric Cooperative (“Kootenai”) is submitting  
8           testimony regarding the electric engineering, and technical details regarding  
9           metering, distribution, transmission, generation, and delivery for Kootenai’s  
10          Fighting Creek Landfill Gas Project QF. It is my understanding that the technical  
11          and engineering aspects of the Fighting Creek are substantially the same as the  
12          Paisley Project. Mr. Dolan explains that Kootenai sold the entire net output of its  
13          behind the meter Fighting Creek QF power to Avista, which displaced Bonneville  
14          Power Administration (“BPA”) power Avista which wheeled to Kootenai. Avista  
15          did not raise any of the issues or concerns that are the subject to the litigation in  
16          this proceeding. In addition to the Kootenai QF, I am generally aware that Idaho  
17          Power entered into a similar QF displacement contract with Co-Gen Co., a QF  
18          that was located in the service territory of Oregon Trail Electric Cooperative. I  
19          am not an expert in issues related to PacifiCorp’s other QF PPAs or the legal  
20          meaning of displacement, but I have been made aware that PacifiCorp has entered  
21          into PPAs with other QFs with net output that was smaller than the QF’s load or  
22          smaller than the load of the QF’s serving utility. In some of these transactions,

1 the power that PacifiCorp received was displaced BPA power that BPA would  
2 have otherwise delivered to serve its customers' load.<sup>3</sup>

3 **II. SURPRISE VALLEY**

4 **Q. Please describe Surprise Valley.**

5 **A.** Surprise Valley is a non-profit rural cooperative, owned by those it serves with  
6 customers in Oregon, California, and Nevada. Surprise Valley's service territory  
7 is in a rural and economically depressed part of the state that is in need of  
8 business development. Surprise Valley was formed in 1937 and began supplying  
9 power in 1938 to provide reliable electric service to its members at the lowest cost  
10 possible. Surprise Valley has 23 full time employees, and about 4,500 member  
11 customers.

12 Surprise Valley serves a rural ranching region of high desert and  
13 intermountain valleys of southern Oregon, northeast California, and northwest  
14 Nevada. This region has a short growing season of 90-120 days, producing  
15 forage for both grazing and hay production, including dairy quality alfalfa and  
16 high quality grass hay. These crops cannot be grown without irrigation water due  
17 to the lack of precipitation in this region. Much of the irrigation water is pumped  
18 from deep wells or canals. Surprise Valley plays a key role in the economic  
19 viability of these traditionally low margin crops by supply reliable and affordable  
20 electricity to operate the irrigation pumping systems. This three state region is  
21 sparsely populated with no industrial or large retail customers.

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<sup>3</sup> Exhibit SVEC/203, Culp/12 (PacifiCorp Response to SVEC DR 1.8).

1 **Q. Please describe Surprise Valley’s electrical needs and how it obtains its**  
2 **power.**

3 **A.** We are a full requirements customer of BPA. This means that BPA provides  
4 power to meet all of Surprise Valley’s electric needs. Surprise Valley’s 2014  
5 annual kilowatt (“kW”) hour (“kWh”) load was approximately 164,284,300, its  
6 peak load was approximately 39,171 kW, and its minimum load was 14,291  
7 kW.

8 Surprise Valley purchases transmission service from BPA. BPA transmits  
9 a portion of the electricity used to meet Surprise Valley’s load directly to Surprise  
10 Valley at BPA’s Canby substation in BPA’s balancing authority where BPA’s and  
11 Surprise Valley’s facilities are connected. BPA transmits the majority of the  
12 electricity used to meet Surprise Valley’s load to Surprise Valley using  
13 transmission facilities owned by PacifiCorp that are in PacifiCorp’s balancing  
14 authority. PacifiCorp transmits and delivers the electricity to Surprise Valley at  
15 the Alturas, Austin, Cedarville Junction, Davis Creek, and Lakeview substations.  
16 BPA is contractually required to deliver, and has always delivered, power to  
17 Surprise Valley to meet our full retail load, which significantly exceeds the net  
18 output of the Paisley Project.

19 Surprise Valley also provides transmission or wheeling service across a  
20 portion of Surprise Valley’s system to PacifiCorp under a transfer agreement  
21 dated November 13, 2013.<sup>4</sup> Surprise Valley has provided transmission or  
22 wheeling service to PacifiCorp across Surprise Valley’s system under separate

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<sup>4</sup> Exhibit SVEC/102.

1 transmission agreements since at least the 1980s.<sup>5</sup> This is a below-market  
2 transaction that benefits PacifiCorp's customers who do not have to pay to build  
3 an expensive transmission line in this area.

4 Under the current agreement, Surprise Valley makes power and energy  
5 available to PacifiCorp at the interconnection of the parties' facilities in Surprise  
6 Valley's Cedarville substation. PacifiCorp provides a like amount of electric  
7 power and energy to Surprise Valley at BPA's Cedarville Junction substation for  
8 transfer. PacifiCorp pays a charge for the transfer of power and losses. Transfers  
9 are subject to certain general wheeling provisions in the transfer agreement.

10 Initially such demand was 2,500 kW, and amounts of electricity are determined  
11 from measurements, adjusted for losses, using Surprise Valley's metering. Peak  
12 monthly usage last year was about 1,175 kW in July. This is normal for most  
13 years, and a couple years ago peaked at around 1,300 kW.

14 Surprise Valley has never required PacifiCorp to obtain ancillary services  
15 or e-Tags, or purchase the power under a transmission tariff to facilitate this  
16 transfer service. PacifiCorp has never insisted that the company provide ancillary  
17 services or e-Tags to Surprise Valley. Neither Surprise Valley nor PacifiCorp  
18 have any concerns regarding this metering tracking transfers. Surprise Valley's  
19 metering is sufficient to track electricity under the transfer agreement when it  
20 benefits PacifiCorp; however, PacifiCorp has been unwilling to enter into a final  
21 agreement to track the generation of the Paisley Project.

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<sup>5</sup> Exhibit SVEC/103.



1 **III. PAISLEY PROJECT**

2 **Q. Please describe the Paisley Project.**

3 **A.** Surprise Valley has been developing the Paisley Project since 2009. The fuel  
4 source is supplied by two geothermal wells that supply water that is almost 240-  
5 degrees Fahrenheit. Mr. Anderson will provide the technical details of the 3.65  
6 megawatt (“MW”) rated output and 2.3 MW maximum net output project.

7 **Q. Why did Surprise Valley develop the Paisley Project?**

8 **A.** Surprise Valley is not a large or sophisticated utility or power developer, nor is  
9 our primary business is to build electric generation resources. Our original plan  
10 was to sell this valuable renewable energy on the market for a number of years,  
11 and bring it back for our own members use to offset or reduce Tier 2 energy costs  
12 when we need it.

13 We chose a geothermal resource because southeastern Oregon has shown  
14 tremendous geothermal potential, despite the lack of actual commercial projects.  
15 Geothermal water has heated homes and buildings in Klamath Falls, Oregon, for a  
16 century. The plant will be available twenty-four hours a day. With no cost for  
17 fuel and the ability to offer baseload renewable power, geothermal has the  
18 potential to be a small but important part of Oregon’s approach to addressing  
19 carbon regulation and climate change.

20 The plant has been producing renewable power in commercial quantities  
21 since July 12, 2014. We have not operated during all hours of the day, but we  
22 generated 110,030 kWh of power between July 12, 2015 and September 30, 2015.  
23 Prior to July 12, 2015, we ran the Paisley Project for short periods of time. This  
24 has resulted in power increase on PacifiCorp’s system that has benefited the

1 company's customers, but Surprise Valley has not been compensated for this  
2 power. Surprise Valley was able to enter into a temporary and interim  
3 arrangement with BPA to use the net output to serve load and reduce our  
4 purchases from BPA without losing our Tier 1 power starting October 1, 2015.

5 The Paisley Project has other tangible benefits. The elaborate system of  
6 pipes and towers created construction opportunities in an area constantly  
7 struggling with double-digit unemployment. It has been a boost for the local  
8 economy, and is part of Surprise Valley's continuing commitment to helping the  
9 community. Revenues from the project will help keep electricity costs low in this  
10 area, which will also directly benefit the local economy and community. If  
11 successful, the project may spur additional geothermal development, which will  
12 benefit the Oregon economy, the environment, and electric customers.

13 **Q. Did Surprise Valley finance the entire project?**

14 **A.** No. To help offset the financial obligation Surprise Valley was the recipient of  
15 two major financial incentives, one from the U.S. Department of Energy and  
16 another through the Oregon Department of Energy. This funding helped purchase  
17 the infrastructure necessary to make the project a reality.

18 **Q. Has Surprise Valley been assisted by other private, state, and federal**  
19 **entities?**

20 **A.** The success of the Paisley Project will be the result of a combined effort of  
21 numerous state and federal agencies and private non-profits. We also received  
22 valuable assistance from the Bonneville Environmental Foundation, the Energy  
23 Trust of Oregon, BPA, Oregon Department of Geology and Minerals, Oregon  
24 Water Resources Department, Oregon Department of Environmental Quality,

1 Lake County Planning Department, Lake County Watermaster, Lake County  
2 Commissioners, Lake County Assessor/Enterprise Zone, Oregon Institute of  
3 Technology, Boise State University, Oregon Geothermal Working Group,  
4 Geothermal Resource Council, Oregon Senator Whitsett and Representative  
5 McLane, U.S. Senator Merkley and staff, and Oregon Rural Electric Cooperative  
6 Association. This does not include the private contractors and companies  
7 Surprise Valley has employed.

8 **Q. Has BPA raised any concerns with tracking and metering the Paisley**  
9 **Project's net output to ensure that Surprise Valley continues to purchase**  
10 **BPA power for its entire retail load?**

11 **A.** No. Similar to the entities identified above, BPA has been extremely helpful  
12 throughout the entire process. BPA has participated in numerous meetings with  
13 PacifiCorp, and has repeatedly expressed surprise and confusion regarding the  
14 issues and concerns that PacifiCorp has raised over the last couple years. Surprise  
15 Valley is extremely appreciative of the efforts BPA has made to assist and  
16 educate both PacifiCorp and ourselves.

17 From BPA's perspective, there are no concerns with metering the Paisley  
18 Project's net output that would be sold to PacifiCorp, Surprise Valley's load, or  
19 BPA power that will be scheduled or delivered to Surprise Valley. Surprise  
20 Valley will continue to be a full requirements customer of BPA, and purchase  
21 BPA power for our retail load, after we sell the power to a third party like  
22 PacifiCorp. Surprise Valley's power sales agreement with BPA was amended to  
23 include a point of delivery at the Paisley Project location to allow BPA to measure  
24 the amount of power that Surprise Valley purchases from BPA.

1 **IV. SURPRISE VALLEY AND PACIFICORP'S HISTORIC RELATIONSHIP**

2 **Q. Has Surprise Valley historically had a good business relationship with**  
3 **PacifiCorp?**

4 **A.** Yes. Surprise Valley has historically worked collaboratively with PacifiCorp on a  
5 wide range of matters. The transmission and wheeling agreement mentioned  
6 above is one example in which Surprise Valley is providing a low cost service to  
7 PacifiCorp.

8 For many years we have worked side by side with PacifiCorp as our  
9 service territories run together in a number of locations. Over the past couple of  
10 decades PacifiCorp has removed their line crew and servicemen from this area, to  
11 the point that the closest crew is 100 miles away and only one serviceman in the  
12 area. On numerous occasions we have responded to emergency situations that  
13 have protected the lives of the public, when PacifiCorp was too far away to  
14 respond appropriately. We have de-energized PacifiCorp lines that have fallen to  
15 the ground or on vehicles, put out fires on PacifiCorp poles, provided line crew to  
16 help PacifiCorp locate the cause of numerous outages, and provided materials and  
17 equipment to assist them in an emergency. When PacifiCorp was required to  
18 complete the K03 Mile High Alturas 115kv distribution work, we changed our  
19 schedule to accommodate them and sent crews out to lower distribution arms to  
20 meet PacifiCorp's schedule, charging them a very low rate for this work. We  
21 have never charged PacifiCorp for any of the other work, or assistance we have  
22 provided over the decades, doing it in good faith as a good neighbor.

23 We relied upon PacifiCorp to be an honest business partner and to assist in  
24 the interconnection, transmission, and PPA process. We have been surprised by

1 the creative ways in which our trust and faith was taken advantage of by the  
2 company. It did not become apparent to us that PacifiCorp was not negotiating in  
3 good faith until late in the process. We would have taken a much different  
4 approach in many aspects of the discussions if we had not relied upon  
5 PacifiCorp's numerous unfulfilled promises.

