

McDowell Rackner & Gibson PC



ADAM LOWNEY
Direct (503) 595-3926
adam@mcd-law.com

October 24, 2011

VIA ELECTRONIC MAIL

Public Utility Commission of Oregon
550 Capitol St NE #215
PO Box 2148
Salem OR 97308-2148

Re: Informational Filing On Qualifying Facility Transaction

Pursuant to OAR 860-029-0020(1) Idaho Power Company hereby files an electronic copy of the Energy Sales Agreement between Idaho Power Company and City of Cove, Oregon.

This agreement was entered into pursuant to the Public Utility Regulatory Policies Act of 1978 ("PURPA"). Under OAR 860-029-0020(1) public utilities must file a true copy of the executed agreement between the utility and PURPA Qualifying Facilities ("QF").

Please direct any additional questions regarding this filing to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read "Adam Lowney".

Adam Lowney

cc: Christa Beary

OREGON STANDARD
ENERGY SALES AGREEMENT
(Intermittent Resource)
BETWEEN
IDAHO POWER COMPANY
AND
CITY OF COVE, OREGON
(Includes Transmission Provisions)
TABLE OF CONTENTS

<u>Article</u>	<u>TITLE</u>
1	Definitions
2	No Reliance on Idaho Power
3	Warranties
4	Conditions to Acceptance of Energy
5	Term and Operation Date
6	Purchase and Sale of Net Energy
7	Purchase Price and Method of Payment
8	Environmental Attributes
9	Transmission Agreement
10	Records
11	Operations
12	Reliability Management System
13	Indemnification and Insurance
14	Force Majeure
15	Liability; Dedication
16	Several Obligations
17	Waiver
18	Choice of Laws and Venue
19	Disputes, Defaults and Remedies
20	Governmental Authorization
21	Successors and Assigns
22	Modification
23	Taxes
24	Notices
25	Additional Terms and Conditions
26	Severability
27	Counterparts
28	Entire Agreement Signatures
	Appendix A
	Appendix B
	Appendix C
	Appendix D
	Appendix E

ENERGY SALES AGREEMENT

INTERMITTENT RESOURCE

(10 MW or Less)

Mill Creek Hydroelectric

Project Number: 12618250

THIS AGREEMENT, entered into on this 19 day of Sep. 2011 between CITY OF COVE, OREGON, a city in the state of Oregon (Seller), and IDAHO POWER COMPANY, an Idaho corporation (Idaho Power), hereinafter sometimes referred to collectively as "Parties" or individually as "Party."

WITNESSETH:

WHEREAS, Seller will design, construct, own, maintain and operate an electric generation facility; and

WHEREAS, Seller wishes to sell, and Idaho Power is willing to purchase, electric energy produced by the Seller's Facility.

THEREFORE, In consideration of the mutual covenants and agreements hereinafter set forth, the Parties agree as follows:

ARTICLE I: DEFINITIONS

As used in this Agreement and the appendices attached hereto, the following terms shall have the following meanings:

- 1.1 "Annual Net Energy Amount" – Net Energy that the Seller estimates the Facility will produce and the Transmitting Entity will deliver to Idaho Power at the Point of Delivery for one Contract Year. The Seller shall use all available information (equipment characteristics, resource characteristics and data, Facility design, etc) to accurately estimate the Annual Net Energy Amount. This Annual Net Energy Amount as specified in paragraph 6.2 will be used to calculate the Shortfall Energy quantities within this Agreement.
- 1.2 "Cash Escrow Security" – Has the meaning set out in paragraph 4.1.6.1.

- 1.3 “Commission” - The Oregon Public Utility Commission.
- 1.4 “Contract Year” - The period commencing each calendar year on the same calendar date as the Operation Date and ending 364 days thereafter.
- 1.5 “Default Security” - A dollar amount computed by the annual on peak hours multiplied by the on peak price less off peak price multiplied by Annual Net Energy amount divided by 8,760 where the on peak price and off peak price are the prices specified in the Schedule 85 option the Seller has selected in paragraph 7.1 of this Agreement.
- 1.6 “Designated Dispatch Facility” - Idaho Power’s Systems Operations Group, or any subsequent group designated by Idaho Power.
- 1.7 “Facility” - That electric generation facility described in Appendix B of this Agreement.
- 1.8 “First Energy Date” - The day commencing at 0001 hours, Mountain Time, following the day that Seller has satisfied the requirements of Article IV and the Seller begins delivering energy to Idaho Power’s system at the Point of Delivery.
- 1.9 “Idaho Power Electrical System Control Area” or “Control Area” – The geographical area of integrated transmission and generation controlled by Idaho Power for which Idaho Power is responsible for scheduling interchanges with other control areas and balancing supply and demand within the area. The Control Area may include physical locations and/or electrical systems not served or owned by Idaho Power, but which are dependant upon Idaho Power’s operation of its generation and transmission to balance supply and demand.
- 1.10 “Intermittent Resource” – a Facility that produces electrical energy from the use of wind, solar or run of river hydro as the prime mover.
- 1.11 “Letter of Credit Security” – Has the meaning set out in paragraph 4.1.6.2.
- 1.12 “Losses” – The loss of electrical energy expressed in kilowatt hours (kWh) occurring as a result of the transformation and transmission of energy between the point where the Facility’s energy is metered and the point the Facility’s energy is delivered to the Idaho Power electrical system by

the Transmitting Entity. The loss calculation formula will be as specified in Appendix B of this Agreement.

- 1.13 “Lost Net Energy Production” - Estimate of kWh’s of Net Energy production that were - not delivered due to lack of Sufficient Prime Mover, Force Majeure or scheduled maintenance. Calculation of the amount of Lost Net Energy Production will be based upon the verifiable duration (hours) of the event causing the Lost Net Energy Production to occur multiplied by the generation capacity (kW) level that the Facility was achieving immediately preceding the event.
- 1.14 “Market Energy Cost” – The weighted average of the daily on-peak and off-peak Dow Jones Mid-Columbia Index (Dow Jones Mid-C Index) prices for non-firm energy. If the Dow Jones Mid-Columbia Index price is discontinued by the reporting agency, both Parties will mutually agree upon a replacement index, which is similar to the Dow Jones Mid-Columbia Index. The selected replacement index will be consistent with other similar agreements and a commonly used index by the electrical industry.
- 1.15 “Material Breach” – A Default (paragraph 19.2.1) subject to paragraph 19.2.2.
- 1.16 “Maximum Capacity” - The maximum capacity (MW) of the Facility will be as specified in Appendix B of this Agreement.
- 1.17 “Mechanical Availability” - The percentage amount resulting from the calculation of the Facility’s actual monthly Net Energy deliveries divided by the Facility’s calculated Net Energy deliveries. Calculated Net Energy deliveries are determined by multiplying the Nameplate Capacity of the Facility by the total hours in the applicable month minus the Station Use as defined in paragraph 1.29 and the Lost Net Energy Production.
- 1.18 “Mechanical Availability Guarantee” shall be as defined in paragraph 6.4
- 1.19 “Nameplate Capacity” – The full-load electrical quantities assigned by the designer to a generator and its prime mover or other piece of electrical equipment, such as transformers and circuit breakers, under standardized conditions, expressed in amperes, kilovoltamperers, kilowatts, volts

or other appropriate units. Usually indicated on a nameplate attached to the individual machine or device.

- 1.20 “Net Energy” – Electric energy produced by the Facility, less Station Use and Losses, expressed in kilowatt hours (kWh), which the Transmitting Entity delivers to Idaho Power, that is less than or equal to the Nameplate Capacity. Seller commits to deliver all energy produced by the Facility, less Station Use, and Losses, to the Transmitting Entity for delivery by the Transmitting Entity to Idaho Power at the Point of Delivery for the full term of the Agreement.
- 1.21 “Operation Date” – The day commencing at 0001 hours, Mountain Time, following the day that all requirements of paragraph 5.2 have been completed.
- 1.22 “Point of Delivery” – The location specified in Appendix B, where the Transmitting Entity delivers the Facility’s Net Energy to the Idaho Power electrical system.
- 1.23 “Prudent Electrical Practices” – Those practices, methods and equipment that are commonly and ordinarily used in electrical engineering and operations to operate electric equipment lawfully, safely, dependably, efficiently and economically.
- 1.24 “Schedule 85” – Idaho Power’s Oregon Tariff No E-25, Schedule 85 in effect as of the effective date of this Agreement.
- 1.25 “Scheduled Operation Date” – The date specified in Appendix B when Seller anticipates achieving the Operation Date.
- 1.26 “Season” – The three periods identified in Schedule 85.
- 1.27 “Senior Lien” – Has the meaning set out in paragraph 4.1.6.3.
- 1.28 “Shortfall Energy” – Prior to the Operation Date - Shortfall Energy shall be equal to the Annual Net Energy Amount specified in paragraph 6.2 divided by 365, multiplied by the number of days past the Scheduled Operation Date when the Operation Date is achieved less 30 days, less Surplus Energy. If this calculation results in a value less than 0 then the result shall be 0.
- 1.29 “Station Use” – Electric energy that is used to operate equipment that is auxiliary or otherwise related to the production of electricity by the Facility. To calculate the Station Use value for use

in the Mechanical Availability calculation, the previous period's actual Station Use will be used as a basis.

- 1.30 “Step-In Rights” – Has the meaning set out in paragraph 4.1.6.4.
- 1.31 “Sufficient Prime Mover” means prime mover (i.e. wind speed, water quantity or solar quantity) that is equal to or greater than the generation unit's manufacturer-specified minimum levels required for the generation unit to produce energy.
- 1.32 “Surplus Energy” – (1) All Net Energy produced by the Seller's Facility and delivered by the Transmitting Entity to the Idaho Power electrical system that exceeds the Nameplate Capacity of the Facility but is less than the Maximum Capacity of the Facility. Deliveries above the Facility's Nameplate Capacity solely for the purpose of accommodating hourly scheduling in whole MWs by a third party transmission provider shall not be considered to be Surplus Energy as described within this paragraph 1.32 item 1 or (2) All Net Energy produced by the Seller's Facility and delivered by the Transmitting Entity to the Idaho Power electrical system prior to the Operation Date and is less than the Maximum Capacity of the Facility.
- 1.33 “Total Cost of the Facility” - The total cost of structures, equipment and appurtenances.
- 1.34 “Transmitting Entity” – Include the signatory(s) (other than the Seller) to the Transmission Agreement referred to in paragraph 9.1 and its successors and assigns.

ARTICLE II: NO RELIANCE ON IDAHO POWER

- 2.1 Seller Independent Investigation - Seller warrants and represents to Idaho Power that in entering into this Agreement and the undertaking by Seller of the obligations set forth herein, Seller has investigated and determined that it is capable of performing hereunder and has not relied upon the advice, experience or expertise of Idaho Power in connection with the transactions contemplated by this Agreement.
- 2.2 Seller Independent Experts - All professionals or experts including, but not limited to, engineers, attorneys or accountants, that Seller may have consulted or relied on in undertaking the

transactions contemplated by this Agreement have been solely those of Seller.

ARTICLE III: WARRANTIES

- 3.1 No Warranty by Idaho Power - Any review, acceptance or failure to review Seller's design, specifications, equipment or facilities shall not be an endorsement or a confirmation by Idaho Power and Idaho Power makes no warranties, expressed or implied, regarding any aspect of Seller's design, specifications, equipment or facilities, including, but not limited to, safety, durability, reliability, strength, capacity, adequacy or economic feasibility.
- 3.2 Qualifying Facility Status - Seller warrants that the Facility is a "Qualifying Facility," as that term is used and defined in 18 CFR 292.201 et seq. Seller's failure to maintain the Facility and operations of the Facility in a manner consistent with its status as a Qualifying Facility certificate will be a Material Breach of this Agreement. Idaho Power reserves the right to review the Seller's Qualifying Facility status and associated support and compliance documents at anytime during the term of this Agreement.
- 3.2.1 If Idaho Power's obligation to purchase energy from a "Qualifying Facility," as that term is defined in 18 CFR 292.201 et seq. or ORS 758.505(8), is repealed or otherwise terminated, this Agreement will remain in full force and effect unless state or federal law mandates termination of this Agreement.
- 3.3 FERC License (*only applies to hydro projects*) - Seller warrants that Seller possesses a valid license or exemption from licensing from the Federal Energy Regulatory Commission ("FERC") for the Facility. Seller recognizes that Seller's possession and retention of a valid FERC license or exemption is a material part of the consideration for Idaho Power's execution of this Agreement. Seller will take such steps as may be required to maintain a valid FERC license or exemption for the Facility during the term of this Agreement, and Seller's failure to maintain a valid FERC license or exemption will be a material breach of this Agreement.

