

LOVINGER | KAUFMANN LLP

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Portland, OR 97232-2150

office (503) 230-7715
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October 23, 2009

Via Electronic Filing and U.S. Mail

Public Utility Commission of Oregon
Attention: Filing Center
PO Box 2148
Salem, OR 97308-2148

Re: INTERNATIONAL PAPER COMPANY, Complainant, vs.
PACIFICORP dba PACIFC POWER, Respondent
OPUC Docket No. UM 1449

Attention Filing Center:

Enclosed for filing in the above-captioned docket are an original and one copy of *DIRECT TESTIMONY OF JIM SCHROEDER ON BEHALF OF PACIFICORP.*

An extra copy of this cover letter is enclosed. Please date stamp the extra copy and return it to me in the envelope provided.

Thank you in advance for your assistance.

Sincerely,

_____
Jeff Lovinger

cc: UM 1449 Service List

Enclosures

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM 1449

**INTERNATIONAL PAPER
COMPANY,**

Complainant,

vs.

PACIFICORP dba PACIFIC POWER,

Respondent.

DIRECT TESTIMONY OF

JIM SCHROEDER

ON BEHALF OF

PACIFICORP

October 23, 2009

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 **A.**Jim Schroeder. PacifiCorp, 825 NE Multnomah, Suite 600, Portland, Oregon
3 97232.

4 **Q. WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU**
5 **EMPLOYED?**

6 **A.**I am employed by PacifiCorp full-time in the Commercial & Trading department
7 as an Originator.

8 **Q. PLEASE DESCRIBE YOUR FAMILIARITY WITH INTERNATIONAL**
9 **PAPER COMPANY’S (“INTERNATIONAL”) NEGOTIATIONS FOR A**
10 **POWER PURCHASE AGREEMENT (“PPA”) WITH PACIFICORP.**

11 **A.**I was PacifiCorp’s primary contact with International. I took part in relevant
12 correspondence with International. I was involved in preparing and negotiating
13 terms for a PPA.

14 **Q. PLEASE DESCRIBE EXHIBIT PACIFICORP/101 TO THIS**
15 **TESTIMONY.**

16 **A.**Exhibit PacifiCorp/101 contains selected pages from the draft PPA proposed by
17 PacifiCorp on August 10, 2009. The selected pages contain my handwritten notes
18 in red felt pen that I made during a phone call with Greg Comatas, International’s
19 Strategic Sourcing Manager, on August 11, 2009 in which we discussed the
20 August 10 draft PPA. My notes in red are issues that Mr. Comatas expressed
21 concern about during the August 11 call.

22 Regarding Recital G on page 2 of the draft PPA, we discussed the status of
23 International’s generator interconnection agreement, which had been recently
24 assigned from Weyerhaeuser Company to International.

1 Regarding Section 3.2.8 on page 8, Mr. Comatas inquired whether
2 Moody's could be the source for International's credit rating.

3 Regarding Section 6.1 on page 11, Mr. Comatas inquired as to whether
4 curtailments under that section during on-peak hours could be eliminated from the
5 availability calculation. Mr. Comatas also inquired as to whether maintenance
6 outages would also be eliminated from the availability calculation.

7 Regarding Section 9.3 on page 12, Mr. Comatas inquired how often
8 PacifiCorp would test the metering equipment and what would be done with the
9 results of the test.

10 Regarding Section 12.7.8 on page 16, Mr. Comatas inquired about the
11 option to self-insure.

12 Mr. Comatas' comments on these issues were provided orally and were
13 never presented to PacifiCorp in writing.

14 **Q. DID INTERNATIONAL PROVIDE ANY WRITTEN COMMENTS TO**
15 **THE DRAFT PPA YOU SENT INTERNATIONAL ON AUGUST 10?**

16 **A.** Mr. Comatas sent me an e-mail on August 11 with an attachment containing
17 updated contact information to Section 22 of the PPA. I have attached the e-mail
18 and attachment as Exhibit PacifiCorp/102 to this testimony and have redacted
19 potentially confidential information.

20 **Q. PLEASE DESCRIBE EXHIBIT PACIFICORP/103 TO THIS**
21 **TESTIMONY.**

22 **A.** Exhibit PacifiCorp/103 is pages 1, 12, and 16 from the proposed terms that I
23 emailed as an attachment to Mr. Comatas on August 21, 2009. On page 12, I
24 proposed revisions to credit requirements in Section 8.1. On page 16, I proposed
25 changes to the insurance requirements in Sections 12.7.1 through 12.7.6. The

1 proposal I e-mailed to Mr. Comatas on August 21, 2009 did not include a
2 recitation of proposed pricing terms.

3 **Q. PLEASE DESCRIBE EXHIBIT PACIFICORP/104 TO THIS**
4 **TESTIMONY.**

5 **A.** Exhibit PacifiCorp/104 is the cover e-mail that I sent to Mr. Comatas on August
6 21 with revised proposed terms attached. In this e-mail, I explained that pricing
7 would be finalized per Oregon Public Utility Commission directions.