6 **V. POWER PURCHASE AGREEMENT NEGOTIATIONS**

7 **Q. Please summarize the power purchase agreement process.**

8 **A.** Surprise Valley has been attempting to enter into a power purchase agreement  
9 with PacifiCorp for the Paisley Project over two years. PacifiCorp has provided  
10 vague, contradictory, and inconsistent information regarding what it needed to  
11 enter into a power purchase agreement with Surprise Valley. Once Surprise  
12 Valley would provide the information PacifiCorp claimed it needed, PacifiCorp  
13 would then state that it needed new information and develop entirely new  
14 requirements or hurdles. PacifiCorp also delayed, stalled, and ultimately refused  
15 to provide information or draft contracts. In addition, PacifiCorp did not inform  
16 Surprise Valley about what information Surprise Valley would need to provide to  
17 enter into a PPA. Finally, PacifiCorp repeatedly broke its word regarding  
18 numerous aspects of the negotiations, including promises to enter into a PPA at  
19 rates in effect before August 20, 2014.

20 My testimony will not address all the details of the negotiation process,  
21 but only address certain major issues, and Mr. Culp will provide more detailed  
22 information. For example, Mr. Culp's testimony will specifically identify  
23 individuals present in meetings and when certain information was communicated  
24 between the parties.

1 **Q. Is Surprise Valley willing to sign a QF PPA for the sale of the net output of**  
2 **the Paisley Project?**

3 **A.** Yes. Surprise Valley has always been willing to sign such a contract, but  
4 PacifiCorp never provided a contract for execution. While I am not an expert on  
5 power contract matters, Surprise Valley has been willing to sign a PPA for the full  
6 net output of the Paisley Project. While the company's position has shifted  
7 throughout the PPA discussions, PacifiCorp is currently not willing to sign an "on  
8 system" PPA because the company is only willing to pay for the portion of the  
9 generation that exceeds the amount delivered to Surprise Valley's retail loads at  
10 the Lakeview substation.

11 Surprise Valley has also been willing to sign what the company calls its  
12 "off system" PPA. The off system PPA would need to be revised because it does  
13 not reflect all of Surprise Valley's specific circumstances (e.g., Surprise Valley is  
14 located in PacifiCorp's balancing authority and the standard off system PPA is  
15 drafted for a QF that is not located in PacifiCorp's balancing authority). I am not  
16 an expert in the differences between on and off system PPAs. Mr. Saleba's  
17 testimony provides more detail on this issue.

18 PacifiCorp previously described the Paisley Project as first an off system  
19 QF, then as an on system QF, and then through most of the negotiations as an  
20 on/off system QF. After Surprise Valley filed this complaint, PacifiCorp  
21 adopted the position that Surprise Valley is an off system QF and must provide  
22 "transmission arrangements" to deliver the net output across Surprise Valley's  
23 transmission system to be eligible to sell the entire net output. Despite years of  
24 detailed negotiations and discussions, PacifiCorp never explained this position to

1 Surprise Valley. Only in about the last couple months has Surprise Valley,  
2 through the discovery process, been provided with a portion of the information  
3 regarding what PacifiCorp means by “transmission arrangements.” Mr. Saleba  
4 and Ms. Tabone will provide more information regarding the issue of  
5 “transmission arrangements.”

6 **Q. Please describe the initial negotiation process.**

7 **A.** PacifiCorp provided vague, inconsistent, and contradictory information from the  
8 start of the negotiations.

9 **Q. Please provide an example.**

10 **A.** As mentioned above, PacifiCorp was unclear about whether the Paisley Project  
11 should be considered an off-system, on-system, or combined on/off-system QF  
12 for purposes of which standard contract to utilize. My understanding now is that  
13 the confusion exists because the Paisley Project is directly interconnected to  
14 Surprise Valley’s distribution system, suggesting it is “off-system”, but the  
15 Paisley Project is also electrically located in PacifiCorp’s balancing authority,  
16 suggesting it is “on-system.” Initially, PacifiCorp stated the project was an off-  
17 system QF for purposes of which standard contract to utilize, and then the  
18 company determined it was an on-system QF. Ultimately, PacifiCorp concluded  
19 that we should be processed as combined on/off-system QF, and PacifiCorp  
20 provide a combined on/off system draft power purchase agreement on February  
21 10, 2014. The company has come full circle and now apparently believes the  
22 Paisley Project is an off-system QF.

23

1 **Q. Were transmission and metering issues a concern for PacifiCorp?**

2 **A.** Yes, unlike BPA, PacifiCorp has raised a number of often changing concerns  
3 about transmission and metering issues. PacifiCorp provided vague, inconsistent,  
4 and contradictory information about transmission and metering, which is  
5 explained in more detail in Mr. Culp's testimony.

6 PacifiCorp was never clear about what, if any, transmission and metering  
7 arrangements are required for Surprise Valley to sell the project's net output. At  
8 some point, PacifiCorp stated that the Paisley Project would not be a QF if  
9 Surprise Valley used the Paisley Project's net output to offset or displace BPA  
10 power that PacifiCorp transmits to Surprise Valley. PacifiCorp also appeared to  
11 believe that Surprise Valley would need to wheel power over BPA's transmission  
12 system and that Surprise Valley was in BPA's balancing authority rather than  
13 PacifiCorp's balancing authority. Surprise Valley explained that BPA did not  
14 own any of the facilities (except a meter), and that Surprise Valley was directly  
15 connected with PacifiCorp. PacifiCorp appeared to subsequently agree that  
16 Surprise Valley would not need to purchase transmission from BPA.

17 PacifiCorp never stated or explained that it believed that Surprise Valley  
18 would need to verify deliveries through an open access transmission tariff, or  
19 wholesale distribution tariff.<sup>6</sup> PacifiCorp did not explain exactly how it wants  
20 Surprise Valley to track, verify, and transfer energy across its own distribution

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<sup>6</sup> Surprise Valley was for the first time made aware of PacifiCorp's alleged concerns about Surprise Valley not having an open access transmission tariff, wholesale distribution tariff, or other transmission verification when PacifiCorp filed its answer on July 29, 2015.



1 system. We were not aware that this was an issue until PacifiCorp filed an answer  
2 to our complaint in July 2015.

3 Instead, PacifiCorp's Energy Services Management ("ESM")<sup>7</sup> informed  
4 Surprise Valley that the issues related to metering and measurement of power  
5 would be resolved through the application for transmission service from  
6 PacifiCorp ESM's for network transmission service from PacifiCorp's  
7 transmission business line ("PacifiCorp Transmission"). PacifiCorp ESM made it  
8 clear that the purpose of this internal request for network transmission would be  
9 to identify and resolve all issues related to metering and measuring the Paisley  
10 Project's net output that would be required for PacifiCorp ESM to take delivery  
11 and title to the entire net output for its use. In other words, PacifiCorp agreed that  
12 Surprise Valley would not need to "physically deliver power" but could offset and  
13 displace power deliveries once PacifiCorp Transmission approved a transmission  
14 request and identified all required metering upgrades. However, because this was  
15 in internal request the PacifiCorp ESM made to PacifiCorp Transmission,  
16 Surprise Valley had no power to speed up the processing of the request or directly  
17 communicate our concerns with PacifiCorp Transmission.

18 While this transmission service request provided a path forward to  
19 resolving the metering issue, it also caused considerable delay in the contract  
20 negotiation process. Between approximately February 2014 and July 2014,  
21 PacifiCorp ESM stated that it would not sign a PPA until PacifiCorp

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<sup>7</sup> PacifiCorp ESM is the current name for PacifiCorp's merchant operations, which has formerly known and described in the documents and communications as PacifiCorp Energy, PacifiCorp Commercial and Trading, or PacifiCorp Merchant.

1 Transmission approved the network transmission service request. This slowed  
2 down Surprise Valley's process.

3 After it became clear that PacifiCorp Transmission had not identified  
4 major concerns or metering upgrades, PacifiCorp ESM changed its position and  
5 stated in July 2014 that it could sign a PPA before the transmission request was  
6 approved by PacifiCorp Transmission. In August 2014, however, PacifiCorp  
7 again changed its position and stated that there were unresolved and unidentified  
8 metering and measurement issues. Throughout this process, PacifiCorp ESM  
9 never stated that it had any concerns with Surprise Valley providing transmission  
10 arrangements across our own distribution/transmission system.

11 **Q. Were there other issues that delayed the negotiation process?**

12 **A.** Yes. There were numerous delays caused by PacifiCorp in the PPA negotiation  
13 process, including but not limited to PacifiCorp providing multiple draft PPAs  
14 early in the process, not providing draft PPAs and language after February 2014,  
15 proposing a "Jury Trial Waiver" provision in the draft PPA, not keeping us  
16 informed of decisions that it had made, changing employees and parties  
17 responsible for managing the project, delaying in providing approvals, and asking  
18 for information that it later decided was not needed, was otherwise inappropriate,  
19 or that they should have requested earlier. Mr. Culp provides more information  
20 about some of the PPA-related delays.

21 PacifiCorp did not process the transmission request as quickly as it should  
22 have. The transmission service request process took about eight months.  
23 PacifiCorp ESM also took considerable time in pursuing construction agreements

1 after the studies were completed, and continues to be evasive regarding what  
2 metering requirements are necessary. Mr. Culp's testimony provides additional  
3 information about these delays that were caused by PacifiCorp.

4 As explained above, the transmission related delays impacted the PPA  
5 negotiations because PacifiCorp ESM stated it would not sign a PPA until the  
6 PacifiCorp Transmission studies were completed. These delays also could have  
7 prevented the Paisley Project from generating any power. PacifiCorp  
8 Transmission originally wanted the transmission upgrades to be completed before  
9 the Paisley Project was commercially operational, which would have been  
10 impossible after PacifiCorp's delays. However, PacifiCorp Transmission  
11 eventually agreed to allow Surprise Valley to use the existing metering on an  
12 interim basis.

13 **Q. Was Surprise Valley concerned about the length of the negotiation process?**

14 **A.** Yes. We expressed our concern early in the negotiation process. For example, on  
15 January 3, 2014, Surprise Valley requested that negotiations occur so that a final  
16 power purchase agreement would be executed no later than the end of February  
17 2014. At that time, PacifiCorp stated that it would not be ready to sign a power  
18 purchase agreement until March 2014 at the earliest. Surprise Valley continued to  
19 express interest in quickly entering into a PPA.

20 **Q. Despite the delays, was Surprise Valley able to provide PacifiCorp with a**  
21 **power purchase agreement?**

22 **A.** Yes. Surprise Valley sent PacifiCorp ESM a complete draft PPA with all project  
23 specific information included on May 20, 2014.<sup>8</sup> We stated that we were

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<sup>8</sup> Exhibit SVEC/206.

1 prepared to execute the draft PPA, we were concerned about the length of time it  
2 has taken to finalize the PPA, and timing was critical. Surprise Valley also  
3 requested confirmation that we did not need any additional interconnection  
4 agreements, a final determination of our creditworthiness, and asked some  
5 clarification questions about the PPA terms.

6 All or nearly all of the information in the May 20, 2014 draft PPA should  
7 not have been new to PacifiCorp. We were providing information to PacifiCorp  
8 as it became available before we sent the first draft PPA. By January 9, 2014, we  
9 had provided all the project specific information required in Schedule 37, and we  
10 understood that we had provided all documentation and information requested by  
11 PacifiCorp.<sup>9</sup> We were in near daily communications with the company providing  
12 follow up information, and on April 14, 2014, we provided a “concept paper”  
13 explaining our proposal regarding metering. Our metering proposal and draft  
14 PPA provided on May 20, 2014 was based on what we believed PacifiCorp had  
15 previously communicated would be acceptable to the company.

16 **Q. If Surprise Valley was committed to selling power to PacifiCorp, why did**  
17 **Surprise Valley state that it was willing to discuss the contract specifics and**  
18 **why didn’t Surprise Valley sign the draft PPA?**

19 **A.** While we thought there was overall agreement on the basic approach, we were not  
20 sure if PacifiCorp was willing to agree to all the specific details regarding  
21 metering in the draft PPA, and PacifiCorp had previously stated that it would not  
22 execute a PPA until after PacifiCorp Transmission approved the transmission

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<sup>9</sup> For the first time in its Answer to our complaint, PacifiCorp states that Surprise Valley has not provided all the required Schedule 37 information. Mr. Culp’s testimony addresses this point explaining that Surprise Valley has provided all the required information and PacifiCorp did not inform Surprise Valley of these concerns until after we filed a complaint.

1 service request. In addition, our understanding of the process was that we would  
2 provide our information to the company, and then the company would prepare a  
3 final draft contract, even if we were ready to sign the contract at an earlier date.  
4 While Surprise Valley was ready to sign the draft PPA, we wanted to address any  
5 concerns PacifiCorp had and continue to work with them in a collaborative and  
6 constructive manner. At this point, we did not understand that PacifiCorp was not  
7 being honest or negotiating in good faith.