3.4 Eligibility for Standard Rates and Contract

- 3.4.1 Initial Qualification - Seller warrants that the Seller's Facility meets the definitions contained in Appendix D, "Definition of a Small Cogeneration Facility or Small Power Production Facility Eligible to Receive the Standard Rates and Standard Contract" of this Agreement approved by the Commission at the time this Agreement is executed and is therefore eligible for standard rates and the standard contract. Upon request from Idaho Power, the Seller will provide Idaho Power with documentation verifying the ownership, management and financial structure of the Facility in reasonably sufficient detail to allow Idaho Power to make an initial determination of whether or not the Facility meets the described criteria for entitlement to the standard rates and standard contract as defined in Appendix D.
- 3.4.2 Ongoing Qualification - Seller warrants that the Seller will not make any changes in its ownership, control or management during the term of this Agreement that would cause it to be ineligible for standard rates and a standard contract in compliance with the Appendix D approved by the Commission at the time this Agreement is executed. Seller will provide, upon request by Idaho Power not more frequently than every 36 months, such documentation and information as may be reasonably required to establish Seller's continued compliance with the Definition in Appendix D. Idaho Power agrees to take reasonable steps to maintain the confidentiality of any portion of the above-described documentation and information that the Seller identifies as confidential except Idaho Power will provide all such confidential information to the Public Utility Commission of Oregon upon the Commission's request.
- 3.4.3 Qualification Dispute - Any dispute concerning a Seller's entitlement to the standard rates and standard contract shall be presented to the Commission for resolution.
- 3.4.4 Seller warrants that the Facility is an Intermittent Resource.

6

ARTICLE IV: CONDITIONS TO ACCEPTANCE OF ENERGY

- 4.1 Prior to the First Energy Date and as a condition of Idaho Power's acceptance of deliveries of energy from the Seller, Seller shall:
- 4.1.1 Submit proof to Idaho Power that all licenses, permits or approvals necessary for Seller's operations have been obtained from applicable federal, state or local authorities, including, but not limited to, evidence of compliance or exemption from compliance with Subpart B, 18 CFR 292.201 et seq.
 - 4.1.2 Nameplate Capacity Determination - Submit to Idaho Power such data as Idaho Power may reasonably require to confirm the manufacturer's Nameplate Capacity rating and the Maximum Capacity rating of the Facility. Such data will include but not be limited to, equipment specifications, power factor assumptions, and any other data that would allow Idaho Power to verify the generating capacity and the manufacturer's nameplate rating of this Facility. Upon receipt of this information, Idaho Power will review the provided data and if necessary, request additional data to complete the verification process within a reasonable time.
 - 4.1.3 Engineer's Certifications - Submit an executed Engineer's Certification of Design & Construction Adequacy and an Engineer's Certification of Operations and Maintenance (O&M) Policy. These certificates will be in the form specified in Appendix C but may be modified to the extent necessary to recognize the different engineering disciplines providing the certificates.
 - 4.1.4 Insurance - Submit written proof to Idaho Power of all insurance required in Article XIII.
 - 4.1.5 Transmission Agreement - Provide Idaho Power with a copy of (1) the Transmission Agreement executed by the Seller and the Transmitting Entity in a form acceptable to Idaho Power and (2) confirmation that the Idaho Power delivery business unit has agreed to accept the Net Energy deliveries at the Point of Delivery in an amount up to the Maximum Capacity Amount. Idaho Power's acceptance will not be unreasonably

withheld.

4.1.6 Security Requirements – Provide Idaho Power with commercially reasonable representations and warranties and other documentation to determine the Seller’s creditworthiness. Such documentation would include, at a minimum, that the Seller is current on existing debt obligations and has not been a debtor in a bankruptcy proceeding within the preceding two years. Upon receipt of this information, Idaho Power will review the provided data and, if necessary, request additional data and/or will provide written confirmation or rejection of the provided data within a reasonable time. In lieu of providing evidence of acceptable creditworthiness, the Seller may provide Idaho Power with commercially reasonable security instruments such as Letter of Credit, Senior Lien Rights, Step-In-Rights, Cash Escrow Security as those terms are defined in this Agreement or other forms of liquid financial security that would provide readily available cash to Idaho Power in the Event of a Default under this Agreement. The value of these security instruments shall at the minimum be equal to the Default Security as defined in paragraph 1.5 of this Agreement.

4.1.6.1 Cash Escrow Security - Seller shall deposit funds in an escrow account established by Idaho Power in a banking institution acceptable to both Parties equal to, the Default Security. Such sum shall earn interest at the rate applicable to money market deposits at such banking institution from time to time. To the extent Idaho Power receives payment from the Default Security, Seller shall, within fifteen (15) days, restore the Default Security as if no such deduction had occurred.

4.1.6.2 Letter of Credit Security - Seller shall post and maintain in an amount equal to the Default Security: (a) a guaranty from a party that satisfies the Credit Requirements, in a form acceptable to Idaho Power in its discretion, or (b) a Letter of Credit in favor of Idaho Power. To the extent Idaho Power

receives payment from the Default Security, Seller shall, within fifteen (15) days, restore the Default Security as if no such deduction had occurred.

4.1.6.3 Senior Lien - Before the Scheduled Operation Date, Seller shall grant Idaho Power a senior, unsubordinated lien on the Facility and its assets as security for performance of this Agreement by executing, acknowledging and delivering a security agreement and a deed of trust or a mortgage, in a recordable form (each in a form satisfactory to Idaho Power in the reasonable exercise of its discretion). Pending delivery of the senior lien to Idaho Power, Seller shall not cause or permit the Facility or its assets to be burdened by liens or other encumbrances that would be superior to Idaho Power's, other than workers', mechanics', suppliers' or similar liens, or tax liens, in each case arising in the ordinary course of business that are either not yet due and payable or that have been released by means of a performance bond posted within eight (8) calendar days of the commencement of any proceeding to foreclose the lien.

4.1.6.4 Step-in Rights (Operation by Idaho Power Following Event of Default of Seller).

4.1.6.4.1 Prior to any termination of this Agreement due to an Event of Default of Seller, as identified in paragraph 19.2, Idaho Power shall have the right, but not the obligation, to possess, assume control of, and operate the Facility as agent for Seller (in accordance with Seller's rights, obligations, and interest under this Agreement) during the period provided for herein. Seller shall not grant any person, other than the lending institution providing financing to the Seller for construction of the Facility ("Facility Lender"), a right to possess, assume control of, and

operate the Facility that is equal to or superior to Idaho Power's right under this paragraph 4.1.6.4.

4.1.6.4.2 Idaho Power shall give Seller ten (10) calendar days notice in advance of the contemplated exercise of Idaho Power's rights under this paragraph 4.1.6.4. Upon such notice, Seller shall collect and have available at a convenient, central location at the Facility all documents, contracts, books, manuals, reports, and records required to construct, operate, and maintain the Facility in accordance with Prudent Electrical Practices. Upon such notice, Idaho Power, its employees, contractors, or designated third parties shall have the unrestricted right to enter the Facility for the purpose of constructing and/or operating the Facility. Seller hereby irrevocably appoints Idaho Power as Seller's attorney-in-fact for the exclusive purpose of executing such documents and taking such other actions as Idaho Power may reasonably deem necessary or appropriate to exercise Idaho Power's step-in rights under this paragraph 4.1.6.4.

4.1.6.4.3 During any period that Idaho Power is in possession of and constructing and/or operating the Facility, no proceeds or other monies attributed to operation of the Facility shall be remitted to or otherwise provided to the account of Seller until all Events of Default of Seller have been cured.

4.1.6.4.4 During any period that Idaho Power is in possession of and operating the Facility, Seller shall retain legal title to and ownership of the Facility and Idaho Power shall assume possession, operation, and control solely as agent for Seller.

- a) In the event Idaho Power is in possession and control of the Facility for an interim period, Seller shall resume operation and Idaho Power shall relinquish its right to operate when Seller demonstrates to Idaho Power's reasonable satisfaction that it will remove those grounds that originally gave rise to Idaho Power's right to operate the Facility, as provided above, in that Seller (i) will resume operation of the Facility in accordance with the provisions of this Agreement, and (ii) has cured any Events of Default of Seller which allowed Idaho Power to exercise its rights under this paragraph 4.1.6.4.
- b) In the event that Idaho Power is in possession and control of the Facility for an interim period, the Facility Lender, or any nominee or transferee thereof, may foreclose and take possession of and operate the Facility and Idaho Power shall relinquish its right to operate when the Facility Lender or any nominee or transferee thereof, requests such relinquishment.

4.1.6.4.5 Idaho Power's exercise of its rights hereunder to possess and operate the Facility shall not be deemed an assumption by Idaho Power of any liability attributable to Seller. If at any time after exercising its rights to take possession of and operate the Facility Idaho Power elects to return such possession and operation to Seller, Idaho Power shall provide Seller with at least fifteen (15) calendar days advance notice of the date Idaho Power intends to return such possession and operation, and upon receipt of such

notice Seller shall take all measures necessary to resume possession and operation of the Facility on such date.

- 4.1.7 Written Acceptance – Request and obtain written confirmation from Idaho Power that all conditions to acceptance of energy have been fulfilled. Such written confirmation shall be provided within a commercially reasonable time following the Seller’s request and will not be unreasonably withheld by Idaho Power.

ARTICLE V: TERM AND OPERATION DATE

- 5.1 Term - Subject to the provisions of paragraph 5.2 below, this Agreement shall become effective on the date executed and shall continue in full force and effect until midnight (MDT) June 30, 2017. Seller agrees that this Agreement shall not be amended or extended beyond June 30, 2017.
- 5.2 Operation Date - The Operation Date may occur only after the Facility has achieved all of the following:
- a) Achieved the First Energy Date.
 - b) Seller has demonstrated to Idaho Power's satisfaction that the Facility is complete and able to provide energy in a consistent, reliable and safe manner.
 - c) Seller has requested an Operation Date from Idaho Power in a written format.
 - d) Seller has received written confirmation from Idaho Power of the Operation Date.
- This confirmation will not be unreasonably withheld by Idaho Power.
- 5.3 If the Seller fails to achieve the Operation Date within 30 days of the Scheduled Operation Date, Seller will reimburse Idaho Power for any Shortfall Energy Repayment Amount accruing from 30 days following the Scheduled Operation Date until the Seller achieves the Operation Date. Such reimbursement shall be determined in the manner described in Article VII of this Agreement.
- 5.4 Seller’s failure to achieve the Operation Date within ten (10) months of the Scheduled Operation Date will be an Event of Default.