8 **Q. PLEASE DESCRIBE EXHIBIT PACIFICORP/105 TO THIS**
9 **TESTIMONY.**

10 **A.** Exhibit PacifiCorp/105 is pages 1, 8, and 14 of the proposed terms that I e-mailed
11 as an attachment to Mr. Comatas on August 13, 2009. The first page contains a
12 note at the top designating the draft as a working draft, not a binding offer. I
13 noted on page 8 that Section 3.2.8 is subject to review by PacifiCorp's internal
14 credit division. I also noted on page 14 that the insurance section is under review
15 by PacifiCorp's Risk Management Department.

16 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

17 **A.** Yes.

PACIFICORP/101

Excerpts of August 10, 2009 Draft PPA

THIS WORKING DRAFT DOES NOT CONSTITUTE A BINDING OFFER, SHALL NOT FORM THE BASIS FOR AN AGREEMENT BY ESTOPPEL OR OTHERWISE, AND IS CONDITIONED UPON EACH PARTY'S RECEIPT OF ALL REQUIRED MANAGEMENT APPROVALS (INCLUDING FINAL CREDIT AND LEGAL APPROVAL). ANY ACTIONS TAKEN BY A PARTY IN RELIANCE ON THE TERMS SET FORTH IN THIS WORKING DRAFT OR ON STATEMENTS MADE DURING NEGOTIATIONS PURSUANT TO THIS WORKING DRAFT SHALL BE AT THAT PARTY'S OWN RISK. UNTIL THIS AGREEMENT IS NEGOTIATED, APPROVED BY MANAGEMENT, SIGNED AND DELIVERED, NO PARTY SHALL HAVE ANY OTHER LEGAL OBLIGATIONS, EXPRESSED OR IMPLIED, OR ARISING IN ANY OTHER MANNER UNDER THIS WORKING DRAFT OR IN THE COURSE OF NEGOTIATIONS.

POWER PURCHASE AGREEMENT

BETWEEN

INTERNATIONAL PAPER COMPANY

AND

PACIFICORP

THIS POWER PURCHASE AGREEMENT (the "**Agreement**"), entered into this ____ day of August 2009, is by and between International Paper Company, a New York corporation, ("**Seller**") and PacifiCorp (d/b/a Pacific Power & Light Company), an Oregon corporation ("**PacifiCorp**") individually, a "**Party**" and collectively, the "**Parties**."

RECITALS

A. Seller owns and operates a cogeneration facility comprised of a combustion gas turbine generator with heat recovery steam generator, and a steam turbine generator, located in Albany, Linn County, OR with a combined Nameplate Capacity Rating of 93.02 megawatts ("**MW**") (as more fully described in **Exhibit A**, the "**Facility**"). Because Seller's combined Nameplate Capacity Rating exceeds the 45 MW capacity of the PacifiCorp Western Kraft

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PPA-Draft1-1 10Aug2009.doc

Substation, Seller will self-limit delivery of Net Delivered Energy to 45 MW ("Maximum Delivery Rate"); and

B. Seller has self-certified the cogeneration facility as a qualifying facility under the Public Utility Regulatory Policies Act of 1978 in Federal Energy Regulatory Commission ("FERC") Docket No. QF95-233. Seller intends to operate the Facility as a Qualifying Facility, as such term is defined in Section 3.2.6 below; and

C. Commission Order No. 07-360 mandated utilities offering non-standard power purchase agreements to qualifying facilities to make specified adjustments to Avoided Costs Prices offered in standard power purchase agreements under PacifiCorp's Schedule 37. Those changes to pricing and terms have been incorporated into this Agreement; and

D. Seller estimates the Net Delivered Energy during the two-year term of the contract, starting January 1, 2010, is 676,134 megawatt-hours ("MWh") net of anticipated scheduled maintenance (set forth in Exhibit C attached hereto); and

E. PacifiCorp has determined that it will be in a state of resource sufficiency for the term of this Agreement, and has adjusted the Contract Prices accordingly; and

F. Seller desires to sell and PacifiCorp desires to purchase the Net Delivered Energy from the Facility in accordance with the terms and conditions of this Agreement; and

G. Seller applied to PacifiCorp Transmission for a Large Generation Interconnection Agreement on _____; and

H. Seller elects to purchase its partial requirements for the Albany Paper Mill retail load from PacifiCorp. For its retail energy purchases, Seller will be served by PacifiCorp under Oregon Schedule 47, as more particularly described in a separate Master Electric Service Agreement; and

I. This Agreement is a "New QF Contract" under the PacifiCorp Inter-Jurisdictional Cost Allocation Revised Protocol and, as such, the costs of QF energy under this Agreement shall be allocated as a system resource unless any portion of those costs exceeds the cost PacifiCorp would have otherwise incurred acquiring comparable resources. In that event, the Revised Protocol assigns those excess costs on a *situs* basis to the State of Oregon. In addition, for the purposes of inter-jurisdictional cost allocation, PacifiCorp represents that the costs of this Agreement do not exceed the costs PacifiCorp would have otherwise incurred acquiring resources in the market that are defined as "Comparable Resources" in Appendix A to the Inter-Jurisdictional Cost Allocation Revised Protocol. For the purposes of inter-jurisdictional cost allocation, PacifiCorp represents that the costs and revenues from the energy and capacity sold to Seller by PacifiCorp will be assigned on a *situs* basis to the State of Oregon.