8 **Q. What was PacifiCorp's response to the draft PPA?**

9 **A.** PacifiCorp never provided written comments or a revised PPA to Surprise Valley  
10 on the May 20, 2014 draft or our earlier concept paper. Throughout the end of  
11 May, June and July 2014, Surprise Valley requested a final draft PPA from  
12 PacifiCorp, that PacifiCorp move forward with a PPA, and that a meeting occur to  
13 sign and/or resolve any remaining issues related to the PPA.

14 **Q. Why was Surprise Valley repeatedly requesting to finalize the PPA?**

15 **A.** One key reason was that we became aware that PacifiCorp filed lower avoided  
16 cost rates on April 10, 2014. PacifiCorp did not inform us of this proposed rate  
17 change, but we discovered it ourselves.

18 **Q. Did PacifiCorp provide any assurances regarding the upcoming rate change?**

19 **A.** Yes. On June 6, 2014, I met with Pacific Power's president Pat Reiten to discuss  
20 the Paisley Project. I specifically asked about Pacific Power's position on  
21 whether the existing Schedule 37 rates or the newly filed Schedule 37 rates would  
22 apply to the Paisley Project PPA. Mr. Reiten stated that Surprise Valley has been  
23 working with PacifiCorp for a long time, that Surprise Valley would be eligible  
24 for the then current Schedule 37 rates, and that there was no reason to worry about

1 the rate change. Mr. Reiten previously was the president and chief executive  
2 officer of PNGC Power, an energy cooperative located in Portland, Oregon. In  
3 my line of business, this type of utility executive-to-executive promise can be  
4 relied upon.

5 I believed that PacifiCorp would honor this and other promises that  
6 Surprise Valley would be paid the then current Schedule 37 rates, even if  
7 negotiations continued indefinitely. We relied upon this promise and  
8 PacifiCorp's other commitments to sign a PPA at the then current Schedule 37  
9 rates in all of our decisions, including whether to attempt to work collaboratively  
10 with the company or take a more aggressive approach.

11 **Q. Please describe the next meeting with PacifiCorp.**

12 **A.** After about a month and a half of requesting to finalize the PPA, Surprise Valley  
13 met with PacifiCorp on July 11, 2014. The meeting included Surprise Valley,  
14 PacifiCorp merchant and transmission operations, BPA, and our engineers Power  
15 Engineers, Inc. ("PEI"). PacifiCorp provided non-substantive oral comments on  
16 the draft PPA, stated for the first time that it could be willing to sign a PPA before  
17 PacifiCorp Transmission approved the transmission service request, and agreed to  
18 review and provide comments on Surprise Valley's draft PPA. PacifiCorp ESM  
19 also accepted and agreed to our metering and power verification proposal, and we  
20 reached agreement on how to verify power deliveries. We agreed to make the  
21 changes and suggestions PacifiCorp orally made at the meeting. PacifiCorp  
22 promised to quickly review the PPA, and provide a draft PPA. Our understanding  
23 was that we had reached an agreement in principle and that the PPA would be  
24 signed soon thereafter.

1 Surprise Valley continued to commit ourselves to sell power to PacifiCorp  
2 under the then current avoided cost rates, and state that we were ready to sign a  
3 contract. We had agreed to all PacifiCorp's conditions and terms, and reached a  
4 general understanding of how to resolve the metering issues. We also had  
5 provided all documentation and information requested by PacifiCorp.

6 **Q. Did PacifiCorp ask that Surprise Valley verify power deliveries with an open**  
7 **access transmission tariff, wholesale distribution tariff, e-Tags, preschedules,**  
8 **imbalance energy, ancillary services, or another method of tracking and**  
9 **transferring energy across your distribution system?**

10 **A.** No. As explained by Mr. Culp, we asked PacifiCorp about the ancillary services  
11 issue, but we were not provided an answer. The only related discussions were  
12 regarding metering. The July 11, 2014 meeting reached a general agreement on  
13 how Surprise Valley would track and transfer energy across our distribution  
14 system. Not until PacifiCorp filed its answer to this complaint were we asked to  
15 provide or show that we had an open access transmission tariff, wholesale  
16 distribution tariff, or other transmission arrangements across our own system.

17 **Q. Did you leave the meeting believing that Surprise Valley would be able to**  
18 **enter into a final PPA with PacifiCorp?**

19 **A.** Yes. Surprise Valley's understanding was that we would make the changes orally  
20 proposed by PacifiCorp, provide another draft PPA, and then a final PPA would  
21 be provided so that it could be executed.

22 **Q. Did Surprise Valley provide PacifiCorp with another draft PPA?**

23 **A.** On July 22, 2014, Surprise Valley provided PacifiCorp with a draft PPA  
24 incorporating the non-substantive changes and recommendations made by  
25 PacifiCorp at and after the July 11, 2014 meeting. The July 22, 2014 draft also  
26 included non-substantive edits to reflect that two months had passed since we sent

1 the May 20, 2014 draft PPA. PacifiCorp promised to review the draft PPA and  
2 provide comments, but they did not provide comments, another draft PPA, or  
3 revised PPA language.<sup>10</sup>

4 **Q. Did Surprise Valley request a final meeting to execute the PPA?**

5 **A.** Yes. Surprise Valley repeatedly requested a final meeting to execute the PPA  
6 before and after avoided cost rates were reduced on August 19, 2014. For  
7 example, on August 4, 2014, Mr. Culp requested a meeting during the week of  
8 August 11, 2014 to finalize the PPA. Similarly, on August 26, 2014, Mr. Culp  
9 requested assurances regarding the avoided cost price previously agreed to orally  
10 by the parties and when the formal memorialization of the written PPA could be  
11 finalized. Mr. Culp reminded PacifiCorp of its commitments throughout the  
12 spring and summer months of 2014 stating that there was no concern that the  
13 contract would include the pre-August 20, 2014 rates.

14 **Q. How did PacifiCorp respond?**

15 **A.** Bruce Griswold from PacifiCorp sent a surprising email on August 26, 2014.  
16 Previously we had been working primarily with John Younie, who had repeatedly  
17 promised to provide comments on our draft PPAs and provided us with positive  
18 assurance us on numerous aspects of the negotiation process, including  
19 explanations for the repeated delays.

20 Mr. Griswold had also previously promised to provide comments on our  
21 draft PPAs. In his August 26, 2014 email, he changed PacifiCorp's position on a  
22 number of previous commitments, including the method by which PacifiCorp

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<sup>10</sup> Other than the language discussed in confidential settlement negotiations that started after we threatened to file a complaint on April 16, 2015.



1 would accept deliveries through metering and to provide comments on the draft  
2 PPA. Mr. Griswold also wrote that they were reviewing what rates would be  
3 applicable to the PPA, and that there were outstanding issues on metering, true  
4 ups, and power deliveries, but did not specify what those were. Mr. Griswold did  
5 not state that Surprise Valley needed to provide transmission arrangements across  
6 our system. It appeared to me that they waited until the rates dropped to change  
7 their position and to inform us that they had metering concerns and that the pre-  
8 August 20, 2014 rates may not apply.

9 **Q. Why didn't Surprise Valley sign the draft PPA or file a complaint in before**  
10 **August 20, 2014?**

11 **A.** We believed that we had committed ourselves to sell power to PacifiCorp, that  
12 they had agreed on the applicable rate, that there were no substantive issues  
13 remaining, and that the final metering details were essentially resolved. We  
14 became concerned after the avoided cost rates had changed and we did not hear  
15 back from PacifiCorp. We became very concerned with PacifiCorp's  
16 communications after the avoided cost rate had changed. PacifiCorp significantly  
17 changed its tone, attitude, and positions almost immediately after the avoided cost  
18 rates changed.

19 **Q. Did Surprise Valley continue to request to finalize a PPA and obtain from**  
20 **PacifiCorp the information that would allow PacifiCorp to finalize a PPA?**

21 **A.** Yes. While PacifiCorp ignored or did not respond to most of Surprise Valley's  
22 requests, Surprise Valley was able to meet with PacifiCorp on August 29, 2014,  
23 September 25, 2014, November 6, 2014, and November 24, 2014. Before, at, and  
24 after the meetings, Surprise Valley requested a final PPA and continued to  
25 commit ourselves to sell power at the pre-August 20, 2014 avoided cost rates.

1           On August 29, 2014, PacifiCorp ESM said they had not reviewed the July  
2           22, 2014 draft, would review it soon, and that their attorneys were reviewing  
3           whether our project was eligible for the pre-August 20, 2014 avoided cost rates.

4           On September 25, 2014, PacifiCorp informed Surprise Valley that power  
5           flow issues were now accounted for. This meant that the issue of physical  
6           delivery of power had been resolved because PacifiCorp Transmission worked out  
7           the metering issues. Therefore, there were no more metering obstacles to entering  
8           into a PPA.

9           The timing of this communication roughly corresponds to the completion  
10          of the Facilities Study provided by PacifiCorp Transmission to PacifiCorp ESM.  
11          As Mr. Gary Saleba testifies, this study finally confirmed that deliveries could be  
12          made by advanced metering without documented transmission arrangements for  
13          delivery over Surprise Valley's system.

14          On September 25, 2014, however, PacifiCorp also informed Surprise  
15          Valley that any PPA would have the lower Schedule 37 rates effective on August  
16          20, 2014. Mr. Griswold specifically stated that if Surprise Valley had been farther  
17          along in the contract negotiation process, then we would have qualified. Mr.  
18          Griswold's statement was shocking given that we had been seeking a PPA for  
19          over a year and there had been numerous delays caused by PacifiCorp.

20          PacifiCorp informed Surprise Valley that, instead of a Schedule 37 sale,  
21          that Surprise Valley was eligible to sell the net output as a QF under Schedule 38.  
22          The Schedule 38 sale would be a negotiated sale using the lower Schedule 37  
23          rates effective on August 20, 2014. PacifiCorp informed Surprise Valley that, if

1 we had started the Schedule 38 negotiation process in December 2013, then  
2 Surprise Valley could have obtained the higher Schedule 37 rates effective prior  
3 to August 20, 2014. We had never heard of a Schedule 38 transaction.

4 On November 6, 2014, I met with Pacific Power president Pat Reiten  
5 regarding a contract for the Paisley project and operational issues, but we failed to  
6 reach an agreement. Mr. Reiten promised to be back in touch; however, after this  
7 meeting Mr. Reiten refused to return my calls or discuss the PPA again.

8 On November 24, 2014, Surprise Valley met with PacifiCorp regarding a  
9 contract for the Paisley project. At each of the August 29, 2014, September 25,  
10 2014, and November 24, 2014 meetings, PacifiCorp stated that it would provide  
11 another draft PPA in as little as a couple weeks.

12 After November 2014, PacifiCorp essentially stopped communicating with  
13 Surprise Valley regarding the PPA, and PacifiCorp did not live up to its repeated  
14 promises to provide a revised draft PPA or language, or to explain what terms and  
15 conditions would be acceptable. They never stated that we were eligible to sell  
16 power under an off system QF contract or that we needed to provide transmission  
17 arrangements across our own system.

18 PacifiCorp only was willing to start PPA-related discussions again after  
19 Surprise Valley sent a letter on April 16, 2015 demanding a final PPA or Surprise  
20 Valley would file a complaint. Upon request by PacifiCorp, Surprise Valley  
21 conducted negotiations on a confidential basis for the purposes of settlement.  
22 PacifiCorp never provided a formal response to our demand letter.

1           On May 15, 2015, outside of the context of the settlement negotiations,  
2 Pacific Power's new president Stephan Bird and I discussed the PPA. Mr. Bird  
3 stated that the company would make a path to accommodate this project, and  
4 purchase the entire net output at rates effective prior to August 2014. PacifiCorp  
5 has not made a path forward to accommodate this project, or to purchase the  
6 entire net output at rates effective prior to August 2014.

7 **Q. Did Surprise Valley continue to work with PacifiCorp on transmission**  
8 **issues?**

9 **A.** Yes. We continued working with PacifiCorp on transmission issues; however,  
10 PacifiCorp continued to delay. PacifiCorp ESM has informed us that they asked  
11 PacifiCorp Transmission to stop working on transmission issues related to  
12 Surprise Valley for a period of time. Eventually, on April 16, 2015, PacifiCorp  
13 ESM informed Surprise Valley that completion of upgrades identified by  
14 PacifiCorp Transmission would allow Surprise Valley to sell the output to  
15 PacifiCorp merchant as an Oregon Schedule 37 QF.