ARTICLE VI: PURCHASE AND SALE OF NET ENERGY

- 6.1 Delivery and Acceptance of Net Energy - Except when either Party's performance is excused as provided herein, Idaho Power will purchase and Seller will sell all of the Net Energy produced by the Facility and delivered by the Transmitting Entity to Idaho Power at the Point of Delivery.
- 6.2 Annual Net Energy Amount - Seller intends to produce and Transmitting Entity shall deliver Net Energy in the following annual amount:
- 6.2.1 Annual Net Energy Amount: 2,000,000 kWh.
- 6.2.2 Seller's Adjustment of Annual Net Energy Amounts –
- 6.2.2.1 No later than the Scheduled Operation Date, by written notice given to Idaho Power in accordance with paragraph 24.1, the Seller may revise the previously provided Annual Net Energy Amount.
- 6.3 Unless excused by an event of Force Majeure, Seller's failure to deliver Net Energy in any two consecutive Contract Years in an amount equal to at least ten percent (10%) of the Annual Net Energy Amount specified in paragraph 6.2 shall constitute an Event of Default.
- 6.4 Mechanical Availability Guarantee – The Facility shall achieve a minimum monthly Mechanical Availability of 75% during each month of the first Contract Year and 85% for all other months during the term of this Agreement. Failure to achieve the minimum monthly Mechanical Availability shall constitute an Event of Default.
- 6.4.1 At the same time the Facility provides the Monthly Power Production and Switching Report, (Appendix A) the Facility shall provide and certify the Facility's calculation of the current months Mechanical Availability. The Facility shall include with this calculation a summary of prime mover records (i.e. wind speeds, water conditions, and solar conditions), force majeure and scheduled maintenance information that was used to calculate the current month's Mechanical Availability.
- 6.4.2 The Facility shall maintain detailed documentation supporting its calculation of the

Facility's Mechanical Availability. These records will be retained for three years.

6.4.3 Idaho Power shall have the right to review and audit the documentation supporting the calculation of the Facility's Mechanical Availability at reasonable times at the Seller's offices.

ARTICLE VII: PURCHASE PRICE AND METHOD OF PAYMENT

- 7.1 Net Energy Purchase Price – The Seller has selected option one (1) from Schedule 85 as the basis for determining the purchase price during the Term of this Agreement. The Net Energy Purchase Price shall be calculated as specified in Schedule 85 for the option(s) selected by the Seller resulting in an on-peak and off-peak Net Energy Purchase Price which will be applied to the applicable energy deliveries during on-peak and off-peak hours as defined by the North American Electric Reliability Council (NERC). Based on Seller's selected options, Appendix E specifies the purchase price to be paid under this Agreement.
- 7.2 Surplus Energy Price - For all Surplus Energy, Idaho Power shall pay to the Seller an amount equal to the daily on-peak or off-peak Dow Jones Mid-Columbia Index (Dow Jones Mid-C Index) prices for non-firm energy. The price paid will depend on when the Surplus Energy was delivered to Idaho Power. If the Dow Jones Mid-Columbia Index price is discontinued by the reporting agency, both Parties will mutually agree upon a replacement index, which is similar to the Dow Jones Mid-Columbia Index. The selected replacement index will be consistent with other similar agreements and will be an index commonly used by the electrical industry.
- 7.3 Increase in Nameplate Capacity - If the Seller increases the Nameplate Capacity of the Seller's Facility as a result of increased prime mover, refurbishing equipment, upgrading equipment, reconfiguration of equipment, operation modifications, or by any means other than installing additional generation units, then the Nameplate Capacity as defined in paragraph 1.19 shall be revised to match this increased nameplate Capacity Rating. If the increase in Nameplate Capacity results in the Nameplate Capacity of the Facility exceeding 10 MW, then the on a going-forward

basis Idaho Power shall pay Seller the Net Energy Price specified in Section 7.1 for the fraction of total Net Energy delivered equal to 10,000 kW divided by the Nameplate Capacity of the upgraded Facility. For the remaining fraction of Net Energy Idaho Power Company and Seller shall agree to a new negotiated rate. Seller shall be responsible for ensuring that any planned increase in the Nameplate Capacity or the maximum instantaneous capacity of the Facility complies with Seller's Interconnection Agreement, Transmission Agreement and any other relevant agreements.

7.4 Shortfall Energy Repayment Price –

7.4.1 Price to be applied to all Shortfall Energy that occurs prior to the Operation Date - If the current day's Market Energy Cost is greater than the applicable Net Energy Purchase Price that would have been paid to the Seller for energy delivered to Idaho Power on that day if the Facility had achieved its Operation Date, the Shortfall Energy Repayment Price will be determined by subtracting the current day's Market Energy Cost from the current day's Net Energy Purchase Price. If the result of this subtraction is less than 0, then the Shortfall Energy Repayment Price is 0. If the result of this subtraction is greater than the current day's Net Energy Purchase Price as described in this paragraph, then the Shortfall Energy Purchase Price shall be equal to current day's Net Energy Purchase Price.

7.5 Shortfall Energy Repayment Amount –

7.5.1 Amount due for Shortfall Energy that occurs prior to the Operation Date - An accumulation of each day's Shortfall Energy multiplied by the Shortfall Energy Repayment Price for each day of the preceding month.

7.6 Shortfall Energy Repayment Schedule –

7.6.1 Repayment schedule for all Shortfall Energy amounts that are due to Shortfall Energy prior to the Operation Date – No later than 15 days following the end of each month, Idaho Power will calculate the previous month's Shortfall Energy Repayment Amount. The Seller shall pay any Shortfall Energy Repayment Amounts to Idaho Power within 10

business days of Idaho Power presenting a billing for payment to the Seller.

- 7.7 Payment Due Date – Energy payments to the Seller will be disbursed within 30 days of the date which Idaho Power receives and accepts the documentation of the monthly Net Energy actually produced by the Seller’s Facility and delivered to Idaho Power as specified in Appendix A.

ARTICLE VIII: ENVIRONMENTAL ATTRIBUTES

- 8.1 Idaho Power waives any claim to ownership of Environmental Attributes. Environmental Attributes include, but are not limited to, Green Tags, Green Certificates, Renewable Energy Credits (RECs) and Tradable Renewable Certificates (TRCs) directly associated with the production of energy from the Seller’s Facility.

ARTICLE IX: TRANSMISSION AGREEMENT

- 9.1 Transmission Agreement - The Seller will arrange and pay for the delivery of Net Energy over the facilities of the Transmitting Entities to the Point of Delivery. The delivery of Net Energy from the Facility to the Point of Delivery shall be in accordance with the terms and conditions of a Transmission Agreement between the Seller and the Transmitting Entities.
- 9.2 Acceptance of Transmission Agreement - This Agreement is expressly conditioned and contingent upon Idaho Power’s acceptance of the Transmission Agreement. Such acceptance will not be unreasonably withheld. A default by Seller under the Transmission Agreement will be a Material Default under this Agreement.
- 9.3 Losses - Idaho Power will only purchase the Net Energy that is delivered by the Transmitting Entity to Idaho Power at the Point of Delivery. Losses will be calculated as provided in Appendix B of this Agreement.
- 9.4 Required Transmission Agreement provisions for Facilities not located within the Idaho Power Electrical System Control Area –

If the Facility is not located within the Idaho Power Electrical System Control Area, the

following requirements must be contained within the Transmission Agreement (s);

- 9.4.1 Scheduling and delivery of Net Energy – The Transmission Agreement shall include provisions that require the Transmitting Entity(s) to schedule and deliver the Facility’s energy to Idaho Power in accordance with industry standard Western Electricity Coordinating Council (WECC) scheduling processes and procedures.
- 9.4.2 Energy Reserve Requirements – The Transmitting Entities will provide all generation reserves as required by the WECC and/or as required by any other governing agency or industry standard to deliver the Net Energy to the specified Point of Delivery.
- 9.4.3 Documentation – Seller or the Transmitting Entities will provide Idaho Power with monthly documentation in a form acceptable to Idaho Power showing the amount of energy scheduled and delivered to Idaho Power on an hourly basis.

ARTICLE X: RECORDS

- 10.1 Maintenance of Records - Seller shall maintain at the Facility or such other location mutually acceptable to the Parties adequate total generation (kWh), Net Energy, Station Use and maximum generation (kW) records in a form and content recommended by Idaho Power.
- 10.2 Inspection - Either Party, after reasonable notice to the other Party, shall have the right, during normal business hours, to inspect and audit any or all generation (kWh), Net Energy, Station Use and maximum generation (kW) records pertaining to the Seller's Facility.

ARTICLE XI: OPERATIONS

- 11.1 Communications - Idaho Power, the Transmitting Entity and the Seller shall maintain appropriate operating communications through Idaho Power’s Designated Dispatch Facility in accordance with Appendix A of this Agreement.

- 11.2 Energy Acceptance –Idaho Power shall be excused from accepting and paying for Net Energy produced by the Facility and delivered by the Transmitting Entities on behalf of the Seller to the Point of Delivery, if it is prevented from doing so by an event of Force Majeure, or if Idaho Power determines that curtailment, interruption or reduction of Net Energy deliveries is necessary because of line construction or maintenance requirements, emergencies, electrical system operating conditions on its system or as otherwise required by Prudent Electrical Practices. If, for reasons other than an event of Force Majeure, Idaho Power requires such a curtailment, interruption or reduction of Net Energy deliveries for a period that exceeds twenty (20) days, beginning with the twenty-first day of such interruption, curtailment or reduction, Seller will be deemed to be delivering Net Energy at a rate equivalent to the pro rata daily average of the amounts specified in paragraph 6.2. Idaho Power will notify Seller when the interruption, curtailment or reduction is terminated.
- 11.3 Scheduled Maintenance – On or before January 31 of each calendar year, Seller shall submit a written proposed maintenance schedule of significant Facility and/or Transmitting Entity maintenance for that calendar year and Idaho Power, Seller and the Transmitting Entity shall mutually agree as to the acceptability of the proposed schedule. The Parties' determination as to the acceptability of the Seller's timetable for scheduled maintenance will take into consideration Prudent Electrical Practices, Idaho Power system requirements and the Seller's preferred schedule. Neither Party shall unreasonably withhold acceptance of the proposed maintenance schedule.
- 11.4 Maintenance Coordination - The Seller, Idaho Power and the Transmitting Entity shall, to the extent practical, coordinate their respective line and Facility maintenance schedules such that they occur simultaneously.
- 11.5 Contact Prior to Curtailment - Idaho Power will make a reasonable attempt to contact the Seller and/or the Transmitting Entity prior to exercising its rights to curtail, interrupt or reduce deliveries from the Transmitting Entity from the Seller's Facility. Seller and the Transmitting

Entity understand that, in the case of emergency circumstances, real time operations of the electrical system, and/or unplanned events Idaho Power may not be able to provide notice to the Seller or the Transmitting Entity prior to interruption, curtailment, or reduction of electrical energy deliveries to Idaho Power.

- 11.6 Increase in Nameplate Capacity – If the Seller increases the Nameplate Capacity of the Sellers Facility as described in paragraph 7.3 of this agreement to be greater than the Maximum Capacity originally provided by the Seller, the Seller must provide Idaho Power with verifiable documentation from both the Transmitting Entity and the Idaho Power delivery business unit that clearly indicates that the Transmitting Entity is capable and willing to deliver the increased quantity of energy to Idaho Power and that the Idaho Power delivery business unit is able to accept the increased quantity of energy at the designated Point of Delivery. This documentation must be accepted and approved by Idaho Power prior to the Transmitting Entity delivering any energy to Idaho Power that exceeds the original Maximum Capacity as established within this Agreement.

ARTICLE XII: RELIABILITY MANAGEMENT SYSTEM

If the Facility is not located within the Idaho Power Electrical System Control Area, the Seller will be required to comply with the Reliability Management processes of the control area operator having control of the specific location of the Facility and this Article XII will not apply. If the Facility is located within the Idaho Power Control Area, the Seller is required to comply with the following:

- 12.1 Purpose. In order to maintain the reliable operation of the transmission grid, the WECC Reliability Criteria Agreement sets forth reliability criteria adopted by the WECC to which Seller and Idaho Power shall be required to comply. Seller acknowledges receipt of and understanding of the WECC Reliability Criteria Agreement and how it pertains to the Seller's Facility.
- 12.2 Compliance. Seller shall comply with the requirements of the WECC Reliability Criteria Agreement, including the applicable WECC reliability criteria set forth in Section IV of Annex A

thereof, and, in the event of failure to comply, Seller agrees to be subject to the sanctions applicable to such failure. Such sanctions shall be assessed pursuant to the procedures contained in the WECC Reliability Criteria Agreement. Each and all of the provisions of the WECC Reliability Criteria Agreement are hereby incorporated by reference into this Article XII as though set forth fully herein, and Seller shall for all purposes be considered a Participant, and shall be entitled to all of the rights and privileges and be subject to all of the obligations of a Participant, under and in connection with the WECC Reliability Criteria Agreement, including, but not limited to the rights, privileges and obligations set forth in Sections 5, 6 and 10 of the WECC Reliability Criteria Agreement.