NOW, THEREFORE, the Parties mutually agree as follows:

- assigned Aug 5, 2009
- redraft contract to come in mail next week

with the Seller or the Facility, stating that the Facility is a QF and has been operated lawfully as a QF under this Agreement. The attorney's opinion shall provide sufficient documentation to demonstrate that Seller has maintained and will continue to maintain the Facility as a QF. If such legal opinion states that Seller has maintained the Facility as a QF, then PacifiCorp shall pay for said legal opinion. If such legal opinion states that Seller's Facility is not a QF, then Seller shall pay for said legal opinion and Seller shall be deemed to have received written notice from PacifiCorp that Seller is in default of this representation for the purposes of section 11.1.1.

3.2.7 Under no circumstances shall the Net Delivered Energy exceed the Net Output of the Facility.

3.2.8 Seller's credit rating on its senior, unsecured debt currently is rated "BBB" by the Standard and Poor's Rating Service.

why not Moody's

Comment: Subject to review by Credit

3.2.9 Seller will take retail electric service for the Facility pursuant to an effective Master Electric Service Agreement under PacifiCorp's Oregon Schedule 47 during the Term of this Agreement; and

3.2.10 Seller, at its option, elects to self-insure. Seller maintains and will maintain insurance applicable to losses in excess of self-insured amount. Seller agrees to provide PacifiCorp all the benefits that would otherwise be available and provided under an insurance policy in accordance with the requirements set forth in Section 12.7, including but not limited to defense of claims.

Comment: Subject to review by Credit

SECTION 4: DELIVERY OF POWER

4.1 Commencing at 12:01 a.m. on January 1, 2010 (or any subsequent date agreed upon by the Parties in writing) and continuing through all hours of the Term of this Agreement, Seller shall sell and make available to PacifiCorp (and to PacifiCorp only), and PacifiCorp shall purchase, the Net Delivered Energy from the Facility at the Point of Delivery as more particularly described in Section 4.2 hereto.

4.2 Net Delivered Energy.

4.2.1 Seller's "Net Delivered Energy" (MWh) shall be equal to:

- a) The Generation Meter (MW) if the Load Meter and Generation Meter are both less than or equal to 45 MW; or
- b) 45 MW if the Load Meter is less than or equal to 45 MW and the Generation Meter is greater than 45 MW; or
- c) the lesser of (i) the Generation Meter minus the Load Meter plus 45 MW, or (ii) 45 MW, if the Load Meter is greater than 45 MW.

hereto, illustrates how Net Delivered Energy, Liquidated Damages, and the resulting Payment are calculated under this Section.

SECTION 6: OPERATION AND CONTROL

6.1 Seller shall operate and maintain the Facility in a safe manner in accordance with the Generation Interconnection Agreement, Prudent Electrical Practices and in accordance with the requirements of all applicable federal, state and local laws and the National Electric Safety Code as such laws and code may be amended from time to time. PacifiCorp shall have no obligation to purchase Net Delivered Energy from the Facility to the extent the interconnection between the Facility and PacifiCorp's electric system is disconnected, suspended or interrupted, in whole or in part, pursuant to the Generation Interconnection Agreement, or to the extent generation curtailment is required as a result of Seller's non-compliance with the Generation Interconnection Agreement. PacifiCorp shall have the right to inspect the Facility to confirm that Seller is operating the Facility in accordance with the provisions of this Section 6.3 upon reasonable notice to Seller. Seller is solely responsible for the operation and maintenance of the Facility. PacifiCorp shall not, by reason of its decision to inspect or not to inspect the Facility, or by any action or inaction taken with respect to any such inspection, assume or be held responsible for any liability or occurrence arising from the operation and maintenance by Seller of the Facility.

6.2 To the extent not otherwise provided in the Generation Interconnection Agreements, all reasonable costs incurred that are associated with the modifications to PacifiCorp's interconnection facilities or electric system occasioned by or related to the interconnection of the Facility with PacifiCorp's system consistent with applicable interconnection standards, or any increase in generating capability of the Facility, or any increase of delivery of Net Delivered Energy from the Facility, shall be borne by Seller.

6.3 Approved Outages. On-Peak hours of Approved Outages shall be deducted from On-Peak Delivery Hours for the month in which the outage occurs.

6.4 Unapproved Outages. If any unit in the Facility ceases operation for any hour other than pursuant to an Approved Outage, Seller shall within fifteen minutes notify PacifiCorp of the necessity of such unapproved outage, the time when the outage has occurred or will occur and the anticipated duration of the outage. Notification shall be to the Real Time Generation Desk, as identified in Section 22. Seller shall make best efforts to meet its delivery obligations during utility system emergencies. When feasible, Seller shall schedule routine outages lasting less than twelve hours during Off-Peak Hours. Hours of unapproved outages shall not be deducted from Net Delivery Hours.