16           On May 20, 2015, when it appeared that we were going to settle the  
17 dispute regarding a PPA, PacifiCorp Transmission agreed that the existing  
18 metering is sufficient to allow Surprise Valley to sell the net output in the interim  
19 period before the additional transmission facilities are constructed. After we filed  
20 a complaint, however, PacifiCorp Transmission's position became unclear about  
21 whether existing metering is sufficient to sell power to PacifiCorp ESM.

22 **Q. What is the current status of the metering situation?**

23 **A.** PacifiCorp has not informed Surprise Valley what metering they believe is  
24 necessary for the company to purchase the Paisley Project's entire net output. In

1 their respective testimonies, Mr. Anderson, Mr. Saleba and Ms. Tabone address  
2 this issue in more detail.

3 Originally, PacifiCorp used the network transmission study process to  
4 identify the additional metering necessary to purchase the Paisley Project's net  
5 output. PacifiCorp ESM and PacifiCorp Transmission entered into a construction  
6 agreement to construct about \$450,000 in upgrades, and PacifiCorp ESM provide  
7 Surprise Valley a reimbursement agreement. Surprise Valley was prepared to  
8 sign a reimbursement agreement, but PacifiCorp ESM withdrew it. PacifiCorp  
9 ESM also has withdrawn the construction agreement, did not inform Surprise  
10 Valley until we asked, and has not provided an explanation of its decision to  
11 Surprise Valley. This is typical of the entire process in which PacifiCorp ESM  
12 makes decisions, but does not inform or explain those to Surprise Valley.

13 Surprise Valley does not know what metering PacifiCorp ESM or  
14 Transmission believe is necessary to purchase the Paisley Project's net output.  
15 We have explored this issue in discovery, but PacifiCorp has not provided clear  
16 answers.

17 **Q. After nearly two years of patiently negotiating with PacifiCorp, why did**  
18 **Surprise Valley file a complaint on June 22, 2015?**

19 **A.** PacifiCorp was requesting to reduce its avoided cost rate effective June 23, 2015.  
20 PacifiCorp was (and still is) unwilling to agree in writing to purchase the Paisley  
21 Project's net output at pre-August 2014, the pre-June 2015 rates, or enter into an  
22 interim or temporary PPA at market rates. Even though we had received oral  
23 agreement from two Pacific Power presidents that the company would enter into a

1 PPA at pre-August 2014 rates, we were not confident that the company would live  
2 up to these promises.

3 **VI. OTHER ISSUES**

4 **Q. Are there issues your testimony has not addressed?**

5 **A.** Yes. My testimony did not address the electrical engineering issues, some of the  
6 details of the contract negotiations, and the issue of transmission arrangements.

7 As explained above, Mr. Anderson, Mr. Saleba, Ms. Tabone, Mr. Dolan and Mr.  
8 Culp provide more detailed testimony on these topics.

9 My testimony also is not addressing PacifiCorp's issues raised in its  
10 answer to Surprise Valley's complaint regarding PacifiCorp's general transfer  
11 agreement with BPA.<sup>11</sup> PacifiCorp did not raise this issue or even inform  
12 Surprise Valley about the existence of the general transfer agreement with BPA  
13 until recently. In addition, I have been informed by counsel that this issue is not  
14 relevant to the issues in this proceeding before the Oregon Public Utility  
15 Commission.

16 **VII. CONCLUSION**

17 **Q. Does this conclude your testimony?**

18 **A.** Yes.

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<sup>11</sup> PacifiCorp Answer at 7-8.

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1742**

Surprise Valley Electrification Corp.,	)
Complainant,	)
	)
v.	)
	)
PacifiCorp, dba Pacific Power,	)
Defendant.	)
	)
_____	)

**EXHIBIT SVEC/101  
QUALIFICATIONS OF BRADLEY KRESGE**

**March 15, 2015**

**Bradley A. Kresge**  
**General Manager**  
**Surprise Valley Electrification Corp.**  
**516 US Hwy 395 East**  
**Alturas, CA 96101**  
**530-233-3511**

**EDUCATION:** University of Wisconsin School of Business NRECA, Madison, WI  
**Management Internship Program**  
**Graduated May 2012**

National Rural Utilities Cooperative Finance Corp. (CFC)  
**Equity/Project Management- Certificate of completion-3/2012**

U.S.D.A. Graduate School, Washington D.C.  
**Completed July 1993-REA Electrical Borrower**  
**Accounting Course**

Completer Computer Systems, Vancouver, Washington  
**Completed July 1990- Computer Programming**

Heald Business College, Sacramento, California  
**Completed July 1984- Accounting**

Bing Valley High School, Bieber, California  
**Graduated June 1983**

**EXPERIENCE:** Surprise Valley Electrification Corp., Alturas, California  
**January 2014 to Present, General Manager**  
**June 2012 to December 2013, Assistant Manager**  
**December 1989 to June 2012, Purchasing/W.O. Plant Accounting**

Ed Staub and Sons Petroleum, Alturas, California  
**April 1987 to December 1989, Accountant**

John Hancock Life Insurance Company/  
Lyneta Ranches, Alturas, California  
**July 1984 to April 1987- Staff Accountant**

**ORGANIZATIONS:** Oregon Rural Electric Cooperative Association, Board of Director  
**January 2014 to Present**

Northwest Irrigation Utility, Board of Director  
**January 2014 to Present**



**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1742**

Surprise Valley Electrification Corp.,        )  
Complainant,                                        )  
  )  
v.    )  
  )  
PacifiCorp, dba Pacific Power,                )  
Defendant.   )  
  )  
\_\_\_\_\_ )

**EXHIBIT SVEC/102**

**TRANSFER AGREEMENT BETWEEN SURPRISE VALLEY  
ELECTRIFICATION CORP. AND PACIFICORP**

**March 15, 2016**

**TRANSFER AGREEMENT**  
**BETWEEN**  
**SURPRISE VALLEY ELECTRIFICATION CORP.**  
  
**AND**  
  
**PACIFICORP**

This TRANSFER AGREEMENT executed November 13, 2013 by SURPRISE VALLEY ELECTRIFICATION CORP. (hereinafter called "the Cooperative"), a corporation of the State of California, and PACIFICORP (hereinafter called "the Company"), a corporation organized and existing under the laws of the State of Oregon.

**W I T N E S S E T H:**

WHEREAS the Company desires that the Cooperative provide transfer service to Company loads at Cedarville Substation; and

WHEREAS the Cooperative agreed to and began providing such transfer service from its Cedarville Substation for Company loads on May 15, 1981; and

NOW THEREFORE, the parties hereto mutually agree as follows:

1. Term of Agreement: This Agreement shall be effective at 2400 hours on the date this contract is executed by both parties ("Effective Date") and shall expire at 2400 hours on the earlier of: (a) the date that is one year from the date the Company provides written notice to the Cooperative of termination of all deliveries under this Agreement; or, (b) the date that is ten (10) years from the Effective Date.

2. Exhibit: Exhibit A, attached hereto, is hereby made a part of this Agreement. The Cooperative shall be the "transferor" referred to in Exhibit A, and the Company shall be the "transferee."

3. Provisions Relating to Delivery: Electric power and energy shall be made available by the Cooperative to the Company at all times during the term hereof at the point of delivery specified below, in the amount of the Company's requirements at such point and at the approximate voltage specified therefore; provided, however, that the Cooperative may, but shall not be obligated to, deliver such electric power and energy at a demand in excess of the number of kilowatts as agreed upon in writing from time to time by representatives of the parties hereto. Initially such demand shall be 2,500 kW. Amounts of electric energy, integrated demands therefore and varhours delivered at such point during each month shall be determined from measurements, adjusted for losses as specified herein, made by meters installed at the location in the circuit hereinafter specified:

CEDARVILLE POINT OF DELIVERY

Location: The point in the Cooperative's Cedarville substation where the 12.5 kV facilities of the Cooperative and the Company are connected.

Voltage: 12.5 kV

Metering: In the Cooperative's Cedarville substation, in the 12.5 kV circuit over which such power and energy flows.

Adjustment: For losses between point of delivery and point of replacement.

Point of Replacement: In BPA's Cedarville Junction substation where the facilities of Bonneville and the Cooperative are connected.

Replacement of the Power Delivered: In exchange for the electric power and energy delivered each month by the Cooperative hereunder, the Company shall make a like amount of electric power and energy available to the Cooperative during each month at Bonneville's Cedarville Junction substation. Such electric power and energy to be made available by the Company shall be computed by adjusting metered amounts for losses, as specified herein. The capacity will be increased by BPA's peak loss factor.

4. Payment for Transfer of Power:

The Annual Charge for the Cedarville Point of Delivery shall be calculated annually on January

1st of each year and used to calculate monthly use of facilities charge for the current calendar year. The formula used in calculating the Annual Charge is as follows:

$$\text{Where: Annual Charge} = \frac{I \times R}{D}$$

I = \$376,057, Plant Investment of the Facilities used to provide transfer service; (Refer to Exhibit A)

R = 15.86%, Annual Interest & Amortization, including O&M; (Refer to Exhibit A)

D = Total highest actual Monthly Noncoincidental Peak Demand (kW) for the previous 12 month period for the Company's Cedarville Point of Delivery at the Company's Juniper switch metering point multiplied by 12 months.

Where: Monthly Noncoincidental Peak Demand (kW) is determined by adding (a) Company's Cedarville peak demand (kW) times Capacity Loss Factor to (b) Surprise Valley peak demand (kW). The monthly Surprise Valley peak demand (kW) calculation is a coincidentalized peak demand (kW) based on BPA's Cedarville substation peak demand (kW) less the Company's Cedarville peak demand (kW). Once determined, net the Company's Cedarville peak demand (kW) times the Capacity Loss Factor. from BPA's Cedarville substation peak demand (kW).

\* The values of I and R as used in the above formula are subject to annual review by the Cooperative and can be changed with 30 days prior notice to the Company.

Transfer Demand shall be the largest of the integrated demands at which electric energy is delivered by the Cooperative hereunder during each calendar month, determined at the point of delivery to the Company, provided in Section 3 hereof, after eliminating all abnormal nonrecurring demands resulting from emergency conditions.

For its services and use of its facilities in transferring electric power hereunder, the Company shall pay the Cooperative each month a Monthly Transfer Services Charge equal to:



Annual Charge times the largest Transfer Demand increased by the Capacity Loss Factor for the current month and the preceding 11 months.

5. Payment Terms:

Invoices shall be payable thirty (30) days from receipt or the first business day thereafter.

1. Ratification of Interim Agreement: The Parties hereby confirm and ratify the performance of the other Party under this Agreement from May 16, 2001 through the Effective Date. All performance undertaken by the Parties between May 16, 2001 through the Effective Date shall be interpreted consistent with the provisions of this Agreement. .

Jury Waiver and Dispute Resolution. 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. IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their respective names by their respective officers thereunto duly authorized, all as of the day and year first above written.

PACIFICORP

By:  \_\_\_\_\_

Title: Doctor Shortterm  \_\_\_\_\_

SURPRISE VALLEY ELECTRIFICATION CORP.

By: Jim Days \_\_\_\_\_

Title: General Manager \_\_\_\_\_

Exhibit A

**GENERAL WHEELING PROVISIONS**

**Index to Sections**

<u>Section</u>	<u>Page</u>
GENERAL APPLICATION	
1. Interpretation.....	2
2. Definitions.....	2
3. Prior Demands .....	3
4. Measurements .....	3
5. Measurements and Installation of Meters .....	3
6. Tests of Meters.....	3
7. Adjustment for Inaccurate Metering.....	4
8. Character of Service.....	5
9. Point of Delivery and Delivery Voltage .....	5
10. Suspension of Deliveries.....	5
11. Continuity of Service .....	5
12. Uncontrollable Forces.....	6
13. Reducing Charges for Interruptions.....	7
14. Power Factor .....	7
15. Permits .....	8
16. Ownership of Facilities .....	9
17. Adjustment for Change of Conditions .....	9
18. Arbitration.....	10
19. Reports .....	11
20. Waiver of Default .....	11
21. Notices and Computation of Time.....	11
22. Balancing Phase Demands.....	12
23. Adjustment for Unbalanced Phase Demands.....	12
24. Changes in Demands or Characteristics .....	12
25. Inspection of Transferee's Facilities .....	12
26. Electric Disturbances .....	13
27. Harmonic Control .....	14
28. Approval of Agreement .....	15

## GENERAL APPLICATION

### 1. Interpretation

(a) The provisions in the agreement to which these General Wheeling Provisions are an exhibit shall be deemed to be a part hereof for the purpose of determining the meaning of any provision contained herein. If a provision in such agreement is in conflict with a provision contained herein, the former shall prevail.

(b) Nothing contained in this agreement shall, in any manner, be construed to abridge, limit, or deprive any party thereto of any means of enforcing any remedy, either at law or in equity, for the breach of any of the provisions thereof which it would otherwise have.