- 12.3 Payment of Sanctions. Seller shall be responsible for reimbursing Idaho Power for any monetary sanctions assessed against Idaho Power by WECC due to the action or inaction of the Seller, pursuant to the WECC Reliability Criteria Agreement. Seller also shall be responsible for payment of any monetary sanction assessed against the Seller by WECC pursuant to the WECC Reliability Criteria Agreement. Any such payment shall be made pursuant to the procedures specified in the WECC Reliability Criteria Agreement.
- 12.4 Transfer of Control or Sale of Generation Facilities. In any sale or transfer of control of any generation facilities subject to this Agreement, Seller shall, as a condition of such sale or transfer, require the acquiring party or transferee with respect to the transferred facilities either to assume the obligations of the Seller with respect to this Agreement or to enter into an agreement with Idaho Power imposing on the acquiring party or transferee the same obligations applicable to the Seller pursuant to this Article XII.
- 12.5 Publication. Seller consents to the release by the WECC of information related to the Seller's compliance with this Agreement only in accordance with the WECC Reliability Criteria Agreement.
- 12.6 Third Parties. Except for the rights and obligations between the WECC and the Seller specified in this Article XII, this Agreement creates contractual rights and obligations solely between the

Parties. Nothing in this Agreement shall create, as between the Parties or with respect to the WECC: (a) any obligation or liability whatsoever (other than as expressly provided in this Agreement), or (b) any duty or standard of care whatsoever. In addition, nothing in this Agreement shall create any duty, liability or standard of care whatsoever as to any other party. Except for the rights, as a third-party beneficiary under this Article XII, of the WECC against the Seller for the Seller, no third party shall have any rights whatsoever with respect to enforcement of any provision of this Agreement. Idaho Power and the Seller expressly intend that the WECC is a third-party beneficiary to this Article XII, and the WECC shall have the right to seek to enforce against the Seller any provision of this Article XII, provided that specific performance shall be the sole remedy available to the WECC pursuant to Article XII of this Agreement, and the Seller shall not be liable to the WECC pursuant to this Agreement for damages of any kind whatsoever (other than the payment of sanctions to the WECC, if so construed), whether direct, compensatory, special, indirect, consequential, or punitive.

12.7 Reserved Rights. Nothing in the Article XII of this Agreement or the WECC Reliability Criteria Agreement shall affect the right of Idaho Power, subject to any necessary regulatory approval, to take such other measures to maintain reliability, including disconnection that Idaho Power may otherwise be entitled to take.

12.8 Termination of Article XII. Seller may terminate its obligations pursuant to this Article XII:

12.8.1 If after the effective date of this Article XII, the requirements of the WECC Reliability Criteria Agreement applicable to the Seller are amended so as to adversely affect the Seller, provided that the Seller gives fifteen (15) days' notice of such termination to Idaho Power and WECC within forty-five (45) days of the date of issuance of a FERC order accepting such amendment for filing, provided further that the forty-five (45) day period within which notice of termination is required may be extended by the Seller for an additional forty-five (45) days if the Seller gives written notice to Idaho Power of such requested extension within the initial forty-five (45) day period; or

12.8.2 For any reason on one year's written notice to Idaho Power and the WECC.

ARTICLE XIII: INDEMNIFICATION AND INSURANCE

13.1 Indemnification - Each Party shall agree to hold harmless and to indemnify the other Party, its officers, directors, agents, affiliates, subsidiaries, parent company and employees against all loss, damage, expense and liability to third persons for injury to or death of person or injury to property, proximately caused by the indemnifying Party's construction, ownership, operation or maintenance of, or by failure of, any of such Party's works or facilities used in connection with this Agreement. The indemnifying Party shall, on the other Party's request, defend any suit asserting a claim covered by this indemnity. The indemnifying Party shall pay all costs, including reasonable attorney fees that may be incurred by the other Party in enforcing this indemnity.

13.2 Insurance -

13.2.1 If the Facility's Nameplate Capacity as determined in paragraph 1.19 of this Agreement is greater than 200 kW, the Seller shall secure and continuously carry the following insurance coverage:

13.2.1.1 Comprehensive General Liability Insurance for both bodily injury and property damage with limits equal to \$1,000,000, each occurrence, combined single limit. The deductible for such insurance shall be consistent with current Insurance Industry Utility practices for similar property.

13.2.1.2 The above insurance coverage shall be placed with an insurance company with an A.M. Best Company rating of B+ or better and shall include:

- (a) An endorsement naming Idaho Power as an additional insured and loss payee as applicable; and
- (b) A provision stating that such policy shall not be canceled or the limits of liability reduced without sixty (60) days' prior written notice to Idaho Power.

13.2.1.3 Seller to Provide Certificate of Insurance - As required in paragraph 4.1.4 herein and annually thereafter, Seller shall furnish Idaho Power a certificate of insurance, together with the endorsements required therein, evidencing the coverage as set forth above.

13.2.1.4 Seller to Notify Idaho Power of Loss of Coverage - If the insurance coverage required by paragraph 13.2 shall lapse for any reason, Seller will immediately notify Idaho Power in writing. The notice will advise Idaho Power of the specific reason for the lapse and the steps Seller is taking to reinstate the coverage. Failure to provide this notice and to expeditiously reinstate or replace the coverage will constitute a Material Breach of this Agreement.

ARTICLE XIV: FORCE MAJEURE

14.1 As used in this Agreement, "Force Majeure" or "an event of Force Majeure" means any cause beyond the control of the Seller or of Idaho Power which, despite the exercise of due diligence, such Party is unable to prevent or overcome. Force Majeure includes, but is not limited to, acts of God, fire, flood, storms, wars, hostilities, civil strife, strikes and other labor disturbances, earthquakes, fires, lightning, epidemics, sabotage, or changes in law or regulation occurring after the Operation Date, which, by the exercise of reasonable foresight such party could not reasonably have been expected to avoid and by the exercise of due diligence, it shall be unable to overcome. If either Party is rendered wholly or in part unable to perform its obligations under this Agreement because of an event of Force Majeure, both Parties shall be excused from whatever performance is affected by the event of Force Majeure, provided that:

- (1) The non-performing Party shall, as soon as is reasonably possible after the occurrence of the Force Majeure, give the other Party written notice describing the particulars of the occurrence.
- (2) The suspension of performance shall be of no greater scope and of no longer

duration than is required by the event of Force Majeure.

- (3) No obligations of either Party which arose before the occurrence causing the suspension of performance and which could and should have been fully performed before such occurrence shall be excused as a result of such occurrence.

ARTICLE XV: LIABILITY; DEDICATION

- 15.1 Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any person not a Party to this Agreement. No undertaking by one Party to the other under any provision of this Agreement shall constitute the dedication of that Party's system or any portion thereof to the other Party or to the public or affect the status of Idaho Power as an independent public utility corporation or Seller as an independent individual or entity.

ARTICLE XVI: SEVERAL OBLIGATIONS

- 16.1 Except where specifically stated in this Agreement to be otherwise, the duties, obligations and liabilities of the Parties are intended to be several and not joint or collective. Nothing contained in this Agreement shall ever be construed to create an association, trust, partnership or joint venture or impose a trust or partnership duty, obligation or liability on or with regard to either Party. Each Party shall be individually and severally liable for its own obligations under this Agreement.

ARTICLE XVII: WAIVER

- 17.1 Any waiver at any time by either Party of its rights with respect to a Default under this Agreement or with respect to any other matters arising in connection with this Agreement shall not be deemed a waiver with respect to any subsequent Default or other matter.

ARTICLE XVIII: CHOICE OF LAWS AND VENUE

- 18.1 This Agreement shall be construed and interpreted in accordance with the laws of the State of Oregon without reference to its choice of law provisions.
- 18.2 Venue for any litigation arising out of or related to this Agreement will lie in the District Court of the Ninth Judicial District of Oregon in and for the County of Malheur.

ARTICLE XIX: DISPUTES, DEFAULTS AND REMEDIES

- 19.1 Disputes - All disputes related to or arising under this Agreement, including, but not limited to, the interpretation of the terms and conditions of this Agreement, will be submitted to the Oregon Public Utility Commission for resolution.
- 19.2 Notice of Default -
- 19.2.1 Defaults. If either Party fails to perform any of the terms or conditions of this Agreement (an “Event of Default” or “Default”), the nondefaulting Party shall cause notice in writing to be given to the defaulting Party, specifying the manner in which such Default occurred. If the defaulting Party shall fail to cure such Default within the sixty (60) days after service of such notice, or if the defaulting Party reasonably demonstrates to the other Party that the Default can be cured within a commercially reasonable time but not within such sixty (60) day period and then fails to diligently pursue such cure, then, the nondefaulting Party may, at its option, terminate this Agreement and/or pursue its legal or equitable remedies.
- 19.2.2 Material Breaches – The notice and cure provisions in paragraph 19.2.1 do not apply to Defaults identified in this Agreement as Material Breaches. Material Breaches must be cured as expeditiously as possible following occurrence of the breach.
- 19.3 Security for Performance - Prior to the Operation Date and thereafter for the full term of this Agreement, Seller will provide Idaho Power with the following:
- 19.3.1 Insurance - Evidence of compliance with the provisions of paragraph 13.2. If Seller fails

to comply, such failure will be a Material Breach and may only be cured by Seller supplying evidence that the required insurance coverage has been replaced or reinstated;

19.3.2 Engineer's Certifications - Every three (3) years after the Operation Date, Seller will supply Idaho Power with a Certification of Ongoing Operations and Maintenance (O & M) from a Registered Professional Engineer licensed in the State of Oregon, which Certification of Ongoing O & M shall be in the form specified in Appendix C. Seller's failure to supply the required certificate will be an Event of Default. Such a Default may only be cured by Seller providing the required certificate; and

19.3.3 Licenses and Permits - During the full term of this Agreement, Seller shall maintain compliance with all permits and licenses described in paragraph 4.1.1 of this Agreement. In addition, Seller will supply Idaho Power with copies of any new or additional permits or licenses. At least every fifth Contract Year, Seller will update the documentation described in paragraph 4.1.1. If at any time Seller fails to maintain compliance with the permits and licenses described in paragraph 4.1.1 or to provide the documentation required by this paragraph, such failure will be an Event of Default and may only be cured by Seller submitting to Idaho Power evidence of compliance from the permitting agency.

19.3.4 Security Requirements – During the full term of this Agreement, Seller shall maintain the Security Requirements established in accordance with paragraph 4.1.6. Failure to maintain these Security Requirements will be a Material Breach of this Agreement.

19.3.4.1 If the Seller fails to maintain the Security Requirements as specified in paragraph 19.3.4 and it is deemed the Seller is in Material Breach of this Agreement, if the Material Breach is a result of the Seller defaulting on a Facility construction loan, the Seller shall provide Idaho Power notice of the Facility construction loan default. Idaho Power may require the Seller to provide Default Security to remedy this Material Breach. Upon notice from

Idaho Power to the Seller requiring the Seller to provide Default Security to remedy this Material Breach, within 10 business days of said notice, the Seller may provide Idaho Power evidence for review that the Seller has negotiated satisfactory financial arrangements with the construction loan lender that mitigates the Seller's financial risk. Upon review of the Seller's provided documentation, if Idaho Power determines that the negotiated financial arrangements satisfactorily mitigates the Seller's financial risk, Idaho Power will deem this Material Breach to be cured. If Idaho Power determines that the provided documentation does not provide evidence that the Seller's risk has been satisfactorily mitigated, the Seller will be required to provide Default Security within 5 business days of Idaho Power's notification that the Material Breach has not been cured.

19.3.5 Recoupment of Damages

19.3.5.1 Default Security Available. – If a Default has occurred and has not been cured and if the Seller has posted Default Security, Idaho Power may draw upon that security, in accordance with paragraph 19.2.1 to satisfy any damages.