SECTION 7: FUEL/MOTIVE FORCE

Seller shall procure at its cost all inputs necessary to deliver Net Delivered Energy.

SECTION 8: CREDIT

*eliminate on-peak
hrs from
availability calc.
maintenance
outage
not*

*outage in March
compensation*

8.1 As of the Effective Date and for the Term, Seller shall satisfy the Credit Requirements. In the event of a Material Adverse Change, or at any time during the term of this agreement when Seller does not meet the Credit Requirements, the Seller will be required to post performance assurances, as reasonably determined by PacifiCorp.

8.2 If Seller's financial statements are not publicly available, and if requested by PacifiCorp, the Seller shall provide copies of its audited year-end financial statements for the previous two years, prepared in accordance with generally accepted accounting principles.

SECTION 9: METERING

9.1 PacifiCorp shall design, furnish, install, own, inspect, test, maintain and replace all metering equipment as provided in the Generation Interconnection Agreements.

9.2 Metering shall be performed at the location and in a manner consistent with this Agreement and as specified in the Generation Interconnection Agreement. All quantities of energy purchased hereunder shall be adjusted to account for electrical losses, if any, between the point of metering and the Point of Delivery, so that the purchased amount reflects the net amount of power flowing into PacifiCorp's system at the Point of Delivery.

9.3 PacifiCorp shall periodically inspect, test, repair and replace the metering equipment as provided in the Generation Interconnection Agreement, if applicable. If any of the inspections or tests discloses an error exceeding two percent (2%), either fast or slow, proper correction, based upon the inaccuracy found, shall be made of previous readings for the actual period during which the metering equipment rendered inaccurate measurements if that period can be ascertained. If the actual period cannot be ascertained, the proper correction shall be made to the measurements taken during the time the metering equipment was in service since last tested, but not exceeding three (3) Billing Periods, in the amount the metering equipment shall have been shown to be in error by such test. Any correction in billings or payments resulting from a correction in the meter records shall be made in the next monthly billing or payment rendered following the repair of the meter.

SECTION 10: BILLINGS, COMPUTATIONS AND PAYMENTS

10.1 All bills or payments shall be paid within thirty (30) days after issuance of the bill, but no later than the due date specified by PacifiCorp on each monthly invoice for service under the Master Electric Service Agreement. PacifiCorp shall send to Seller an invoice or payment for Seller's purchases or deliveries, as the case may be, together with computations supporting such invoice or payment. PacifiCorp or Seller may offset any such payment to reflect amounts owing from Seller to PacifiCorp or from PacifiCorp to Seller pursuant to this Agreement or the Master Electric Service Agreement.

PacifiCorp/101
Schroeder/5

how often tested?
results of test
available to IP

SLA
PPA

→ regulation
running @ 1.90%
low for 23ms-
and PAC knows
about it but
does not fix

including coverage for earth movement, flood, and boiler and machinery. The Risk policy may contain separate sub-limits and deductibles subject to insurance company underwriting guidelines. The Risk Policy will be maintained in accordance with terms available in the insurance market for similar facilities.

12.7.2 Employers' Liability insurance with a minimum limit of \$1,000,000.

12.7.3 Commercial General Liability insurance, to include contractual liability, with a minimum single limit of \$1,000,000 to protect against and from all loss by reason of injury to persons or damage to property based upon and arising out of the activity under this Agreement.

12.7.4 Business Automobile Liability insurance with a minimum single limit of \$1,000,000 for bodily injury and property damage with respect to vehicles whether owned, hired or non-owned, assigned to or used in connection with this Agreement.

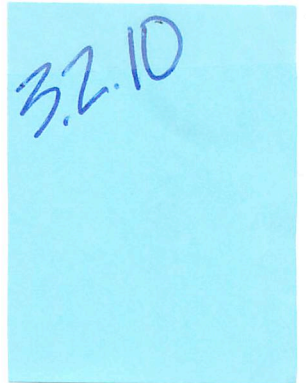
12.7.5 The Commercial General Liability policy required herein shall include i) provisions or endorsements naming PacifiCorp, its Board of Directors, Officers and employees as additional insureds, and ii) cross liability coverage so that the insurance applies separately to each insured against whom claim is made or suit is brought, even in instances where one insured claims against or sues another insured.

12.7.6 All liability policies required by this Agreement shall include provisions that such insurance is primary insurance with respect to the interests of PacifiCorp and that any other insurance maintained by PacifiCorp is excess and not contributory insurance with the insurance required hereunder, and provisions that such policies shall not be canceled or their limits of liability reduced without 1) ten (10) days prior written notice to PacifiCorp if canceled for nonpayment of premium, or 2) thirty (30) days prior written notice to PacifiCorp if canceled for any other reason. A certificate in a form satisfactory to PacifiCorp certifying to the issuance of such insurance, shall be furnished to PacifiCorp. Commercial General Liability coverage written on a "claims-made" basis, if any, shall be specifically identified on the certificate. If requested by PacifiCorp, a copy of each insurance policy, certified as a true copy by an authorized representative of the issuing insurance company, shall be furnished to PacifiCorp.