### 2. Definitions As used in this agreement:

(c) The word "month" shall mean the period commencing at the time when the meters mentioned in this agreement are read by the parties of the agreement and ending approximately 30 days thereafter when a subsequent reading of such meters is made by the parties of the agreement.

(d) The words "Integrated Demand" shall mean the number of kilowatts which is equal to the number of Kilowatt-hours delivered at any point during a clock hour.

(e) The words "System" or "Facilities" shall mean the transmission facilities: (1) which are owned or controlled by either party, or (2) which either party may use under lease, easement, or license.

(f) Prior Demands: In determining any credit demand mentioned in, or money compensation to be paid under this agreement for any month, Integrated Demands at which electric energy was delivered by the Transferor at points of delivery mentioned herein for the account of the other party to this agreement prior to the date upon which the agreement takes effect shall be considered in the same manner as if this agreement had been in effect.

(a) Measurements: Except as it is otherwise provided in section 7



hereof, each measurement of each meter mentioned in this agreement shall be the measurement automatically recorded by such meter, but if not so recorded, shall be the measurement as determined by the parties hereto.

(b) If it is provided in this agreement that measurements made by any of the meters specified therein are to be adjusted for losses, such adjustments shall be made by using factors, or by compensating the meters, as agreed upon by representatives designated by the parties to such agreement. If changes in conditions occur which substantially affect any such loss factor or compensation, it will be changed in a manner which will conform to such changes in conditions.

(c) Measurements and Installation of Meters: The Cooperative may at any time install a meter or metering equipment to make the measurements required for any computation or determination mentioned in this agreement, and if so installed such measurements shall be used thereafter in such computation or determination.

3. Tests of Meters: Each party to this agreement will, at its expense, test its meters mentioned in this agreement at least once every two years, and, if requested to do so by the other party, will make additional tests or inspections of such meters, the expense of which will be paid by such other party unless such additional tests or inspections show such meters to be inaccurate as specified in section 7 hereof. Each party will give reasonable notice of the time when any such test or inspection is to be made to the other party, who may have representatives present at such test or inspection. Meters found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

4. Adjustment for Inaccurate Metering:

(a) If any meter mentioned in this agreement fails to register, or if the measurement made by such meter during a test as provided in section 6 hereof varies by more than one percent from the measurement made by the standard meter used in such test, adjustment shall be made correcting all measurements made by such inaccurate meter during the period hereinafter stated. Such corrected measurements shall be used to



recompute the amounts of any electric power and energy to be made available, of any credits to be made in any exchange energy account, and of any money compensation to be paid to the Transferor as provided in this agreement for (1) the actual period during which such inaccurate measurements were made if such period can be determined, or (2) if not, the period immediately preceding a test of such inaccurate meter which is equal to one-half the time from the date of the last preceding test of such meter; provided, however, that the period for which such recomputations are to be made shall not exceed six months.

(b) If the money compensation theretofore paid to the Transferor varies from the money compensation to be paid as recomputed, the amount of the variance will be paid to the party entitled thereto within 30 days after the recomputation is made; provided, however, that the other party may deduct such amount due it from any money compensation which thereafter becomes due the Transferor under this agreement.

5. Character of Service: Unless otherwise specifically provided for in the agreement, electric power and energy made available pursuant to this agreement shall be in the form of three-phase current, alternating at a frequency of approximately 60 hertz.

6. Point of Delivery and Delivery Voltage: Electric power and energy shall be delivered to the Transferee at such point or points and at such voltage or voltages as are agreed upon by the parties hereto.

7. Suspension of Deliveries: The other party to this agreement may at any time notify the Transferor in writing to suspend the deliveries of electric power and energy provided for in this agreement. Upon receipt of any such notice, the Transferor will forthwith discontinue, and will not resume, such deliveries until notified to do so by the other party, and upon receipt of such notice from the other party to do so, will forthwith resume such deliveries.

8. Continuity of Service: The Transferor may temporarily interrupt or reduce deliveries of electric power and energy to the Transferee if he determines that such interruption or reduction is necessary or desirable in case of system emergencies,

uncontrollable forces, or in order to install equipment in, make repairs, replacements, investigations, and inspections of, or perform other maintenance work on, the Transferor's System. Except in case of emergency and in order that the Transferee's operations will not be unreasonably interfered with, the Transferor will give the Transferee advance notice of any such interruption or reduction, the reason therefore, and the probable duration thereof.

9. Uncontrollable Forces:

(a) Each party shall notify the other as soon as possible of any uncontrollable forces which may in any way affect the delivery of power hereunder. In the event the operations of either party are interrupted or curtailed due to such uncontrollable forces, such party shall exercise due diligence to reinstate such operations with reasonable dispatch.

(b) The term "Uncontrollable Forces" means:

(1) Strikes affecting the operation of either party's System or other Facilities upon which such operation is completely dependent; or

(2) Such of the following events as either party, by exercise of reasonable diligence and foresight, could not reasonably have been expected to avoid:

(i) Events, reasonably beyond the control of the party having jurisdiction thereof, causing failure, damage, or destruction of any such system or facilities. The word "failure" shall be deemed to include interruption of, or interference with, the actual operation of such System or Facilities; or

(ii) Floods which limit or prevent the operation of, or which constitute an imminent threat of damage to, any such system or facilities.

10. Reducing Charges for Interruptions: If deliveries of electric power and energy to the Transferee are suspended, interrupted, interfered with or curtailed due to

uncontrollable forces, as defined in section 12 hereof, on either the Transferee's System or Transferor's System, or if the Transferor interrupts or reduces deliveries to the Transferee for any of the reasons stated in section 11 hereof, the credit in the exchange energy account which would otherwise be paid, to the Transferor shall be appropriately reduced. No interruption, or equivalent interruption, of less than 30 minutes duration will be considered for computation of such reduction in charges.

11. Power Factor:

(a) The formula for determining average power factor is as follows:

$$\text{Average Power Factor} = \frac{\text{Kilowatthours}}{\sqrt{(\text{Kilowatthours})^2 + (\text{Reactive Kilovolt-ampere-hours})^2}}$$

In applying the above, formula, the meter for measurement of re-active kilovolt-ampere-hours will be ratcheted to prevent reverse registration.

(b) When delivery of electric power and energy by the Transferor at any point is commingled with any other class or classes of power and it is impracticable to separately meter the kilowatt hours and reactive kilovolt-ampere-hours for each class, the average power factor of the total delivery of such electric power and energy for the month will be used, where applicable, as the power factor for each of the separate classes.

(c) Except as it is otherwise specifically provided in this agreement, no adjustment will be made for power factor at any point of delivery described in this agreement while the varhours delivered at such point are not measured.

(d) The Transferor may, but shall not be obligated to, deliver electric energy hereunder at a power factor of less than 0.85 lagging.

12. Permits:

(a) If by the terms of any contract between the parties any equipment or facilities of a party to this agreement are, or are to be, located on the property of the other at any point of delivery provided in this agreement, a permit to install, test,



maintain, inspect, replace, repair, and operate during the term of this agreement and to remove such equipment and facilities at the expiration of said term, together with the right of ingress to and egress from the location thereof at all reasonable times in such term is hereby granted by the other party.

(b) Each party shall have the right to read, at all reasonable times, any and all meters mentioned in this agreement which are installed on the property of the other.

(c) If by the terms of any contract between the parties either party is required or permitted to install, test, maintain, inspect, replace, repair, remove, or operate equipment on the property of the other, the owner of such property shall furnish the other party accurate drawings and wiring diagrams of associated equipment and facilities, or, if such drawings or diagrams are not available, shall furnish accurate information regarding such equipment or facilities. The owner of such property shall notify the other party of any subsequent modifications which may affect the duties of the other party in regard to such equipment, and furnish the other party accurate revised drawings, if possible.

13. Ownership of Facilities:

(a) Except as otherwise expressly provided, ownership of any and all equipment, and of all salvable facilities installed by a party to this agreement on the property of the other party shall be and remain in the installing party.

(b) Each party shall identify all movable equipment and, to the extent agreed upon by the parties, all other salvable facilities which are installed by such party on the property of the other. Within a reasonable time subsequent to initial installation, and subsequent to any modification of such installation, representatives of the parties shall jointly prepare an itemized list of said movable equipment and facilities.

14. Adjustment for Change of Conditions: If changes in conditions hereafter occur which substantially affect any factor required by this agreement to be used in determining (a) money compensation to be paid, or amount of electric power and energy to be made available to one party by the other party, or (b) any maximum replacement demand, or average power factor mentioned in this agreement, such factor will be changed

in a manner which will conform to such changes of conditions. If an increase in the capacity of the facilities being used by the Transferor in making deliveries hereunder is required at any time after execution of this agreement to enable the Transferor to make the deliveries herein required together with those required for its own operations, the construction or installation of additional or other equipment or facilities for that purpose shall be deemed to be a change of conditions within the meaning of the preceding sentence.

15. Arbitration: If any dispute should arise under this Agreement, the parties shall submit such dispute to arbitration as provided in this Section 15. The party calling for arbitration shall serve notice in writing on the other party, setting forth in detail the question or questions to be arbitrated and the arbitrator appointed by such party. The other party shall, within ten days after the receipt of such notice, appoint a second arbitrator, and the two arbitrators so appointed shall choose and appoint a third. In case such other party fails to appoint an arbitrator within said ten days, or in case the two so appointed fail for ten days to agree upon and appoint a third, the party calling for the arbitration, upon five days written notice delivered to the other party, shall apply to the person who at the time shall be the presiding judge of the United States Court of Appeals for the Ninth Circuit for appointment of the second or third arbitrator, as the case may be. The determination of the question or questions submitted for arbitration shall be made by a majority of the arbitrators, and shall be binding on the parties. The arbitration shall be handled consistent with the rules of the American Arbitration Association (AAA) in effect at the time of the arbitration. NOTWITHSTANDING ANY AAA RULES AND PROCEDURES OR ANY OTHER PROVISIONS OR ANY STATE OR FEDERAL LAWS, THE PARTIES AGREE THAT THE ARBITRATORS SHALL NOT CONSIDER OR AWARD PUNITIVE DAMAGES AS A REMEDY. Each party shall pay for its own costs for prosecuting the arbitration (including, but not limited to legal costs, travel, consultants) and the services and expenses of the arbitrator appointed by or for it. All other costs incurred in connection with the arbitration shall be paid equally by the parties thereto.



16. Reports: The other party to this agreement will furnish the Cooperative such information as is necessary for making any computation required for the purposes of this agreement, and the parties will cooperate in exchanging such additional information as may be reasonably useful for their respective operations.

17. Waiver of Default: Any waiver at any time by any party to this agreement of its rights with respect to any default of any other party thereto, or with respect to any other matter arising in connection with such agreement, shall not be considered a waiver with respect to any subsequent default or matter.

18. Notices and Computation of Time: Any notice required by this agreement to be given to any party shall be effective when it is received by such party, and in computing any period of time from such notice, such period shall commence at 2400 hours on the date of receipt of such notice.

19. Balancing Phase Demands: The Cooperative may, at any time during the term of this agreement, require the Transferee to make such changes as are necessary on its system to balance the phase currents at any point of delivery so that the current on any one phase shall not exceed the current on any other phase at such point by more than ten percent.

20. Adjustment for Unbalanced Phase Demands: If the Transferee fails to make promptly the changes mentioned in section 22 hereof, the Cooperative, at the Transferee's expense, may determine, for each month thereafter until such changes are made, that the registered demand of the Transferee at the point of delivery in question is equal to the product obtained by multiplying by three the largest of the Integrated Demands of the Transferee on any phase at such point during such month. This section shall not apply with respect to any point of delivery where the current required to be supplied at such point is other than three-phase current.

21. Changes in Demands or Characteristics: The Transferee will, whenever possible, give reasonable notice to the Cooperative of any unusual increase or decrease of

its demands for electric power and energy on the Transferor's system, or of any unusual change in the load factor or power factor at which the Transferee will take delivery of electric power and energy under this contract.

22. Inspection of Transferee's Facilities: The Cooperative may, but shall not be obligated to, inspect the Transferee's electric installation at any time, but such inspection, or failure to inspect, shall not render the Cooperative, its officers, agents, or employees, liable or responsible for any injury, loss, damage, or accident resulting from defects in such electric installation, or for violation of this agreement. The Cooperative shall observe written operating instructions posted in facilities and such other necessary instructions or standards for inspection as the parties agree to. Only those electric installations used in complying with the terms of this contract shall be subject to inspection.