19.3.5.2 Default Security Unavailable – If a Default has occurred and has not been cured and if Seller has not posted Default Security, or if Idaho Power has exhausted the Default Security, Idaho Power may collect any remaining amount owing by; (1) lump sum payment to Idaho Power by the Seller or (2) partially withholding future payments to the Seller over a reasonable period of time. Idaho Power and the Seller shall work together in good faith to establish the reasonable period and monthly amounts, of such withholding so as to avoid Seller's default on its commercial or financing agreements necessary for its continued operations of the Facility.

19.3.6 Termination

19.3.6.1 In the event a Default or a Material Breach by the Seller as specified in this Agreement results in the termination of this Agreement and the Seller or a party substantially the same as the Seller, subsequently seeks to enter into a new standard QF contract for this same Facility, then the new standard QF contract, shall run for the period that the original contract would have run, and shall contain the same terms, rates and conditions as the original Agreement.

19.3.6.2 In the event a Default or a Material Breach by the Seller as specified in this Agreement results in the termination of this Agreement, the Seller shall pay Idaho Power damages equal to the positive difference, if any, obtained by subtracting the Net Energy Purchase Price from the projected forward Market Energy Cost for 24 months beginning with the next full month after the date of termination multiplied by the Annual Net Energy Amounts.

ARTICLE XX: GOVERNMENTAL AUTHORIZATION

20.1 This Agreement is subject to the jurisdiction of those governmental agencies having control over either Party of this Agreement.

ARTICLE XXI: SUCCESSORS AND ASSIGNS

21.1 This Agreement and all of the terms and provisions hereof shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties hereto, except that no assignment hereof by either Party shall become effective without the written consent of both Parties being first obtained. Such consent shall not be unreasonably withheld. Notwithstanding the foregoing, any party which Idaho Power may consolidate, or into which it may merge, or to which it may convey or transfer substantially all of its electric utility assets, shall automatically, without further

act, and without need of consent or approval by the Seller, succeed to all of Idaho Power's rights, obligations and interests under this Agreement. This article shall not prevent a financing entity with recorded or secured rights from exercising all rights and remedies available to it under law or contract. Idaho Power shall have the right to be notified by the financing entity that it is exercising such rights or remedies.

ARTICLE XXII: MODIFICATION

- 22.1 No modification to this Agreement shall be valid unless it is in writing and signed by both Parties and subsequently approved by the Commission.

ARTICLE XXIII: TAXES

- 23.1 Each Party shall pay before delinquency all taxes and other governmental charges which, if failed to be paid when due, could result in a lien upon the Facility or the Interconnection Facilities.

ARTICLE XXIV: NOTICES

- 24.1 All written notices under this agreement shall be directed as follows and shall be considered delivered when deposited in the U. S. Mail, first-class postage prepaid, as follows:

To Seller:

Original document to:

City of Cove
P.O. Box 8
Cove, OR 97824

Copy of document to:

Cable Huston Benedict Haagensen & Lloyd, LLP
Attn: Thomas M. Grim
Richard Lorenz
1001 SW Fifth Ave., Suite 2000
Portland, OR 97204-1136
Phone: (503)224-3092
Fax: (503)224-3176
Email: tgrim@cablehuston.com
rlorenz@cablehuston.com

To Idaho Power:

Original document to:

Vice President, Power Supply
Idaho Power Company
P. O. Box 70
Boise, Idaho 83707

Copy of document to:

Cogeneration and Small Power Production
Idaho Power Company
P. O. Box 70
Boise, Idaho 83707

ARTICLE XXV: ADDITIONAL TERMS AND CONDITIONS

25.1 This Agreement includes the following appendices, which are attached hereto and included by reference:

- Appendix A - Generation Scheduling and Reporting
- Appendix B - Facility and Point of Delivery
- Appendix C - Engineer's Certifications
- Appendix D - Definition of a Small Cogeneration Facility or Small Power Production Facility eligible to receive the standard rates and standard contract.
- Appendix E - Applicable Prices from Schedule 85

ARTICLE XXVI: SEVERABILITY

26.1 The invalidity or unenforceability of any term or provision of this Agreement shall not affect the validity or enforceability of any other terms or provisions and this Agreement shall be construed in all other respects as if the invalid or unenforceable term or provision were omitted.

ARTICLE XXVII: COUNTERPARTS

27.1 This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

ARTICLE XXVIII: ENTIRE AGREEMENT

28.1 This Agreement constitutes the entire Agreement of the Parties concerning the subject matter hereof and supersedes all prior or contemporaneous oral or written agreements between the Parties concerning the subject matter hereof.

IN WITNESS WHEREOF, The Parties hereto have caused this Agreement to be executed in their respective names on the dates set forth below:

Idaho Power Company

City of Cove, Oregon

By Ylisa A. Grow

By Jane C. Judy

Dated 9.19.11
"Idaho Power"

Dated 9-13-11
"Seller"

APPENDIX A

A-1 MONTHLY POWER PRODUCTION AND SWITCHING REPORT FOR PROJECTS
LOCATED WITHIN THE IDAHO POWER ELECTRICAL SYSTEM CONTROL AREA

At the end of each month, the following required documentation will be submitted to:

Idaho Power Company
Attn: Cogeneration and Small Power Production
P. O. Box 70
Boise, Idaho 83707

The Meter readings required on this report will be the reading on the Meter Equipment measuring the Facility's Net Energy delivered by the Transmitting Entities to the Idaho Power electrical system and/or any other required energy measurements to adequately administer this Agreement. If the Metering Equipment is not located at the point which is able to measure the exact energy deliveries to the Idaho Power electrical system, then the metered energy amounts will be adjusted to account for electrical Losses occurring between the metering point and the point which the energy is delivered to the Idaho Power electrical system.

Idaho Power Company

Cogeneration and Small Power Production

MONTHLY POWER PRODUCTION AND SWITCHING REPORT

Month _____ Year _____

Project Name _____ Project Number: _____
 Address _____ Phone Number: _____
 City _____ State _____ Zip _____

	<u>Facility Output</u>	<u>Station Usage</u>	<u>Station Usage</u>	<u>Metered Maximum Generation</u>
Meter Number:	_____	_____	_____	kW
End of Month kWh Meter Reading:	_____	_____	_____	
Beginning of Month kWh Meter:	_____	_____	_____	
Difference:	_____	_____	_____	<u>Net Generation</u>
Times Meter Constant:	_____	_____	_____	
kWh for the Month:	_____ - _____	_____ - _____	_____ = _____	
Metered Demand:	_____	_____	_____	

Breaker Opening Record

<u>Date</u>	<u>Time</u>	<u>Meter</u>

Breaker Closing Record

* <u>Reason</u>	<u>Date</u>	<u>Time</u>	<u>Meter</u>

- * **Breaker Opening Reason Codes**
- 1 Lack of Adequate Prime Mover
 - 2 Forced Outage of Facility
 - 3 Disturbance of IPCo System
 - 4 Scheduled Maintenance
 - 5 Testing of Protection Systems
 - 6 Cause Unknown
 - 7 Other (Explain)

I hereby certify that the above meter readings are true and correct as of Midnight on the last day of the above month and that the switching record is accurate and complete as required by the Energy Sales Agreement to which I am a Party.

Signature Date

A-2 ROUTINE REPORTING FOR PROJECTS WITHIN THE IDAHO POWER ELECTRICAL SYSTEM CONTROL AREA.

Idaho Power Designated Dispatch Facility contact information

Daily Energy Production Reporting

All projects with a Nameplate Capacity of 1 MW or greater shall:

Call daily by 10 a.m., 1-800-356-4328 or 1-800-635-1093 and leave the following information:

- Project Identification - Project Name and Project Number
- Current Meter Reading
- Estimated Generation for the current day
- Estimated Generation for the next day

If Idaho Power determines that adequate generation data is available for this Facility's daily generation, Idaho Power may modify these reporting requirements

Planned and Unplanned Project outages

Call 1-800-345-1319 and leave the following information:

- Project Identification - Project Name and Project Number
- Approximate time outage occurred
- Estimated day and time of project coming back online

Seller's Contact Information

24-Hour Project Operational Contact

Name: Michael J. Brown
Telephone Number: (541)568-4566 or (541)568-4738
Cell Phone: (541)786-0377

Project On-site Contact information

Telephone Number: (541)786-0377

A-3 MONTHLY POWER PRODUCTION AND SWITCHING REPORT FOR PROJECTS
LOCATED OUTSIDE OF THE IDAHO POWER ELECTRICAL SYSTEM CONTROL AREA.

- a.) The Transmitting Entities will schedule and deliver the Facility's Net Energy to the Idaho Power electrical system at the Point of Delivery in accordance with the electrical industry standard WECC scheduling and delivery processes. As specified in paragraph 9.4 the Seller or the Transmitting Entities shall provide Idaho Power with monthly documentation indicating the hourly energy scheduled and delivered to Idaho Power. This documentation will be reconciled with Idaho Power records of energy scheduled and received from this Facility. In the event a discrepancy exists between the Idaho Power records and the Seller / Transmitting Entity documents, Idaho Power records will be considered to be accurate until such time as Idaho Power, the Seller and the Transmitting Entities mutually agree on an adjustment to the Idaho Power records.
- b.) The Seller shall submit to Idaho Power a Monthly Power Production And Switching Report as specified in Appendix A-1 of this Agreement. The meter readings on this report shall be the meter readings at the actual Facility measuring the actual energy deliveries to Transmitting Entity at the Facility.

A-4 ROUTINE REPORTING FOR PROJECTS OUTSIDE OF THE IDAHO POWER
ELECTRICAL SYSTEM CONTROL AREA.

The Seller and Transmitting Entity shall maintain appropriate communications with the Idaho Power Designed Dispatch Facility in compliance with electric industry standard WECC energy scheduling processes and procedures.

APPENDIX B

FACILITY AND POINT OF DELIVERY

PROJECT NO. 12618250

Mill Creek Hydroelectric

B-1 DESCRIPTION OF FACILITY

Mill Creek Hydro consists of two water diversion structures with approximately 18,800 feet of penstock. 383 psi of static pressure is developed at the powerhouse. The turbine is a Canyon Industries dual jet Pelton turbine with a 33 inch runner coupled to a U.S. Electrical Motors induction generator. Generator nameplate rating is 800kW, 2300V, 3 phase. Power factor support is provided by power factor correction capacitors. The step-up transformer is a 2300V:14,400V, 750kVA Betz Transformer.

B-2 LOCATION OF FACILITY

Located on Mill Creek, near Cove, in Union County, Oregon. T3S R40E WM

B-3 SCHEDULED FIRST ENERGY AND OPERATION DATE

Seller has selected October 1, 2011 as the estimated Scheduled First Energy Date.

Seller has selected October 1, 2011 as the estimated Scheduled Operation Date.

In making these selections, Seller recognizes that adequate testing of the Facility and completion of all requirements in paragraph 5.2 of this Agreement must be completed prior to the project being granted an Operation Date.

B-4 MAXIMUM CAPACITY AMOUNT:

This value will be 0.80 MW. This value is the maximum energy (MW) that potentially could be delivered by the Seller's Facility to the Idaho Power electrical system at any moment in time and will be consistent with the designed capacity of the Facility.

B-5 POINT OF DELIVERY

La Grande Substation is at the point on the Idaho Power electrical system where the Seller Facility's Net energy is delivered by the Transmitting Entity to the Idaho Power electrical system.