12.7.7 Insurance coverage provided on a "claims-made" basis shall be maintained by Seller for a minimum period of five (5) years after the completion of this Agreement.

12.7.8 Option to Self-insure. Seller, at its option, may self-insure for any or all of the coverage described above. In the event and to the extent Seller so elects, Seller shall advise PacifiCorp in writing. For all such self-insurance maintained by Seller, Seller agrees to provide PacifiCorp all the benefits that would otherwise be available and provided under an insurance policy in accordance with the requirements set forth above in this Section 12.7, including but not limited to defense of claims.

SECTION 13: FORCE MAJEURE



PACIFICORP/102

August 11, 2009 E-mail from Greg Comatas

Schroeder, Jim {Mkt Function}

From: Greg Comatas [Greg.Comatas@ipaper.com]
Sent: Tuesday, August 11, 2009 10:57 AM
To: Schroeder, Jim {Mkt Function}
Subject: International Paper: Updated Section 22

Attachments: Updated SECTION 22.docx



Updated SECTION
22.docx (12 KB...

(See attached file: Updated SECTION 22.docx)

Greg Comatas
Manager - Strategic Sourcing
International Paper
901-419-1654 Office
901-326-2799 Mobile

SECTION 22: NOTICES

22.1 All notices except as otherwise provided in this Agreement shall be in writing, and all notices and payments shall be directed as follows and shall be considered delivered if delivered in person or when deposited in the U.S. Mail, postage prepaid by certified or registered mail and return receipt requested

To Seller:

All Notices:

Shipping Address: 3251 OLD SALEM RD NE
ALBANY OR 97321

Mailing Address PO BOX 339
ALBANY OR 97321

Attn: Michael Culver
Phone: (541) 924-4657
Facsimile: (541) 967-2343

Duns: [REDACTED]
Federal Tax ID Number: [REDACTED]

Invoices:

Attn: Karen Crawford
Phone: (541) 924-3686
Facsimile: (541) 967-2343

Scheduling:

Attn: Andrew Cooper
Phone: (541) 924-4638
Facsimile: (541) 924-3697

Payments:

Attn: Karen Crawford
Phone: (541) 924-3686
Facsimile: (541) 967-2343

Wire Transfer:

International Paper
JP Morgan Chase Bank
New York, NY 10081
ABA: [REDACTED]
Swift ID: [REDACTED]
ACCT: [REDACTED]
Bank Contact: Jeanne Muino (212) 552-1481

PACIFICORP/103

Excerpts of August 21, 2009 Proposed Terms

THIS WORKING DRAFT DOES NOT CONSTITUTE A BINDING OFFER, SHALL NOT FORM THE BASIS FOR AN AGREEMENT BY ESTOPPEL OR OTHERWISE, AND IS CONDITIONED UPON EACH PARTY'S RECEIPT OF ALL REQUIRED MANAGEMENT APPROVALS (INCLUDING FINAL CREDIT AND LEGAL APPROVAL). ANY ACTIONS TAKEN BY A PARTY IN RELIANCE ON THE TERMS SET FORTH IN THIS WORKING DRAFT OR ON STATEMENTS MADE DURING NEGOTIATIONS PURSUANT TO THIS WORKING DRAFT SHALL BE AT THAT PARTY'S OWN RISK. UNTIL THIS AGREEMENT IS NEGOTIATED, APPROVED BY MANAGEMENT, SIGNED AND DELIVERED, NO PARTY SHALL HAVE ANY OTHER LEGAL OBLIGATIONS, EXPRESSED OR IMPLIED, OR ARISING IN ANY OTHER MANNER UNDER THIS WORKING DRAFT OR IN THE COURSE OF NEGOTIATIONS.

POWER PURCHASE AGREEMENT

BETWEEN

INTERNATIONAL PAPER COMPANY

AND

PACIFICORP

THIS POWER PURCHASE AGREEMENT (the "**Agreement**"), entered into this ____ day of August 2009, is by and between International Paper Company, a New York corporation, ("**Seller**") and PacifiCorp (d/b/a Pacific Power & Light Company), an Oregon corporation ("**PacifiCorp**") individually, a "**Party**" and collectively, the "**Parties**."

RECITALS

A. Seller owns and operates a cogeneration facility comprised of a combustion gas turbine generator with heat recovery steam generator, and a steam turbine generator, located in Albany, Linn County, OR with a combined Nameplate Capacity Rating of 93.02 megawatts ("**MW**") (as more fully described in **Exhibit A**, the "**Facility**"). Because Seller's combined Nameplate Capacity Rating exceeds the 45 MW capacity of the PacifiCorp Western Kraft

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Inserted: 20Aug2009 International Paper PPA without pricing.doc

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Inserted: Draft1-1 10Aug2009-3

SECTION 7: FUEL/MOTIVE FORCE

Seller shall procure at its cost all inputs necessary to deliver Net Delivered Energy.