23. Electric Disturbances:

(a) Each party shall design, construct, operate, maintain and use its electric system in conformance with accepted utility practices:

(1) to minimize electric disturbances such as, but not limited to, the abnormal flow of power which may damage or interfere with the electric system of the other party or any electric system connected with such other party's electric system; and

(2) to minimize the effect on its electric system and on its customers of electric disturbances originating on its own or another electric system.

(b) During such time as a party to this agreement is not a party to the Agreement Limiting Liability Among Western Interconnected Systems, its relations with the other party with respect to system damages shall be governed by the following sentence, notwithstanding the fact that the other party may be a party to said Agreement Limiting Liability Among Western Inter-connected Systems. A party to this agreement shall not be liable to the other party for damage to the other party's system or facilities caused by an electric disturbance on the first party's system, whether or not such electric disturbance is the result of negligence by the first party, if the other party has failed to fulfill its obligations under

subsection (a), (2) above.

(c) If one of the parties to this agreement is not a party to the Agreement Limiting Liability Among Western Inter-connected Systems, each party to this agreement shall hold harmless and indemnify the other party, its officers and employees, from any claims for loss, injury, or damage suffered by those to whom the first party delivers power not for resale, which loss, injury or damage is caused by an electric disturbance on the other party's system, whether or not such electric disturbance results from the negligence of such other party, if such first party has failed to fulfill its obligations under subsection (a), (2) above, and such failure contributed to the loss, injury or damage.

(d) Nothing in this section 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.

24. Harmonic Control: Each party shall design, construct, operate, maintain, and use its electric system in accordance with good engineering practices to minimize to acceptable levels the production of harmonic currents and voltages injected or coupled into the other party's facilities.

25. Approval of Agreement: This agreement shall not be binding on the parties thereto if it is not hereafter approved by the Administrator of the Rural Electrification Administration and any other entity from whom the Borrower borrows under an indenture which requires the lender's approval. If so approved it shall be effective at the time stated in the sections of this agreement entitled "Term of Agreement".



**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1742**

Surprise Valley Electrification Corp.,        )  
Complainant,                                        )  
  )  
v.    )  
  )  
PacifiCorp, dba Pacific Power,                )  
Defendant.   )  
  )  
\_\_\_\_\_)

**EXHIBIT SVEC/103**

**PACIFICORP RESPONSE TO SURPRISE VALLEY DATA REQUEST 1.23  
(SURPRISE VALLEY-PACIFICORP AGREEMENTS)**

**March 15, 2016**

### **SVEC Data Request 1.23**

Provide all interconnection, transmission, wheeling, and distribution service agreements between PacifiCorp and Surprise Valley, and the Federal Energy Regulatory Commission docket numbers in which they were filed under (if applicable).

### **Response to SVEC Data Request 1.23**

Please refer to Attachment SVEC 1.23-1 through Attachment SVEC 1.23-5; listed as follows:

1. Cedarville Substation Letter Agreement between PacifiCorp and Surprise Valley Electric Corporation, dated March 6, 1981 (Attachment SVEC 1.23-1).
2. CAL-TRAN Permit – Underbuilt Agreement between PacifiCorp and Surprise Valley Electric Corporation, dated January 28, 1983 (Attachment SVEC 1.23-2).
3. Transmission Line Pole Contract Agreement between PacifiCorp and Surprise Valley Electric Corporation, dated June 14, 1983 (Attachment SVEC 1.23-3).
4. Transfer Agreement between PacifiCorp and Surprise Valley Electric Corporation, dated September 1, 1984 (Attachment SVEC 1.23-4).
5. Letter Agreement - Paisley Geothermal Project between PacifiCorp and Surprise Valley Electric Corporation, dated May 20, 2015 (Attachment SVEC 1.23-5).

R. B. Lisbakken  
Vice President

March 6, 1981

Mr. N. W. Mathews, General Manager  
Surprise Valley Electrification Corp.  
P. O. Box 691  
Alturas, California 96101

Re: Surprise Valley Electrification Corp.  
Cedarville Substation  
Pacific Power & Light 12.5 kv Feeder Position

Dear Mr. Mathews:

Pacific Power & Light Company (Pacific), in order to provide for continuing growth of Pacific's and Surprise Valley Electrification Corp. (Surprise Valley) loads, is upgrading its 69 kv line 36 to 115 kv in advance of Pacific's needs. As part of the line 36 upgrade to 115 kv, Pacific desires to continue service to its Cedarville 12.5 kv load from Surprise Valley's Cedarville 69 - 12.5 kv substation by constructing a new 12.5 kv feeder position in Surprise Valley's Cedarville substation and connecting Pacific's existing 12.5 kv distribution system to said new feeder position.

Surprise Valley is willing to permit Pacific to construct said new feeder position and to deliver power and energy at said feeder position under the following terms and conditions:

1. Pacific, at no expense to Surprise Valley, shall construct, operate and maintain a new 12.5 kv feeder position at a location approved by Surprise Valley.
2. Pacific shall install 12.5 kv metering facilities for billing purposes.
3. Surprise Valley, hereby, grants Pacific a license to enter Surprise Valley's Cedarville substation for the purpose of construction, testing, operating and maintaining said new feeder position.
4. Surprise Valley, hereby, grants Pacific a license to connect said new feeder position to Surprise Valley's existing 12.5 kv facilities.
5. This Letter Agreement shall become effective on the date of its execution and shall remain in effect until execution of a contract providing for the terms and conditions for a point of delivery for Pacific at Surprise Valley's Cedarville substation.

6. The parties to this Letter Agreement recognize that the Surprise Valley 14 mile, Juniper-Cedarville 69 kv line may, at a future date, need to be re-conducted. Pacific agrees to participate in the cost of such re-conducting to the extent that service to Pacific's loads requires such re-conducting in advance of Surprise Valley's needs.
7. Pacific agrees to protect, indemnify and hold harmless Surprise Valley, its directors, officers, employees, agents and representatives against and from any and all loss, claims, actions or suits, including costs and attorney's fees, both at trial and on appeal, for or on account of injury, bodily or otherwise, to or death of any persons, or damage to or destruction of any property (except Pacific's system and facilities) resulting from, or arising out of its operations.

If you concur with the above, please execute and return one counterpart of this Letter Agreement to Pacific.

PACIFIC POWER & LIGHT COMPANY

By *R. B. Fickel*  
Vice President

Accepted this 19 day of  
March, 1981.

SURPRISE VALLEY ELECTRIFICATION CORP.

By *N. W. Mathews*

Title GENERAL MANAGER

*OBG*

*NW*

R. B. Lisbakken  
Vice President

January 28, 1983

Surprise Valley Electrification Corp.  
P. O. Box 691  
Alturas, California 96101

Attention N. W. Mathews  
General Manager

Gentlemen:

The recent construction of Pacific Power & Light Company's (Pacific) Mile High-Alturas 115 kV Line required that Pacific utilize a portion of Surprise Valley Electrification Corp.'s (SVEC) 12.5 kV distribution easement by order of the California Transportation Department (Cal-Tran Permit). Pacific agreed to allow as an underbuild, to meet the requirements of the Cal-Tran Permit, that portion of SVEC's distribution in return for use of the easement.

SVEC desires to upgrade the conductor in that portion of their 12.5 kV circuit and accordingly has agreed to pay the differential cost between new #4 ACSR and 1/0 ACSR conductor.

In accordance with discussions held between the Parties, the Parties hereby agree to accommodate SVEC's underbuild subject to the following conditions:

1. TERM: This Letter Agreement shall be effective at 2400 hours on the date of execution and shall continue until fully performed.
2. DUTIES OF PACIFIC: Pacific shall at its expense, with exception of that expense described in Paragraph 3 hereof, provide new crossarms, hardware, insulators and conductor, and provide all labor and equipment necessary to install as an underbuild on its 115 kV Mile High-Alturas Line on structures 5/29-16/30, 15/31-12/32, and 3/37-16/38 that portion of SVEC's 12.5 kV circuit required to meet the requirements of the Cal-Tran Permit. Construction of the underbuild will be according to Pacific's construction

specifications, which have been determined to satisfy the Rural Electrification Administration's construction specifications. The expense to Pacific has been estimated to be approximately \$113,849. Pacific shall remove the existing 12.5 kV circuit that has been relocated to its 115 kV line and deliver all salvage poles, crossarms, hardware, insulators and conductor to SVEC's storage yard at Alturas. Note: That section of SVEC's 12.5 kV circuit from structures 13/32-4/33, which was relocated to Pacific's 115 kV line at the time of construction using the existing #4 ACSR conductor, will not be reconducted by Pacific.

3. DUTIES OF SVEC: SVEC shall pay Pacific the sum of \$6,112, which is the differential cost between new #4 ACSR and 1/0 ACSR conductor. SVEC shall pay said amount within fifteen (15) days after receipt of Pacific's bill, which will be sent upon completion of the work described in Paragraph 2 hereof.
4. OWNERSHIP: Title to and ownership of the conductor, crossarms, and hardware installed hereunder shall be and remain in SVEC.
5. POLE CONTACT CHARGE: The Company will not assess a pole contact charge to SVEC for pole contacts related to this underbuild now or in the future. Future pole contacts, as may be requested by SVEC and approved by the Company, will be installed at the Company's standard pole contact charge.
6. OPERATION AND MAINTENANCE: SVEC will perform operation, maintenance, and replacement at its expense on the underbuilt circuit.
7. POLE CONTACT AGREEMENT: The Parties agree to execute a pole contact agreement prior to completion of the underbuild.
8. FINAL ACCOUNTING: The Company shall submit to SVEC and the Bonneville Power Administration a finalized statement of all the actual costs, as determined by the Company, associated with Section 2 herein.
9. DISCLAIMER OF WARRANTY: Except as expressly provided herein, COMPANY DISCLAIMS ALL WARRANTIES, INCLUDING


WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY  
AND FITNESS.

10. LIMITATION OF LIABILITY: SVEC acknowledges that Company is performing this work without receiving profit. Accordingly, Company shall not be liable for any damages arising out of this Agreement in excess of an aggregate amount of \$6,000, whether such liability arises from contract, warranty, strict liability, or tort (including negligence).

If SVEC is in concurrence to the above, please execute in the space provided and return one counterpart of this Letter Agreement.

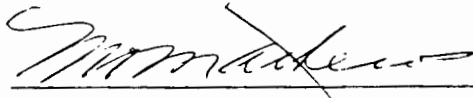
Very truly yours,

PACIFIC POWER & LIGHT COMPANY

By   
Vice President

Accepted as of this 14 day of  
MARCH, 1983.

SURPRISE VALLEY ELECTRIFICATION CORP.

By   
Title GENERAL MANAGER

*MMP*

## TRANSMISSION LINE POLE CONTACT AGREEMENT

Surprise Valley Electrification Corporation  
 P. O. Box 691  
 Alturas, California 96101

PACIFIC POWER & LIGHT COMPANY, a corporation, hereinafter called "Pacific", hereby grants permission to SURPRISE VALLEY ELECTRIFICATION CORPORATION, hereinafter called "Licensee", to install, maintain and operate Licensee's attachments, hereinafter referred to as "contacts" on Poles (see attached list of ~~25~~ poles) of the Lakeview-Alturas 115KV Line No. 36, near the City of Alturas, Modoc County, California, upon and subject to the following terms and conditions:

1. All attachments shall be constructed and maintained in conformity with the National Electrical Safety Code and regulations of any other governmental bodies having jurisdiction.

2. The annual rental charge for each new Pacific 115KV Line pole upon which Surprise Valley attachments have been placed because of California State Highway Department permit requirements for a single pole line along and near Highway 395 in Modoc County, is waived.

3. Licensee, will at all times so exercise the permission granted hereby in such manner as not to interfere with the convenient use by Pacific of its own poles and equipment or with the efficiency of Pacific's electrical system, or as to menace the safety of Pacific's operations or of persons who might be affected by such operations, and in such manner as will permit Pacific, without additional cost or inconvenience to itself, or additional hazard to its employees or other persons, to repair, replace, alter, or remove any of Pacific's wires, poles, or other equipment.

4. Licensee will secure any permits or right of way easements that may be required. Licensee will at all times indemnify Pacific against any and all taxes or other governmental charges of any kind which may be levied or imposed upon Licensee's said contacts, or upon the wires, cables, crossarms, or other equipment used by Licensee in connection therewith.

5. If at any time it shall become desirable in the judgment of Pacific to change the location of or to replace any of Pacific's poles on which Licensee shall be maintaining any of said contacts, or to require a change of location of or in the method of construction or maintenance of any of said contacts, Licensee will promptly, at its own cost and expense, and in such manner as Pacific shall request, make changes so requested in Licensee's said contacts; and in the event of Licensee's failure to make any such changes promptly upon such request, Pacific may itself make such change and Licensee will pay to Pacific the cost thereof upon demand.