B-6 LOSSES

- a. For Facilities within the Idaho Power Electrical System Control area - If the Idaho Power Metering equipment is capable of measuring the exact energy deliveries by the Transmitting Entity on behalf of the Seller to the Idaho Power electrical system at the Point of Delivery, no Losses will be calculated for this Facility. If the Idaho Power Metering is unable to measure the exact energy deliveries by the Transmitting Entity on behalf of the Seller to the Idaho Power electrical system at the Point of Delivery, a Losses calculation will be established to measure the energy losses (kWh) between the Seller's Facility and the Idaho Power Point of Delivery. This loss calculation will be initially set at 2% of the kWh energy production recorded on the Facility generation metering equipment. At such time as Seller provides Idaho Power with the electrical equipment specifications (transformer loss specifications, conductor sizes, etc) of all of the electrical equipment between the Facility and the Idaho Power electrical system, Idaho Power will configure a revised loss calculation formula to be agreed to by both parties and used to calculate the kWh Losses for the remaining term of the Agreement. If at anytime during the term of this Agreement, Idaho Power determines that the loss calculation does not correctly reflect the actual kWh losses attributed to the electrical equipment between the Facility and the Idaho Power electrical system, Idaho Power may adjust the calculation and retroactively adjust the previous months kWh loss calculations.
- b. For Facilities outside of the Idaho Power Electrical Control area - Idaho Power will only pay for Net Energy that is scheduled and delivered by the Transmitting Entity to the Point of Delivery. All energy Losses between the Facility and the Point of Delivery will be borne by either the Transmitting Entity or the Seller.

B-7 INTERCONNECTION FACILITIES

The Seller and Transmitting Entity shall construct, operate and maintain the Facility and all interconnection and protection equipment in accordance with Prudent Electrical Practices, the National Electric Safety Code and any other applicable local, state and federal codes

B-8 METERING AND TELEMETRY

- a. For Facilities located within the Idaho Power Electrical System Control Area

Metering Equipment - At the minimum the Metering Equipment and Telemetry equipment must be able to provide and record hourly energy deliveries by the Transmitting Entity to the Point of Delivery and any other energy measurements required to administer this Agreement.

Telemetry Equipment - At the minimum the Telemetry Equipment must be able to provide Idaho Power with continuous instantaneous telemetry of the Facility's energy deliveries to the Transmitting Entity. The Seller will arrange for and make available at Seller's cost, a communications circuit acceptable to Idaho Power, dedicated to Idaho Power's use to be used for load profiling and another communications circuit dedicated to Idaho Power's communication equipment for continuous telemetering of the Facility's energy deliveries to the Transmitting Entity to Idaho Power's Designated Dispatch Facility.

All costs including but not limited to actual equipment, installation, engineering, monthly communication circuit fees, operations and maintenance will be the responsibility of the Seller.

- b. For Facilities located outside of the Idaho Power Electrical System Control Area

Metering Equipment - At the minimum the Metering Equipment must be able to provide and record hourly energy deliveries by the Facility to the Transmitting Entity and any other

energy measurements required to administer this Agreement.

Telemetry Equipment – If Telemetry Equipment is required by the Transmitting Entity and the Transmitting Entity and Idaho Power determine that it is required that Idaho Power have access to the automated data. The Seller shall be responsible for all costs associated with providing the automated telemetry data to Idaho Power.

Exact details of the Metering and Telemetry equipment and specifications will need to be added to this appendix once more information becomes available in regards to the physical and electrical configuration at this site and the configuration of the interconnection at the Point of Delivery.

APPENDIX C

ENGINEER'S CERTIFICATION

OF

OPERATIONS & MAINTENANCE POLICY

The undersigned _____, on behalf of himself and _____, hereinafter collectively referred to as "Engineer," hereby states and certifies to the Seller as follows:

1. That Engineer is a Licensed Professional Engineer in good standing in the State of Oregon.
2. That Engineer has reviewed the Energy Sales Agreement, hereinafter "Agreement," between Idaho Power as Buyer, and _____ as Seller, dated _____.
3. That the cogeneration or small power production project which is the subject of the Agreement and this Statement is identified as IPCo Facility No. _____ and is hereinafter referred to as the "Project."
4. That the Project, which is commonly known as the _____, is located in Section _____, Township _____, Range _____, _____ County, _____.
5. That Engineer recognizes that the Agreement provides for the Project to furnish electrical energy to Idaho Power for period of _____ years.
6. That Engineer has substantial experience in the design, construction and operation of electric power plants of the same type as this Project.
7. That Engineer has no economic relationship to the Design Engineer of this Project.
8. That Engineer has reviewed and/or supervised the review of the Policy for Operation and Maintenance ("O&M") for this Project and it is his professional opinion that, provided said Project has been designed and built to appropriate standards, adherence to said O&M Policy will result in the

Project's producing at or near the design electrical output, efficiency and plant factor for a period of _____ years.

9. That Engineer recognizes that Idaho Power, in accordance with paragraph 5.2 of the Agreement, is relying on Engineer's representations and opinions contained in this Statement.

10. That Engineer certifies that the above statements are complete, true and accurate to the best of his knowledge and therefore sets his hand and seal below.

By _____

(P.E. Stamp)

Date _____

APPENDIX C
ENGINEER'S CERTIFICATION
OF
ONGOING OPERATIONS AND MAINTENANCE

The undersigned _____, on behalf of himself and _____ hereinafter collectively referred to as "Engineer," hereby states and certifies to the Seller as follows:

1. That Engineer is a Licensed Professional Engineer in good standing in the State of Oregon.
2. That Engineer has reviewed the Energy Sales Agreement, hereinafter "Agreement," between Idaho Power as Buyer, and _____ as Seller, dated _____.
3. That the cogeneration or small power production project which is the subject of the Agreement and this Statement is identified as IPCo Facility No. _____ and hereinafter referred to as the "Project".
4. That the Project, which is commonly known as the _____, is located at _____.
5. That Engineer recognizes that the Agreement provides for the Project to furnish electrical energy to Idaho Power for a period of _____ years.
6. That Engineer has substantial experience in the design, construction and operation of electric power plants of the same type as this Project.
7. That Engineer has no economic relationship to the Design Engineer of this Project.
8. That Engineer has made a physical inspection of said Project, its operations and maintenance records since the last previous certified inspection. It is Engineer's professional opinion, based on the Project's appearance, that its ongoing O&M has been substantially in accordance with said O&M Policy; that it is in reasonably good operating condition; and that if adherence to said O&M Policy continues, the Project will continue producing at or near its design electrical output, efficiency and plant factor for the

remaining _____ years of the Agreement.

9. That Engineer recognizes that Idaho Power, in accordance with paragraph 5.2 of the Agreement, is relying on Engineer's representations and opinions contained in this Statement.

10. That Engineer certifies that the above statements are complete, true and accurate to the best of his knowledge and therefore sets his hand and seal below.

By _____

(P.E. Stamp)

Date _____

APPENDIX C
ENGINEER'S CERTIFICATION
OF
DESIGN & CONSTRUCTION ADEQUACY

The undersigned _____, on behalf of himself and _____, hereinafter collectively referred to as "Engineer", hereby states and certifies to Idaho Power as follows:

1. That Engineer is a Licensed Professional Engineer in good standing in the State of Oregon.
2. That Engineer has reviewed the Energy Sales Agreement, hereinafter "Agreement", between Idaho Power as Buyer, and _____ as Seller, dated _____.
3. That the cogeneration or small power production project, which is the subject of the Agreement and this Statement, is identified as IPCo Facility No _____ and is hereinafter referred to as the "Project".
4. That the Project, which is commonly known as the _____ Project, is located in Section ____ Township _____, Range _____, _____ County, _____.
5. That Engineer recognizes that the Agreement provides for the Project to furnish electrical energy to Idaho Power for a _____ (____) year period.
6. That Engineer has substantial experience in the design, construction and operation of electric power plants of the same type as this Project.
7. That Engineer has no economic relationship to the Design Engineer of this Project and has made the analysis of the plans and specifications independently.
8. That Engineer has reviewed the engineering design and construction of the Project, including the civil work, electrical work, generating equipment, prime mover conveyance system, Seller furnished Interconnection Facilities and other Project facilities and equipment.

9. That the Project has been constructed in accordance with said plans and specifications, all applicable codes and consistent with Prudent Electrical Practices as that term is described in the Agreement.

10. That the design and construction of the Project is such that with reasonable and prudent operation and maintenance practices by Seller, the Project is capable of performing in accordance with the terms of the Agreement and with Prudent Electrical Practices for a _____ (_____) year period.

11. That Engineer recognizes that Idaho Power, in accordance with paragraph 5.2 of the Agreement, in interconnecting the Project with its system, is relying on Engineer's representations and opinions contained in this Statement.

12. That Engineer certifies that the above statements are complete, true and accurate to the best of his knowledge and therefore sets his hand and seal below.

By _____
(P.E. Stamp)

Date _____

APPENDIX D

DEFINITION OF A SMALL COGENERATION FACILITY

OR

SMALL POWER PRODUCTION FACILITY

ELIGIBLE TO RECEIVE THE STANDARD RATES AND STANDARD CONTRACT

A Qualifying Facility (either a small power production facility or a cogeneration facility) (“QF”) will be eligible to receive the standard rates and standard contract if the nameplate capacity of the QF, together with any other electric generating facility using the same motive force, owned or controlled by the same person(s) or affiliated person(s), and located at the same site, does not exceed 10 MW.

Definition of Person(s) or Affiliated Person(s):

As used above, the term “same person(s)” or “affiliated person(s)” means a natural person or persons or any legal entity or entities sharing common ownership, management or acting jointly or in concert with or exercising influence over the policies or actions of another person or entity. However, two facilities will not be held to be owned or controlled by the same person(s) or affiliated person(s) solely because they are developed by a single entity. Furthermore, two facilities will not be held to be owned or controlled by the same person(s) or affiliated person(s) if such common person or persons is a “passive investor” whose ownership interest in the QF is primarily related to utilizing production tax credits, green tag values and MACRS depreciation as the primary ownership benefit. A unit of Oregon local government may also be a “passive investor” if the local governmental unit demonstrates that it will not have an equity ownership interest in or exercise any control over the management of the QF and that its only interest is a share of the cash flow from the QF, which share will not exceed 20%. The 20% cash flow share limit may only be exceeded for good cause shown and only with the prior approval of the Commission.

Definition of Same Site:

For purposes of the foregoing, generating facilities are considered to be located at the same site as the QF for which qualification for the standard rates and standard contract is sought if they are located within a five-mile radius of any generating facilities or equipment providing fuel or motive force associated with the QF for which qualification for the standard rates and standard contract is sought.

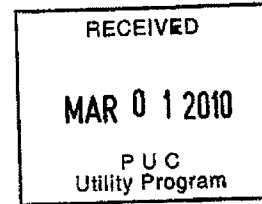
Shared Interconnection and Infrastructure:

QFs otherwise meeting the above-described separate ownership test and thereby qualified for entitlement to the standard rates and standard contract will not be disqualified by utilizing an interconnection or other infrastructure not providing motive force or fuel that is shared with other QFs qualifying for the standard rates and standard contract so long as the use of the shared interconnection complies with the interconnecting utility's safety and reliability standards, interconnection contract requirements and Prudent Electrical Practices as that term is defined in the interconnecting utility's approved standard contract.

APPENDIX E

COPY OF APPLICABLE PRICES FROM SCHEDULE 85

SCHEDULE 85
COGENERATION AND SMALL POWER
PRODUCTION STANDARD
CONTRACT RATES



AVAILABILITY

Service under this schedule is available for power delivered to the Company's control area within the State of Oregon.

APPLICABILITY

Service under this schedule is applicable to any Seller that:

1. Owns or operates a Qualifying Facility with a Nameplate Capacity rating of 10 MW or less and desires to sell Energy generated by the Qualifying Facility to the Company in compliance with all the terms and conditions of the Standard Contract;
2. Meets all applicable requirements of the Company's Generation Interconnection Process.

For Qualifying Facilities with a Nameplate Capacity rating greater than 10 MW, a negotiated Non-Standard Contract between the Seller and the Company is required.

DEFINITIONS

Energy means the electric energy, expressed in kWh, generated by the Qualifying Facility and delivered by the Seller to the Company in accordance with the conditions of this schedule and the Standard Contract. Energy is measured net of Losses and Station Use.

Generation Interconnection Process is the Company's generation interconnection application and engineering review process developed to ensure a safe and reliable generation interconnection in compliance with all applicable regulatory requirements, Prudent Electrical Practices and national safety standards. The Generation Interconnection Process is managed by the Company's Delivery Business Unit.