SECTION 8: CREDIT

8.1 As of the Effective Date and for the Term, Seller shall satisfy the Credit Requirements. In the event of a Material Adverse Change, or at any time during the term of this agreement when Seller does not meet the Credit Requirements, the Seller will be required to post credit assurances, as reasonably determined by PacifiCorp.

Deleted: performance

8.2 If Seller's financial statements are not publicly available, and if requested by PacifiCorp, the Seller shall provide copies of its audited year-end financial statements for the previous two years, prepared in accordance with generally accepted accounting principles.

SECTION 9: METERING

9.1 PacifiCorp shall design, furnish, install, own, inspect, test, maintain and replace all metering equipment as provided in the Generation Interconnection Agreements.

9.2 Metering shall be performed at the location and in a manner consistent with this Agreement and as specified in the Generation Interconnection Agreement. All quantities of energy purchased hereunder shall be adjusted to account for electrical losses, if any, between the point of metering and the Point of Delivery, so that the purchased amount reflects the net amount of power flowing into PacifiCorp's system at the Point of Delivery.

9.3 PacifiCorp shall periodically inspect, test, repair and replace the metering equipment as provided in the Generation Interconnection Agreement, if applicable. If any of the inspections or tests discloses an error exceeding two percent (2%), either fast or slow, proper correction, based upon the inaccuracy found, shall be made of previous readings for the actual period during which the metering equipment rendered inaccurate measurements if that period can be ascertained. If the actual period cannot be ascertained, the proper correction shall be made to the measurements taken during the time the metering equipment was in service since last tested, but not exceeding three (3) Billing Periods, in the amount the metering equipment shall have been shown to be in error by such test. Any correction in billings or payments resulting from a correction in the meter records shall be made in the next monthly billing or payment rendered following the repair of the meter.

SECTION 10: BILLINGS, COMPUTATIONS AND PAYMENTS

10.1 All bills or payments shall be paid within thirty (30) days after issuance of the bill, but no later than the due date specified by PacifiCorp on each monthly invoice for service under the Master Electric Service Agreement. PacifiCorp shall send to Seller an invoice or payment for Seller's purchases or deliveries, as the case may be, together with computations supporting such

12.7.1 Special Form Property insurance providing coverage in an amount at least equal to the full replacement value of the Facility against special form property physical loss or damage with normal and customary exclusions, including coverage for earth, earthquake, flood, and boiler and machinery. This property insurance may contain separate sub-limits and deductibles. This property insurance will be maintained in accordance with terms available in the insurance market for similar facilities.

Deleted: All Risk

Deleted: "all risks" of

Deleted: movement

Deleted: The Risk policy

Deleted: subject to

Deleted: company underwriting guidelines. The Risk Policy

Deleted: a

Deleted: limit

12.7.2 Employers' Liability insurance with minimum limits of \$1,000,000 applicable to each accident/disease-each employee/disease-policy limit.

12.7.3 Commercial General Liability insurance, to include contractual liability, premises and operations, and broad form property damage, with a minimum single limit of \$1,000,000 each occurrence/\$2,000,000 general aggregate to protect against and from, loss by reason of injury to persons or damage to property based upon and arising out of the activity under this Agreement.

Deleted: all

12.7.4 Business Automobile Liability insurance with a minimum single limit of \$1,000,000 each accident for bodily injury and property damage with respect to Seller's vehicles whether owned, hired or non-owned, assigned to or used in connection with this Agreement.

12.7.5 Umbrella Liability insurance with a minimum limit of \$5,000,000 each occurrence/aggregate where applicable to be excess of the coverages and limits required in Employers' Liability insurance, Commercial General Liability insurance, and Business Automobile Liability insurance above. Seller shall notify PacifiCorp, if at any time this minimum umbrella limit is not available during the term of this Agreement, and may be required to purchase additional limits of coverage.

Deleted: . The Commercial General Liability policy required herein shall include i) provisions or endorsements naming PacifiCorp, its Board

12.7.6 The Commercial General Liability policy required herein shall include i) provisions or endorsements naming PacifiCorp, its Directors, Officers, agents and employees as additional insureds, and ii) cross liability coverage so that the insurance applies separately to each insured against whom claim is made or suit is brought, even in instances where one insured claims against or sues another insured.

12.7.7 All liability policies required by this Agreement shall include provisions that such insurance is primary insurance with respect to the interests of PacifiCorp and that any other insurance maintained by PacifiCorp is excess and not contributory insurance with the insurance required hereunder, and provisions that such policies shall not be canceled or their limits of liability reduced without 1) ten (10) days prior written notice to PacifiCorp if canceled for nonpayment of premium, or 2) thirty (30) days prior written notice to PacifiCorp if canceled for any other reason. A certificate in a form satisfactory to PacifiCorp certifying to the issuance of such insurance, shall be furnished to PacifiCorp. Commercial General Liability coverage written on a "claims-made" basis, if any, shall be specifically identified on the certificate. If requested by PacifiCorp, a copy of each insurance policy, certified as a true copy by an authorized representative of the issuing insurance company, shall be furnished to PacifiCorp.

Deleted: 6.