6. Prior to installation of any said attachments and continuously thereafter, Licensee shall carry and maintain with an insurer ~~satisfactory to Pacific~~, Comprehensive Liability Injury Insurance with a single limit of \$1,000,000. Said insurance shall be endorsed to name Pacific, its directors, officers and employees, as additional insureds and to provide that such insurance is primary insurance with respect to the interests of Pacific and that any other insurance maintained by Pacific is excess and not contributing insurance with the insurance required hereunder; provided, however, that such insurance shall only apply to loss or damage arising out of Licensee's operations hereunder. Said policy shall also be endorsed with an appropriate cross-liability or severability of interest clause and



with the provision that the insurance shall not be cancelled or reduced in coverage without thirty (30) days prior written notice to Pacific. Evidence of such insurance, in a form satisfactory to Pacific, shall be furnished by Licensee to Pacific.

7. Licensee will at all times indemnify Pacific against all loss, cost, damage or expense which Pacific may incur in any manner arising from or growing out of the presence of said contacts on Pacific's poles or the manner of operation or maintenance or any failure of said contacts, or of the wires, cables, crossarms, or other equipment used by Licensee in connection therewith, including any and all such loss, cost, or expense on account of injury or damage to any of Pacific's agents or employees or to other persons, or to the property or business of others, and against any and all claims, demands, suits, or actions against Pacific on account of any alleged such injury or damage.

Executed in duplicate this 14 day of June, 1983

PACIFIC POWER & LIGHT COMPANY

By: Jack J. Stiles

SURPRISE VALLEY ELECTRIFICATION CORPORATION

The foregoing permit is hereby accepted upon the terms and conditions stated therein.

By: Mr. Mathews

LIST OF PACIFIC POLE NUMBERS CONTACTED BY SVEC

11/29	8/30	1/32	12/32	<u>4/33</u>	12/37	7/38
12/29	9/30	2/32	13/32	3/37	13/37	8/38
13/29	10/30	3/32	14/32	4/37	14/37	9/38
14/29	11/30	4/32	15/32	5/37	<u>15/37</u>	10/38
5/29	1/30	12/30	5/32	6/37	1/38	11/38
4/29	2/30	13/30	6/32	7/37	2/38	12/38
7/29	3/30	14/30	7/32	<u>18/32</u>	8/37	3/38
8/29	4/30	15/30	8/32	1/33	9/37	4/38
8x/29	5/30	<u>16/30</u>	9/32	2/33	10/37	5/38
9/29	6/30	15/31	10/32	3/33	11/37	6/38
10/29	7/30	<u>16/31</u>	11/32			<u>16/38</u>

*[Handwritten signature]*

TRANSFER AGREEMENT  
BETWEEN  
SURPRISE VALLEY ELECTRIFICATION CORP.  
AND  
PACIFIC POWER & LIGHT COMPANY

This TRANSFER AGREEMENT, executed September 1 1984, 1984 by SURPRISE VALLEY ELECTRIFICATION CORP. (hereinafter called "the Cooperative"), a corporation of the State of California, and PACIFIC POWER & LIGHT COMPANY (hereinafter called "the Company"), a corporation organized and existing under the laws of the State of Maine.

W I T N E S S E T H:

WHEREAS the Company desires that the Cooperative provide transfer service to Company loads at Cedarville Substation; and

WHEREAS the Cooperative agreed to and began providing such transfer service from its Cedarville Substation for Company loads on May 15, 1981; and

NOW THEREFORE, the parties hereto mutually agree as follows:

1. Term of Agreement: This Agreement shall be effective at 2400 hours on the date this contract is executed and shall expire at 2400 hours on the earliest of the following dates; (a) 20 years from the date this contract is executed; (b)

the date of termination of all deliveries hereunder as specified by the Company in a written notice of such termination to the Cooperative, but not before the expiration of one year from 2400 hours on the date such notice is received; or (c) the date of termination of all deliveries hereunder as specified by the Cooperative in a written notice to the Company, but not before the expiration of three years from 2400 hours on the date such notice is received.

2. Exhibit: Exhibit A, attached hereto, is hereby made a part of this Agreement. The Cooperative shall be the "transferor" referred to in Exhibit A, and the Company shall be the "transferee."

3. Provisions Relating to Delivery: Electric power and energy shall be made available by the Cooperative to the Company at all times during the term hereof at the point of delivery specified below, in the amount of the Company's requirements at such point and at the approximate voltage specified therefore; provided, however, that the Cooperative may, but shall not be obligated to, deliver such electric power and energy at a demand in excess of the number of kilowatts as agreed upon in writing from time to time by representatives of the parties hereto. Initially such demand shall be 2,500 kW. Amounts of electric energy, integrated demands therefore and varhours delivered at such point during each month shall be determined from measurements, adjusted for losses as determined by the parties hereto, made by meters installed at the location in the circuit hereinafter specified:

CEDARVILLE POINT OF DELIVERY

Location: The point in the Cooperative's Cedarville substation where the 12.5 kV facilities of the Cooperative and the Company are connected.

Voltage: 12.5 kV

Metering: In the Cooperative's Cedarville substation, in the 12.5 kV circuit over which such power and energy flows.

Adjustment: For losses between point of delivery and point of replacement.

Point of Replacement: In Bonneville's Cedarville Junction substation where the facilities of Bonneville and the Cooperative are connected.

4. Replacement of the Power Delivered: In exchange for the electric power and energy delivered each month by the Cooperative hereunder, the Company shall make a like amount of electric power and energy available to the Cooperative during each month at Bonneville's Cedarville Junction substation. Such electric power and energy to be made available by the Company shall be computed by adjusting metered amounts for losses, as agreed upon by representatives of the parties hereto.

5. Payment for Transfer of Power:

(a) For its services and use of its facilities in transferring electric power hereunder, the Company shall pay the Cooperative each month an amount which is equal to the largest product obtained by:

- (1) Multiplying the actual demand for such month by the annual charge for the Cedarville Point of Delivery after increasing such demand by one percent for each one percent or major fraction thereof by which the average power factor, at which electric power and energy is delivered hereunder at such point during such month, is less than 0.95 lagging; or
- (2) Multiplying the annual charge by the largest transfer demand in the preceding 11 months.

(b) The annual charge for the Cedarville Point of Delivery referred to in subsection (a) above shall be calculated annually on January 1st of each year and used to calculate monthly billings for the current year. The formula used in calculating the annual charge is as follows:

Where: Annual Charge =  $\frac{I \times R}{D}$

\*I = \$307,918, Plant Investment of the Facilities used to provide transfer service;

\*R = 15.86%, Annual Interest & Amortization, Including O&M;

D = Total highest actual Monthly noncoincidental kW peak demand for the previous 12 month period as shown on the BPA billing to SVEC for the Cedarville Metering Point at the Juniper switch multiplied by 12 months.

\* The values of I and R as used in the above formula are subject to annual review by the Cooperative and can be changed with 30 days prior notice to the Company.

(c) The transfer demand referred to in subsection (a) above shall be the largest of the integrated demands at which electric energy is delivered by the Cooperative hereunder during each month, determined at the point of delivery to the Company, provided in Section 3 hereof, after eliminating all abnormal nonrecurring demands resulting from emergency conditions.

6. Ratification of Interim Agreement: During the period of time from when the Cooperative began to serve the Company's loads out of its Cedarville substation, until the date this Agreement is executed, transfer service was provided for the Company by the Cooperative. The Company hereby agrees to pay the Cooperative for this service, as provided for in Section 5 above.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their respective names by their respective officers thereunto duly authorized, all as of the day and year first above written.

PACIFIC POWER & LIGHT COMPANY

By *Ralph W. Moulton*  
Senior Vice President  
*J. Kresge*

SURPRISE VALLEY ELECTRIFICATION CORP.

By *John M. Kresge*  
Title *Gen Mgr*



Exhibit A

GENERAL WHEELING PROVISIONS

Index to Sections

<u>Section</u>	<u>Page</u>
<b>GENERAL APPLICATION</b>	
1. Interpretation.....	2
2. Definitions.....	2
3. Prior Demands.....	3
4. Measurements.....	3
5. Measurements and Installation of Meters.....	3
6. Tests of Meters.....	3
7. Adjustment for Inaccurate Metering.....	4
8. Character of Service.....	5
9. Point of Delivery and Delivery Voltage.....	5
10. Suspension of Deliveries.....	5
11. Continuity of Service.....	5
12. Uncontrollable Forces.....	6
13. Reducing Charges for Interruptions.....	7
14. Power Factor.....	7
15. Permits.....	8
16. Ownership of Facilities.....	9
17. Adjustment for Change of Conditions.....	9
18. Arbitration.....	10
19. Reports.....	11
20. Waiver of Default.....	11
21. Notices and Computation of Time.....	11
22. Balancing Phase Demands.....	12
23. Adjustment for Unbalanced Phase Demands.....	12
24. Changes in Demands or Characteristics.....	12
25. Inspection of Transferee's Facilities.....	12
26. Electric Disturbances.....	13
27. Harmonic Control.....	14
28. Approval of Agreement.....	15

GENERAL APPLICATION

1. Interpretation

(a) The provisions in the agreement to which these General Wheeling Provisions are an exhibit shall be deemed to be a part hereof for the purpose of determining the meaning of any provision contained herein. If a provision in such agreement is in conflict with a provision contained herein, the former shall prevail.

(b) Nothing contained in this agreement shall, in any manner, be construed to abridge, limit, or deprive any party thereto of any means of enforcing any remedy, either at law or in equity, for the breach of any of the provisions thereof which it would otherwise have.

2. Definitions As used in this agreement:

(a) The word "month" shall mean the period commencing at the time when the meters mentioned in this agreement are read by the parties of the agreement and ending approximately 30 days thereafter when a subsequent reading of such meters is made by the parties of the agreement.

(b) The words "Integrated Demand" shall mean the number of kilowatts which is equal to the number of Kilowatt-hours delivered at any point during a clock hour.

(c) The words "System" or "Facilities" shall mean the transmission facilities: (1) which are owned or controlled by either party, or (2) which either party may use under lease, easement, or license.

3. Prior Demands: In determining any credit demand mentioned in, or money compensation to be paid under this agreement for any month, Integrated Demands at which electric energy was delivered by the Transferor at points of delivery mentioned herein for the account of the other party to this agreement prior to the date upon which the agreement takes effect shall be considered in the same manner as if this agreement had been in effect.

4. Measurements: Except as it is otherwise provided in section 7 hereof, each measurement of each meter mentioned in this agreement shall be the measurement automatically recorded by such meter, but if not so recorded, shall be the measurement as determined by the parties hereto.

If it is provided in this agreement that measurements made by any of the meters specified therein are to be adjusted for losses, such adjustments shall be made by using factors, or by compensating the meters, as agreed upon by representatives designated by the parties to such agreement. If changes in conditions occur which substantially affect any such loss factor or compensation, it will be changed in a manner which will conform to such changes in conditions.

5. Measurements and Installation of Meters: The Cooperative may at any time install a meter or metering equipment to make the measurements required for any computation or determination mentioned in this agreement, and if so installed such measurements shall be used thereafter in such computation or determination.

6. Tests of Meters: Each party to this agreement will, at

its expense, test its meters mentioned in this agreement at least once every two years, and, if requested to do so by the other party, will make additional tests or inspections of such meters, the expense of which will be paid by such other party unless such additional tests or inspections show such meters to be inaccurate as specified in section 7 hereof. Each party will give reasonable notice of the time when any such test or inspection is to be made to the other party, who may have representatives present at such test or inspection. Meters found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

7. Adjustment for Inaccurate Metering:

(a) If any meter mentioned in this agreement fails to register, or if the measurement made by such meter during a test as provided in section 6 hereof varies by more than one percent from the measurement made by the standard meter used in such test, adjustment shall be made correcting all measurements made by such inaccurate meter during the period hereinafter stated. Such corrected measurements shall be used to recompute the amounts of any electric power and energy to be made available, of any credits to be made in any exchange energy account, and of any money compensation to be paid to the Transferor as provided in this agreement for (1) the actual period during which such inaccurate measurements were made if such period can be determined, or (2) if not, the period immediately preceding a test of such inaccurate meter which is equal to one-half the time from the date of the last preceding test of such meter; provided, however, that the period for which such recomputations are to be made shall not exceed six months.

(b) If the money compensation theretofore paid to the Transferor varies from the money compensation to be paid as recomputed, the amount of the variance will be paid to the party entitled thereto within 30 days after the recomputation is made; provided, however, that the other party may deduct such amount due it from any money compensation which thereafter becomes due the Transferor under this agreement.

8. Character of Service: Unless otherwise specifically provided for in the agreement, electric power and energy made available pursuant to this agreement shall be in the form of three-phase current, alternating at a frequency of approximately 60 hertz.