Heat Rate Conversion Factor is 7,100 MMBTU divided by 1,000.

Intermittent describes a Qualifying Facility that produces electrical energy from the use of wind, solar or run of river hydro as the prime mover.

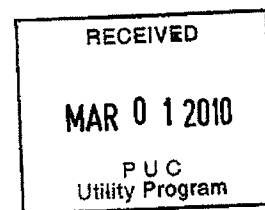
Losses are the loss of electric energy occurring as a result of the transformation and transmission of electric energy from the Qualifying Facility to the Point of Delivery.

Nameplate Capacity means the full-load electrical quantities assigned by the designer to a generator and its prime mover or other piece of electrical equipment, such as transformers and circuit breakers, under standardized conditions, expressed in amperes, kilovolt amperes, kilowatts, volts, or other appropriate units. Usually indicated on a nameplate attached to the individual machine or device.

Non-Standard Contract is a negotiated contract between any Seller that owns or operates a Qualifying Facility with a nameplate capacity rating greater than 10 MW and desires to sell Energy generated by the Qualifying Facility to the Company. The starting point for negotiation of price is the Avoided Cost Components established in this schedule and may be modified to address specific factors mandated by federal and state law, including

1. The utility's system cost data;

SCHEDULE 85
COGENERATION AND SMALL POWER
PRODUCTION STANDARD
CONTRACT RATES
(Continued)



DEFINITIONS (Continued)

2. The availability of capacity or energy from a Qualifying Facility during the system daily and seasonal peak periods, including:
 - a. The ability of the utility to dispatch the qualifying facility;
 - b. The expected or demonstrated reliability of the qualifying facility;
 - c. The terms of any contract or other legally enforceable obligation, including the duration of the obligation, termination notice requirement and sanctions for non-compliance;
 - d. The extent to which scheduled outages of the qualifying facility can be usefully coordinated with scheduled outages of the utility's facilities;
 - e. The usefulness of energy and capacity supplied from a qualifying facility during system emergencies, including its ability to separate its load from its generation;
 - f. The individual and aggregate value of energy and capacity from qualifying facilities on the electric utility's system; and
 - g. The smaller capacity increments and the shorter lead times available with additions of capacity from qualifying facilities; and
3. The relationship of the availability of energy or capacity from the Qualifying Facility to the ability of the electric utility to avoid costs, including the deferral of capacity additions and the reduction of fossil fuel use; and
4. The costs or savings resulting from variations in line losses from those that would have existed in the absence of purchases from a Qualifying Facility, if the purchasing electric utility generated an equivalent amount of energy itself or purchased an equivalent amount of electric energy or capacity.

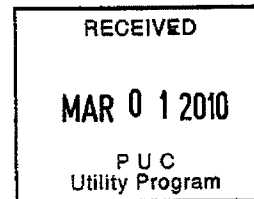
Non-Standard Contract is a negotiated contract between any Seller that owns or operates a Qualifying Facility with a Nameplate Capacity rating greater than 10 MW and desires to sell Energy generated by the Qualifying Facility to the Company. The guidelines for negotiating a Non-Standard Contract are more specifically described later in this schedule in Guidelines for Negotiation of Power Purchases Agreements for Qualifying Facilities with Nameplate Capacity of 10 MW or Larger.

Point of Delivery is the location where the Company's and the Seller's electrical facilities are inter-connected or where the Company's and the Seller's host transmission provider's electrical facilities are interconnected.

Prudent Electrical Practices are those practices, methods and equipment that are commonly used in prudent electrical engineering and operations to operate electric equipment lawfully and with safety, dependability, efficiency and economy.

PURPA means the Public Utility Regulatory Policies Act of 1978.

SCHEDULE 85
COGENERATION AND SMALL POWER
PRODUCTION STANDARD
CONTRACT RATES
(Continued)



DEFINITIONS (Continued)

Qualifying Facility or QF is a cogeneration facility or a small power production facility which meets the PURPA criteria for qualification set forth in Subpart B of Part 292, Subchapter K, Chapter I, Title 18, of the Code of Federal Regulations.

Seasonality Factor is the factor used in determining the seasonal purchase price of energy. The applicable factors are:

- 73.50% for Season 1 (March, April, May);
- 120.00% for Season 2 (July, August, November, December);
- 100.00% for Season 3 (June, September, October, January, February).

Seller is any entity that owns or operates a Qualifying Facility and desires to sell Energy to the Company.

Standard Contracts are the pro forma Energy Sales Agreements the Company maintains on file with the Public Utility Commission of Oregon for Intermittent and non-intermittent on-system Qualifying Facilities and Intermittent and non-intermittent off-system Qualifying Facilities, with a Nameplate Capacity of 10 MW or less.

Station Use is electric energy used to operate the Qualifying Facility which is auxiliary to or directly related to the generation of electricity and which, but for the generation of electricity, would not be consumed by the Seller.

QUALIFYING FACILITY INFORMATION INQUIRY PROCESS

There are two separate processes required for a Seller to deliver and sell energy from a Qualifying Facility to the Company. These processes may be completed separately or simultaneously.

1. Generation Interconnection Process

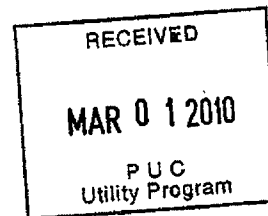
All generation projects physically interconnecting to the Company's electrical system, regardless of size, location or ownership, must successfully complete the Generation Interconnection Process prior to the project delivering energy to the Company. A complete description of the Small Generator Interconnection Procedures, the Interconnection Application and Company contact information is maintained on the Idaho Power website at www.idahopower.com, or Seller may contact the Company's Delivery Business Unit at 1-208-388-2658 for further information.

All generation projects delivering power under the off-system Energy Sales Agreement must successfully complete a comparable Generation Interconnection Process with the Seller's host interconnection provider and transmission provider.

2. Energy Sales Agreement

To begin the process of completing a Standard Contract or negotiating a Non-Standard Contract, for a proposed project, the Seller must submit to the Company a request for an Energy Sales Agreement. All requests will be processed in the order of receipt by the Company.

SCHEDULE 85
COGENERATION AND SMALL POWER
PRODUCTION STANDARD
CONTRACT RATES
(Continued)



QUALIFYING FACILITY INFORMATION INQUIRY PROCESS (Continued)

2. Energy Sales Agreement (Continued)

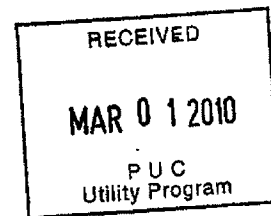
a. Communications

Unless otherwise directed by the Company, all communications to the Company regarding an Energy Sales Agreement should be directed in writing as follows:

Idaho Power Company
Cogeneration and Small Power Production
P O Box 70
Boise, Idaho 83707

b. Procedures

- i. The Company's approved Energy Sales Agreement may be obtained from the Company's website at <http://www.idahopower.com> or if the Seller is unable to obtain it from the website, the Company will send a copy within 10 business days of a written request.
- ii. In order to obtain a project specific draft Energy Sales Agreement the Seller must provide in writing to the Company, general project information required for the completion of an Energy Sales Agreement, including, but not limited to:
 - a) Date of request
 - b) Company / Organization that will be the contracting party
 - c) Contract notification information including name, address and telephone number
 - d) Verification that the Qualifying Facility meets the "Eligibility for Standard Rates and Contract" criteria
 - e) Copy of the Qualifying Facility's QF certificate
 - f) Copy of the FERC license (applicable to hydro projects only)
 - g) Location of the proposed project including general area and specific legal property description
 - h) Description of the proposed project including specific equipment models, types, sizes and configurations
 - i) Type of project (wind, hydro, geothermal etc)
 - j) Nameplate capacity of the proposed project
 - k) Schedule 85 pricing option selected
 - l) Desired term of the Energy Sales Agreement
 - m) Annual net energy amount
 - n) Maximum capacity of the Qualifying Facility
 - o) Estimated first energy date
 - p) Estimated operation date
 - q) Point of Delivery
 - r) Status of the Generation Interconnection Process



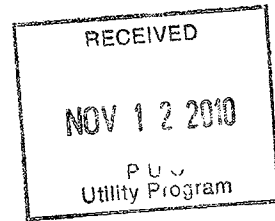
SCHEDULE 85
COGENERATION AND SMALL POWER
PRODUCTION STANDARD
CONTRACT RATES
 (Continued)

QUALIFYING FACILITY INFORMATION INQUIRY PROCESS (Continued)

b. Procedures (Continued)

- iii. The Company shall provide a draft Energy Sales Agreement when all information described in Paragraph 2 above has been received in writing from the Seller. Within 15 business days following receipt of all information required in Paragraph 2, the Company will provide the Seller with a draft Energy Sales Agreement including current standard avoided cost prices and/or other optional pricing mechanisms as approved by the Oregon Public Utility Commission in this Schedule.
- iv. The Company will respond within 15 business days to any written comments and proposals that the Seller provides in response to the draft Energy Sales Agreement.
- v. If the Seller desires to proceed with the Energy Sales Agreement after reviewing the Company's draft Energy Sales Agreement, it may request in writing that the Company prepare a final draft Energy Sales Agreement. In connection with such request, the Seller must provide the Company with an updated status of the Generation Interconnection Process which indicates that the Seller's provided information (i.e. first energy date, operation date, etc.) are realistically attainable and any additional or clarified project information that the Company reasonably determines to be necessary for the preparation of a final draft Energy Sales Agreement. Once the Company has received the written request for a final draft Energy Sales Agreement and all additional or clarified project information that the Company reasonably determines to be necessary for the preparation of a final draft Energy Sales Agreement, the Company will provide Seller with a final draft Energy Sales Agreement within 15 business days.
- vi. After reviewing the final draft Energy Sales Agreement, the Seller may either prepare another set of written comments and proposals or approve the final draft Energy Sales Agreement. If the Seller prepares written comments and proposals, the Company will respond within 15 business days to those comments and proposals.
- vii. When both parties are in full agreement as to all terms and conditions of the final draft Energy Sales Agreement, the Company will prepare and forward to the Seller within 15 business days a final executable version of the Energy Sales Agreement. Once the Seller executes the Energy Sales Agreement and returns all copies to the Company, the Company will execute the Energy Sales Agreement. Following the Company's execution a completely executed copy will be returned to the Seller. Prices and other terms and conditions in the Energy Sales Agreement will not be final and binding until the Energy Sales Agreement has been executed by both parties.

SCHEDULE 85
COGENERATION AND SMALL POWER
PRODUCTION STANDARD
CONTRACT RATES
 (Continued)

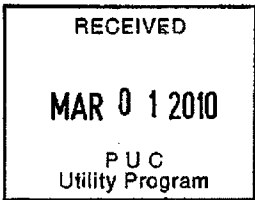


AVOIDED COST COMPONENTS

The Avoided Cost Components are calculated based upon the Surrogate Avoided Resource methodology (SAR) for determining the Company's standard avoided costs.

<u>Year</u>	<u>Capacity Cost</u> <u>(mills/kWh)</u>	<u>Fuel Cost</u> <u>(mills/kWh)</u>
2010	37.72	42.10
2011	38.29	49.49
2012	38.87	51.33
2013	39.46	53.04
2014	40.05	54.24
2015	40.66	54.60
2016	41.27	54.95
2017	41.89	56.73
2018	42.53	58.15
2019	43.17	59.64
2020	43.82	61.70
2021	44.49	63.40
2022	45.16	64.47
2023	45.84	67.81
2024	46.54	69.44
2025	47.24	70.86
2026	47.96	72.21
2027	48.69	73.20
2028	49.43	74.05
2029	50.18	74.69
2030	50.94	74.91
2031	51.71	76.18
2032	52.50	76.96
2033	53.30	77.82
2034	54.11	78.60
2035	54.93	79.45
2036	55.76	80.23
2037	56.61	81.08
2038	57.48	81.86
2039	58.35	82.64

(C)



SCHEDULE 85
COGENERATION AND SMALL POWER
PRODUCTION STANDARD
CONTRACT RATES
 (Continued)

NET ENERGY PURCHASE PRICE

The Company will pay the Seller monthly, for each kWh of Energy delivered and accepted at the Point of Delivery during the preceding calendar month, in accordance with the Standard Contract, an amount determined by the Seller's choice of one of the following options:

Option 1 - Fixed Price Method

Net Energy Purchase Price =

$$\begin{aligned} \text{On-peak} &= (\text{Fuel Cost} + \text{Capacity Cost}) \times \text{Seasonality Factor} \\ \text{Off-peak} &= \text{Fuel Cost} \times \text{Seasonality Factor} \end{aligned}$$

where

Fuel Cost and Capacity Cost are the Avoided Cost Components established in this schedule for the applicable calendar year of the actual Net Energy deliveries to the Company.