PACIFICORP/104

August 11, 2009 E-mail from Jim Schroeder

Schroeder, Jim {Mkt Function}

From: Schroeder, Jim {Mkt Function}
Sent: Friday, August 21, 2009 4:15 PM
To: 'Greg Comatas'
Cc: 'Ken Kaufmann'; Kusters, Stacey {Mkt Function}; Griswold, Bruce {Mkt Function}
Subject: Draft QF agreement for Interntaional Paper Albany Paper mill
Attachments: 20Aug2009 International Paper PPA.doc

Greg

Please find attached a draft QF agreement for your Albany Paper mill 2 year proposed QF sale beginning January 1, 2010. Per our discussion earlier today and with the pending OPUC hearing on Tuesday, August 25, 2009, PacifiCorp will finalize the pricing per OPUC directions as a result of the Tuesday meeting. Once the pricing has been finalized we will prepare a complete final draft for your approval. After your approval, we will route the transaction internally for senior management approval. Please review and provide me any comments.

Jim Schroeder

Origination, Commercial & Trading
PacifiCorp
voice:(503) 813-5380
cell: (503) 701-6688
fax: (503) 813-6260
jim.schroeder@pacificorp.com

9/4/2009

PACIFICORP/105

Excerpts of August 13, 2009 Draft PPA

THIS WORKING DRAFT DOES NOT CONSTITUTE A BINDING OFFER, SHALL NOT FORM THE BASIS FOR AN AGREEMENT BY ESTOPPEL OR OTHERWISE, AND IS CONDITIONED UPON EACH PARTY'S RECEIPT OF ALL REQUIRED MANAGEMENT APPROVALS (INCLUDING FINAL CREDIT AND LEGAL APPROVAL). ANY ACTIONS TAKEN BY A PARTY IN RELIANCE ON THE TERMS SET FORTH IN THIS WORKING DRAFT OR ON STATEMENTS MADE DURING NEGOTIATIONS PURSUANT TO THIS WORKING DRAFT SHALL BE AT THAT PARTY'S OWN RISK. UNTIL THIS AGREEMENT IS NEGOTIATED, APPROVED BY MANAGEMENT, SIGNED AND DELIVERED, NO PARTY SHALL HAVE ANY OTHER LEGAL OBLIGATIONS, EXPRESSED OR IMPLIED, OR ARISING IN ANY OTHER MANNER UNDER THIS WORKING DRAFT OR IN THE COURSE OF NEGOTIATIONS.

POWER PURCHASE AGREEMENT
BETWEEN
INTERNATIONAL PAPER COMPANY
AND
PACIFICORP

THIS POWER PURCHASE AGREEMENT (the "**Agreement**"), entered into this ____ day of August 2009, is by and between International Paper Company, a New York corporation, ("**Seller**") and PacifiCorp (d/b/a Pacific Power & Light Company), an Oregon corporation ("**PacifiCorp**") individually, a "**Party**" and collectively, the "**Parties**."

RECITALS

A. Seller owns and operates a cogeneration facility comprised of a combustion gas turbine generator with heat recovery steam generator, and a steam turbine generator, located in Albany, Linn County, OR with a combined Nameplate Capacity Rating of 93.02 megawatts ("**MW**") (as more fully described in **Exhibit A**, the "**Facility**"). Because Seller's combined Nameplate Capacity Rating exceeds the 45 MW capacity of the PacifiCorp Western Kraft

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with the Seller or the Facility, stating that the Facility is a QF and has been operated lawfully as a QF under this Agreement. The attorney's opinion shall provide sufficient documentation to demonstrate that Seller has maintained and will continue to maintain the Facility as a QF. If such legal opinion states that Seller has maintained the Facility as a QF, then PacifiCorp shall pay for said legal opinion. If such legal opinion states that Seller's Facility is not a QF, then Seller shall pay for said legal opinion and Seller shall be deemed to have received written notice from PacifiCorp that Seller is in default of this representation for the purposes of section 11.1.1.

3.2.7 Under no circumstances shall the Net Delivered Energy exceed the Net Output of the Facility.

3.2.8 Seller's credit rating on its senior, unsecured debt currently is rated "BBB" by the Standard and Poor's Rating Service, and _____ by Moody's rating service.

Comment: Subject to review by Credit

3.2.9 Seller will take retail electric service for the Facility pursuant to an effective Master Electric Service Agreement under PacifiCorp's Oregon Schedule 47 during the Term of this Agreement; and

3.2.10 Seller, at its option, elects to self-insure. Seller maintains and will maintain insurance applicable to losses in excess of self-insured amount. Seller agrees to provide PacifiCorp all the benefits that would otherwise be available and provided under an insurance policy in accordance with the requirements set forth in Section 12.7, including but not limited to defense of claims.

SECTION 4: DELIVERY OF POWER

4.1 Commencing at 12:01 a.m. on January 1, 2010 (or any subsequent date agreed upon by the Parties in writing) and continuing through all hours of the Term of this Agreement, Seller shall sell and make available to PacifiCorp (and to PacifiCorp only), and PacifiCorp shall purchase, the Net Delivered Energy from the Facility at the Point of Delivery as more particularly described in Section 4.2 hereto.