9. Point of Delivery and Delivery Voltage: Electric power and energy shall be delivered to the Transferee at such point or points and at such voltage or voltages as are agreed upon by the parties hereto.

10. Suspension of Deliveries: The other party to this agreement may at any time notify the Transferor in writing to suspend the deliveries of electric power and energy provided for in this agreement. Upon receipt of any such notice, the Transferor will forthwith discontinue, and will not resume, such deliveries until notified to do so by the other party, and upon receipt of such notice from the other party to do so, will forthwith resume such deliveries.

11. Continuity of Service: The Transferor may temporarily interrupt or reduce deliveries of electric power and energy to the Transferee if he determines that such interruption or

reduction is necessary or desirable in case of system emergencies, uncontrollable forces, or in order to install equipment in, make repairs, replacements, investigations, and inspections of, or perform other maintenance work on, the Transferor's System. Except in case of emergency and in order that the Transferee's operations will not be unreasonably interfered with, the Transferor will give the Transferee advance notice of any such interruption or reduction, the reason therefore, and the probable duration thereof.

12. Uncontrollable Forces:

(a) Each party shall notify the other as soon as possible of any uncontrollable forces which may in any way affect the delivery of power hereunder. In the event the operations of either party are interrupted or curtailed due to such uncontrollable forces, such party shall exercise due diligence to reinstate such operations with reasonable dispatch.

(b) The term "Uncontrollable Forces" means:

(1) Strikes affecting the operation of either party's System or other Facilities upon which such operation is completely dependent; or

(2) Such of the following events as either party, by exercise of reasonable diligence and foresight, could not reasonably have been expected to avoid:

(i) Events, reasonably beyond the control of the party having jurisdiction thereof, causing failure, damage, or destruction of any such system or facilities. The word "failure" shall be deemed to include interruption of, or interference with, the actual operation of such

System or Facilities; or

(ii) Floods which limit or prevent the operation of, or which constitute an imminent threat of damage to, any such system or facilities.

13. Reducing Charges for Interruptions: If deliveries of electric power and energy to the Transferee are suspended, interrupted, interfered with or curtailed due to uncontrollable forces, as defined in section 12 hereof, on either the Transferee's System or Transferor's System, or if the Transferor interrupts or reduces deliveries to the Transferee for any of the reasons stated in section 11 hereof, the credit in the exchange energy account which would otherwise be paid, to the Transferor shall be appropriately reduced. No interruption, or equivalent interruption, of less than 30 minutes duration will be considered for computation of such reduction in charges.

14. Power Factor:

(a) The formula for determining average power factor is as follows:

Average Power Factor =  $\frac{\text{Kilowatthours}}{\sqrt{(\text{Kilowatthours})^2 + (\text{Reactive Kilovolt-ampere-hours})^2}}$

In applying the above formula, the meter for measurement of reactive kilovolt-ampere-hours will be ratcheted to prevent reverse registration.

(b) When delivery of electric power and energy by the Transferor at any point is commingled with any other class or classes of power and it is impracticable to separately meter the kilowatthours and reactive kilovolt-ampere-hours for each class,

the average power factor of the total delivery of such electric power and energy for the month will be used, where applicable, as the power factor for each of the separate classes.

(c) Except as it is otherwise specifically provided in this agreement, no adjustment will be made for power factor at any point of delivery described in this agreement while the var-hours delivered at such point are not measured.

(d) The Transferor may, but shall not be obligated to, deliver electric energy hereunder at a power factor of less than 0.85 lagging.

15. Permits:

(a) If by the terms of any contract between the parties any equipment or facilities of a party to this agreement are, or are to be, located on the property of the other at any point of delivery provided in this agreement, a permit to install, test, maintain, inspect, replace, repair, and operate during the term of this agreement and to remove such equipment and facilities at the expiration of said term, together with the right of ingress to and egress from the location thereof at all reasonable times in such term is hereby granted by the other party.

(b) Each party shall have the right to read, at all reasonable times, any and all meters mentioned in this agreement which are installed on the property of the other.

(c) If by the terms of any contract between the parties either party is required or permitted to install, test, maintain, inspect, replace, repair, remove, or operate equipment on the Property of the other, the owner of such property shall furnish



the other party accurate drawings and wiring diagrams of associated equipment and facilities, or, if such drawings or diagrams are not available, shall furnish accurate information regarding such equipment or facilities. The owner of such property shall notify the other party of any subsequent modifications which may affect the duties of the other party in regard to such equipment, and furnish the other party accurate revised drawings, if possible.

16. Ownership of Facilities:

(a) Except as otherwise expressly provided, ownership of any and all equipment, and of all salvable facilities installed by a party to this agreement on the property of the other party shall be and remain in the installing party.

(b) Each party shall identify all movable equipment and, to the extent agreed upon by the parties, all other salvable facilities which are installed by such party on the property of the other. Within a reasonable time subsequent to initial installation, and subsequent to any modification of such installation, representatives of the parties shall jointly prepare an itemized list of said movable equipment and facilities.

17. Adjustment for Change of Conditions: If changes in conditions hereafter occur which substantially affect any factor required by this agreement to be used in determining (a) money compensation to be paid, or amount of electric power and energy to be made available to one party by the other party, or (b) any maximum replacement demand, or average power factor mentioned in this agreement, such factor will be changed in a manner which will conform to such changes of conditions. If an increase in the capacity of the

facilities being used by the Transferor in making deliveries hereunder is required at any time after execution of this agreement to enable the Transferor to make the deliveries herein required together with those required for its own operations, the construction or installation of additional or other equipment or facilities for that purpose shall be deemed to be a change of conditions within the meaning of the preceding sentence.

18. Arbitration: If the parties do not agree on the determination of any question of fact hereinafter stated, such determination will be made by arbitration. The party calling for arbitration shall serve notice in writing on the other party, setting forth in detail the question or questions to be arbitrated and the arbitrator appointed by such party. The other party shall, within ten days after the receipt of such notice, appoint a second arbitrator, and the two so appointed shall choose and appoint a third. In case such other party fails to appoint an arbitrator within said ten days, or in case the two so appointed fail for ten days to agree upon and appoint a third, the party calling for the arbitration, upon five days written notice delivered to the other party, shall apply to the person who at the time shall be the presiding judge of the United States Court of Appeals for the Ninth Circuit for appointment of the second or third arbitrator, as the case may be.

The determination of the question or questions submitted for arbitration shall be made by a majority of the arbitrators, and shall be binding on the parties. Each party shall pay for the services and expenses of the arbitrator appointed by or for it, and all other costs incurred in connection with the arbitration

shall be paid equally by the parties thereto.

The questions of fact to be determined as provided in this section shall be: (a) the determination of the measurements to be made by the parties hereto pursuant to section 4 hereof; (b) the correction of the measurements to be made as provided in section 7 hereof; (c) the amount of reduction in charges mentioned in section 13 hereof; (d) the duration of the interruption or equivalent interruption mentioned in section 13 hereof; (e) whether changes in conditions mentioned in section 17 hereof have occurred, and if so, the change to be made in the factor mentioned; (f) whether an increase or decrease in load or change in load factor mentioned in section 24 hereof is unusual; (g) any fact mentioned in sections 22 and 26 hereof; (h) whether an abnormal nonrecurring demand occurred and the amount and time thereof; (i) and the acceptable level of harmonics mentioned in section 27 hereof.

19. Reports: The other party to this agreement will furnish the Cooperative such information as is necessary for making any computation required for the purposes of this agreement, and the parties will cooperate in exchanging such additional information as may be reasonably useful for their respective operations.

20. Waiver of Default: Any waiver at any time by any party to this agreement of its rights with respect to any default of any other party thereto, or with respect to any other matter arising in connection with such agreement, shall not be considered a waiver with respect to any subsequent default or matter.

21. Notices and Computation of Time: Any notice required by this agreement to be given to any party shall be effective when

it is received by such party, and in computing any period of time from such notice, such period shall commence at 2400 hours on the date of receipt of such notice.

22. Balancing Phase Demands: The Cooperative may, at any time during the term of this agreement, require the Transferee to make such changes as are necessary on its system to balance the phase currents at any point of delivery so that the current on any one phase shall not exceed the current on any other phase at such point by more than ten percent.

23. Adjustment for Unbalanced Phase Demands: If the Transferee fails to make promptly the changes mentioned in section 22 hereof, the Cooperative, at the Transferee's expense, may determine, for each month thereafter until such changes are made, that the registered demand of the Transferee at the point of delivery in question is equal to the product obtained by multiplying by three the largest of the Integrated Demands of the Transferee on any phase at such point during such month. This section shall not apply with respect to any point of delivery where the current required to be supplied at such point is other than three-phase current.

24. Changes in Demands or Characteristics: The Transferee will, whenever possible, give reasonable notice to the Cooperative of any unusual increase or decrease of its demands for electric power and energy on the Transferor's system, or of any unusual change in the load factor or power factor at which the Transferee will take delivery of electric power and energy under this contract.

25. Inspection of Transferee's Facilities: The Cooperative may, but shall not be obligated to, inspect the Transferee's

electric installation at any time, but such inspection, or failure to inspect, shall not render the Cooperative, its officers, agents, or employees, liable or responsible for any injury, loss, damage, or accident resulting from defects in such electric installation, or for violation of this agreement. The Cooperative shall observe written operating instructions posted in facilities and such other necessary instructions or standards for inspection as the parties agree to. Only those electric installations used in complying with the terms of this contract shall be subject to inspection.

26. Electric Disturbances:

(a) Each party shall design, construct, operate, maintain and use its electric system in conformance with accepted utility practices:

(1) to minimize electric disturbances such as, but not limited to, the abnormal flow of power which may damage or interfere with the electric system of the other party or any electric system connected with such other party's electric system; and

(2) to minimize the effect on its electric system and on its customers of electric disturbances originating on its own or another electric system.

(b) During such time as a party to this agreement is not a party to the Agreement Limiting Liability Among Western Interconnected Systems, its relations with the other party with respect to system damages shall be governed by the following sentence, notwithstanding the fact that the other party may be

a party to said Agreement Limiting Liability Among Western Inter-connected Systems. A party to this agreement shall not be liable to the other party for damage to the other party's system or facilities caused by an electric disturbance on the first party's system, whether or not such electric disturbance is the result of negligence by the first party, if the other party has failed to fulfill its obligations under subsection (a), (2) above.

(c) If one of the parties to this agreement is not a party to the Agreement Limiting Liability Among Western Inter-connected Systems, each party to this agreement shall hold harmless and indemnify the other party, its officers and employees, from any claims for loss, injury, or damage suffered by those to whom the first party delivers power not for resale, which loss, injury or damage is caused by an electric disturbance on the other party's system, whether or not such electric disturbance results from the negligence of such other party, if such first party has failed to fulfill its obligations under subsection (a), (2) above, and such failure contributed to the loss, injury or damage.

(d) Nothing in this section 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.

27. Harmonic Control: Each party shall design, construct, operate, maintain, and use its electric system in accordance with good engineering practices to minimize to acceptable levels the production of harmonic currents and voltages injected or coupled into the other party's facilities.

28. Approval of Agreement: This agreement shall not be binding on the parties thereto if it is not hereafter approved by the Administrator of the Rural Electrification Administration and any other entity from whom the Borrower borrows under an indenture which requires the lender's approval. If so approved it shall be effective at the time stated in the sections of this agreement entitled "Term of Agreement".



May 20, 2015

Surprise Valley Electrification Corp.  
516 US Hwy. 395 E  
Alturas, CA 96101  
Attn: Brad Kresge, General Manager

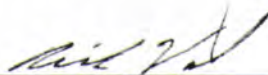
**Re: Surprise Valley Electrification Corp.**

Dear Mr. Kresge,

This letter is intended to confirm the agreement of Surprise Valley Electrification Corp. ("SVEC") that the generation from the Paisley geothermal project will be less than 3.0 MW until PacifiCorp obtains the necessary approval from the California Independent System Operator ("CAISO"). PacifiCorp intends to include the Paisley geothermal project in its CAISO submission prior to June 4, 2015, in order to facilitate CAISO approval in October. Please indicate SVEC's agreement by signing below, and returning a copy of this letter at your earliest convenience.

PACIFICORP

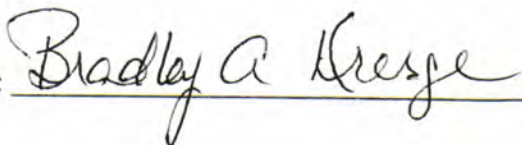
By: \_\_\_\_\_

  
Rick Vail  
VP, Transmission

Acknowledged and agreed:

SURPRISE VALLEY ELECTRIFICATION CORP.

By: \_\_\_\_\_



Date: \_\_\_\_\_