Option 2 - Dead Band Method

Net Energy Purchase Price =

$$\begin{aligned} \text{On-peak} &= (\text{AGPU} + \text{Capacity Cost}) \times \text{Seasonality Factor} \\ \text{Off-peak} &= \text{AGPU} \times \text{Seasonality Factor} \end{aligned}$$

Actual Gas Price Used (AGPU) =

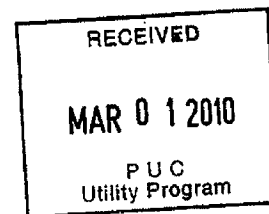
$$\begin{aligned} &90\% \text{ of Fuel Cost if} \\ &\quad \text{Indexed Fuel Cost is less than } 90\% \text{ Fuel Cost; else} \\ &110\% \text{ of Fuel Cost if} \\ &\quad \text{Indexed Fuel Cost is greater than } 110\% \text{ Fuel Cost; else} \\ &\text{Indexed Fuel Cost} \end{aligned}$$

where

Fuel Cost and Capacity Cost are the Avoided Cost Components established in this schedule for the applicable calendar year of the actual Net Energy deliveries to the Company, and

Indexed Fuel Cost is the applicable weighted monthly average index price of natural gas at Sumas multiplied by the Heat Rate Conversion Factor.

SCHEDULE 85
COGENERATION AND SMALL POWER
PRODUCTION STANDARD
CONTRACT RATES
(Continued)



NET ENERGY PURCHASE PRICE (Continued)

Option 3 – Gas Market Method

Net Energy Purchase Price =

On-peak = (AGPU + Capacity Cost) X Seasonality Factor

Off-peak = AGPU X Seasonality Factor

Actual Gas Price Used (AGPU) = Indexed Fuel Cost

where

Capacity Cost is the Avoided Cost Component established in this schedule for the applicable calendar year of the actual Net Energy deliveries to the Company, and

Indexed Fuel Cost is the applicable weighted monthly average index price of natural gas at Sumas multiplied by the Heat Rate Conversion Factor.

MISCELLANEOUS PROVISIONS

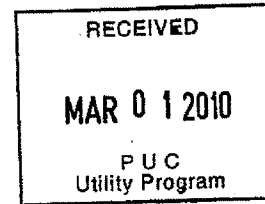
Insurance

Qualifying Facilities with a Nameplate Capacity of 200 kilowatts or smaller are not required to provide evidence of liability insurance.

GUIDELINES FOR NEGOTIATION OF POWER PURCHASE AGREEMENTS FOR QFS WITH A NAMEPLATE CAPACITY OF 10 MW OR LARGER

1. The Company will not impose terms and conditions beyond what is standard practice. The Edison Electric Institute master agreement and the Company's Standard Contracts are useful starting points in negotiating QF agreements.
2. The Company will provide an indicative pricing proposal for a QF that plans to provide firm energy or capacity and chooses avoided cost rates calculated at the time of the obligation. The Company will provide an indicative pricing proposal within 30 days of receipt of the information the Company requires from the QF. The proposal may include other terms and conditions, tailored to the individual characteristics of the proposed project. The avoided cost rates in the indicative pricing proposal will be based on the following:
 - a. The starting point for negotiations is the avoided cost calculated under the modeling methodology approved by the Idaho Public Utilities Commission for QFs over 10 MW, as refined by the Oregon Public Utility Commission to incorporate stochastic analyses of electric and natural gas prices, loads, hydro and unplanned outages.
 - b. The prospective QF may request in writing that the Company prepare a draft power purchase agreement to serve as the basis for negotiations. The Company may require additional information from the QF necessary to prepare a draft agreement.

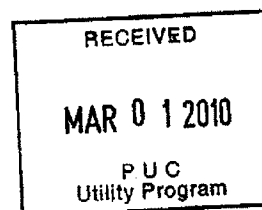
SCHEDULE 85
COGENERATION AND SMALL POWER
PRODUCTION STANDARD
CONTRACT RATES
(Continued)



GUIDELINES FOR NEGOTIATION OF POWER PURCHASE AGREEMENTS
FOR QFS WITH A NAMEPLATE CAPACITY OF 10 MW OR LARGER (Continued)

- c. Within 30 days of receiving the required information, the Company will provide a draft power purchase agreement containing a comprehensive set of proposed terms and conditions.
 - d. The QF must submit in writing a statement of its intention to begin negotiations with the Company and may include written comments and proposals. The Company is not obligated to begin negotiations until it receives written notification from the QF. The Company will not unreasonably delay negotiations and will respond in good faith to all proposals by the QF.
 - e. When the parties have agreed, the Company will prepare a final version of the contract within 15 business days. A contract is not final and binding until signed by both parties.
 - f. At any time after 60 days from the date the QF has provided its written notification pursuant to paragraph d., the QF may file a complaint with the Oregon Public Utility Commission asking the Commission to adjudicate any unresolved contract terms and conditions.
3. QFs have the unilateral right to select a contract length of up to 20 years for a PURPA contract. The contract length selected by the QF may impact other contractual issues including, but not limited to, the avoided cost determination with respect to that QF.
4. The Company should consider the QF to be providing firm energy or capacity if the contract requires delivery of a specified amount of energy or capacity over a specified term and includes sanctions for non-compliance under a legally enforceable obligation. The Company shall not determine that a QF provides no capacity value simply because the Company did not select it through a competitive bidding process. For a QF providing firm energy or capacity:
- a. The Company and the QF should negotiate the time periods when the QF may schedule outages and the advance notification requirement for such outages, using provisions in the Company's partial requirements tariffs as guidance.
 - b. The QF should be required to make best efforts to meet its capacity obligations during Company system emergencies.
 - c. The Company and the QF should negotiate security, default, damage and termination provisions that keep the Company and its ratepayers whole in the event the QF fails to meet obligations under the contract.
 - d. Delay of commercial operation should not be a cause of termination if the Company determines at the time of contract execution that it will be resource-sufficient as of the QF on-line date specified in the contract; however, damages may be appropriate.
 - e. Lack of natural motive force for testing to prove commercial operation should not be a cause of termination.
 - f. The Company should include a provision in the contract that states the Company may require a QF terminated due to its default and wishing to resume selling to the Company be subject to the terms of the original contract until its end date.

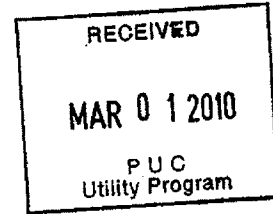
SCHEDULE 85
COGENERATION AND SMALL POWER
PRODUCTION STANDARD
CONTRACT RATES
(Continued)



GUIDELINES FOR NEGOTIATION OF POWER PURCHASE AGREEMENTS
FOR QFS WITH A NAMEPLATE CAPACITY OF 10 MW OR LARGER (Continued)

5. An "as available" obligation for delivery of energy, including deliveries in excess of Nameplate Capacity or the amount committed in the QF contract, should be treated as a non-firm commitment. Non-firm commitments should not be subject to minimum delivery requirements, default damages for construction delay or under-delivery, default damages for the QF choosing to terminate the contract early, or default security for these purposes.
6. For QFs unable to establish creditworthiness, the Company must at a minimum allow the QF to choose either a letter of credit or cash escrow for providing default security. When determining security requirements, the Company should take into account the risk associated with the QF based on such factors as its size and type of supply commitments.
7. When QF rates are based on avoided costs calculated at the time of delivery, the Company should use day-ahead on- and off-peak market index prices at the appropriate market hub(s).
 - a. For QFs providing firm energy or capacity that choose this option, avoided cost rates should be based on day-ahead market index prices for firm purchases.
 - b. For QFs providing energy on an "as available" basis, avoided cost rates should be based on day-ahead market index prices for non-firm purchases.
8. The Company should not make adjustments to standard avoided cost rates other than those approved by the Oregon Public Utility Commission and consistent with these guidelines.
9. The Company should make adjustments to avoided costs for reliability on an expected forward-looking basis. The Company should design QF rates to provide an incentive for the QF to achieve the contracted level and timing of energy deliveries.
10. The Company should make adjustments to avoided costs for dispatchability on a probabilistic, forward-looking basis.
11. If avoided cost rates for a QF are calculated at the time of the obligation and the Company's avoided resource is a fossil fuel plant, the Company should adjust avoided cost rates for the resource deficiency period to take into account avoided fossil fuel price risk.
12. Avoided cost rates for wind QFs should be adjusted for integration cost estimates based on studies conducted for the Company's system, unless the QF contracts for integration services with a third party.
 - a. The Company should use the most recent integration cost data available, consistent with its evaluation of competitively bid and self-build wind resources.
 - b. The portion of integration costs attributable to reserves costs should be based on the difference in such costs between the wind QF and the Company proxy plant.

SCHEDULE 85
COGENERATION AND SMALL POWER
PRODUCTION STANDARD
CONTRACT RATES
 (Continued)



GUIDELINES FOR NEGOTIATION OF POWER PURCHASE AGREEMENTS
FOR QFS WITH A NAMEPLATE CAPACITY OF 10 MW OR LARGER (Continued)

- c. The Company should base first-year integration costs on the actual level of wind resources in the control area, plus the proposed QF. Integration costs for years two through five of the contract should be based on the expected level of wind resources in the control area each year, including the new resources the Company expects to add. Integration costs should be fixed at the year-five level, adjusted for inflation, for the remainder of the life of the wind projects in the control area.
 - d. The Company is prohibited from using a long-range planning target for wind resources as the basis for integration costs. However, if the Company is subject to near-term targets under a mandatory Renewable Portfolio Standard, the Company may base its integration costs on the level of renewable resources it must acquire over the next 10 years.
 - e. In determining integration costs, the Company should make reasonable estimates regarding the portion of renewable resources to be acquired that will be intermittent resources.
13. The Company should adjust avoided cost rates for QF line losses relative to the Company proxy plant based on a proximity-based approach.
 14. The Company should evaluate whether there are potential savings due to transmission and distribution system upgrades that can be avoided or deferred as a result of the QFs location relative to the Company proxy plant and adjust avoided cost rates accordingly.
 15. The Company should not adjust avoided cost rates for any distribution or transmission system upgrades needed to accept QF power. Such costs should be separately charged as part of the interconnection process.
 16. The Company should not adjust avoided cost rates based on its determination of the additional cost it might incur for any debt imputation by a credit rating agency.
 17. Regarding Surplus Sale and Simultaneous Purchase and Sale:
 - a. QFs may either contract with the Company for a "surplus sale" or for a "simultaneous purchase and sale" provided, however, that the QFs selection of either such contractual arrangement shall not be inconsistent with any retail tariff provision of the Company then in effect or any agreement between the QF and the Company;
 - b. The two sale/purchase arrangements described in paragraph 17. a will be available to QFs regardless of whether they qualify for standard contracts and rates or non-standard contracts and rates, however the "simultaneous purchase and sale" is not available to QFs not directly connected to the Company's electrical system;
 - c. The negotiation parameters and guidelines should be the same for both sale/purchase arrangements described in paragraph 17. a; and
 - d. The avoided cost calculations by the Company do not require adjustment solely as a result of the selection of one of the sale/purchase arrangements described in paragraph 17.a., rather than the other.