4.2 Net Delivered Energy.

4.2.1 Seller's "Net Delivered Energy" (MWh) shall be equal to:

- a) The Generation Meter (MW) if the Load Meter and Generation Meter are both less than or equal to 45 MW; or
- b) 45 MW if the Load Meter is less than or equal to 45 MW and the Generation Meter is greater than 45 MW; or
- c) the lesser of (i) the Generation Meter minus the Load Meter plus 45 MW, or (ii) 45 MW, if the Load Meter is greater than 45 MW.

Parties agree that the Mid-C market price shall be the average of three contemporaneous quotations from energy brokers (namely ICAP Energy, Prebon Energy, and Natsource) for firm, flat delivery of Seller's minimum delivery obligation from the date of cessation of delivery through the Termination Date. The cost to cover may be less than zero, in which case the termination payment shall be zero. The Parties agree that the amount of termination payment shall be calculated by PacifiCorp within thirty (30) days after termination of the Agreement. Amounts owed pursuant to this Section shall be due within five (5) days after PacifiCorp provides Seller notice of amount due. Prior damages and the termination payment shall be the sole remedy for default; *provided however*, that Seller shall not intentionally breach this Agreement in order to sell Facility Output to another buyer.

11.4 In the event this Agreement is terminated because of Seller's Event of Default and Seller or Seller's successor wishes to again sell Net Output to PacifiCorp following such termination, PacifiCorp in its sole discretion may require that Seller or Seller's successor shall do so subject to the terms of this Agreement, including but not limited to the contract pricing of Section 5.1, until January 1, 2012. At such time Seller and PacifiCorp agree to execute a written document ratifying the terms of this Agreement. This Section 11.4 shall be deemed a covenant running with the land and shall survive any early termination of this Agreement. Concurrently with the execution and delivery of this Agreement, the Parties shall execute and PacifiCorp shall record, in the appropriate real property records of Linn County, Oregon, a memorandum in the form of **Exhibit H** to provide record notice to third parties of Seller's agreements under this Section 11.4.

11.5 Dispute Resolution. Whenever a Party believes that a dispute has arisen in connection with this Agreement, that Party shall promptly provide written notice to the other Party describing the matter in dispute. Unless the dispute is resolved sooner, the Senior Vice President of Commercial and Trading for PacifiCorp and the Vice President, Global Sourcing, for Seller shall meet at least once within a period of thirty days following notice to attempt in good faith to resolve the dispute. If the Parties' senior management does not resolve the dispute, each Party shall have the right to pursue whatever remedies it may have under the terms of this Agreement or applicable regulations, laws, or principles of equity.

11.6 Upon an event of default or termination event under this Agreement, in addition to and not in limitation of any other right or remedy under contract or applicable law (including any right to set-off, counterclaim, or otherwise withhold payment), the non-defaulting Party may at its option set-off, against any amounts owed to the defaulting Party, any amounts owed by the defaulting Party under any contract or agreement between the Parties. The obligations of the Parties shall be deemed satisfied and discharged to the extent of any such set-off. The non-defaulting Party shall give the defaulting Party written notice of any set-off, but failure to give such notice shall not affect the validity of the set-off.

SECTION 12: INDEMNIFICATION, LIABILITY AND INSURANCE

Comment: This section subject to review by Risk Management

12.1 Seller agrees to release, indemnify and hold harmless PacifiCorp, its directors, officers, 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, resulting from, or arising out of or

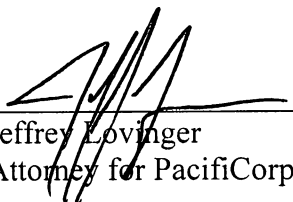
CERTIFICATE OF SERVICE

I hereby certify that, on October 23, 2009, I served a true and correct copy of the foregoing *DIRECT TESTIMONY OF JIM SCHROEDER ON BEHALF OF PACIFICORP* on the following named persons/entities by depositing a true copy thereof in the United States Mail at Portland, Oregon:

JESSE E COWELL DAVISON VAN CLEVE 333 SW TAYLOR ST., SUITE 400 PORTLAND OR 97204 jec@dvclaw.com	MELINDA J DAVISON DAVISON VAN CLEVE PC 333 SW TAYLOR - STE 400 PORTLAND OR 97204 mail@dvclaw.com
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I hereby certify that, on October 23, 2009, I served a true and correct copy of the foregoing *DIRECT TESTIMONY OF JIM SCHROEDER ON BEHALF OF PACIFICORP* on the following named persons/entities by electronic mail:

JORDAN A WHITE (W) SENIOR COUNSEL PACIFIC POWER & LIGHT 825 NE MULTNOMAH STE 1800 PORTLAND OR 97232 jordan.white@pacificorp.com	OREGON DOCKETS (W) PACIFICORP OREGON DOCKETS 825 NE MULTNOMAH ST STE 2000 PORTLAND OR 97232 oregondockets@pacificorp.com
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Jeffrey Lovinger
Attorney for PacifiCorp