

POWER PURCHASE AGREEMENT

BETWEEN

FREDERICK D. EHLERS

AND

PACIFIC POWER & LIGHT COMPANY

THIS AGREEMENT, entered into on this 20th day of May, 1983 is between Frederick D. Ehlers, hereinafter referred to as "Seller," and Pacific Power & Light Company, a Maine corporation, hereinafter referred to as "Pacific."

RECITALS:

Seller will own and operate a 750 kilowatt (kW) hydroelectric facility for the generation of electric power located on the North Fork of the Sprague River, north of Bly, Oregon. The average annual energy production of the facility is estimated to be 6,570,000 kilowatt-hours (kWh); and

Seller wishes to sell, and Pacific wishes to purchase, the Net Metered Output from the facility.

NOW, THEREFORE, the parties hereto mutually agree as follows:

ARTICLE I: DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings:

(A) "Commercial Operation Date" is the date, after start-up testing of the Facility is completed, that Pacific receives a written

statement from a licensed professional engineer certifying that the Facility is able to generate electric power reliably;

(B) "Contract Year" is a calendar year commencing at 12:01 a.m. on January 1 and ending at 12:00 p.m. on December 31;

(C) "Demonstrated Capacity" is the actual demonstrated ability of the Facility to generate and deliver electric power, expressed in kW, useful to Pacific in meeting its capacity requirements, less Facility Use and less transmission and transformation losses, if any, to the Point of Delivery. The Demonstrated Capacity shall be determined at the end of the first 12 months of deliveries hereunder. For each month thereafter, the Demonstrated Capacity shall be determined using the current month and the 11 immediately preceding months. The Demonstrated Capacity shall be the lesser of:

(1)
$$\frac{\text{kWh of Net Metered Output per 12 months}}{8760 \times 0.70}$$

or

(2) the average rate of delivery (kW) during the highest consecutive 24-hour period of kWh deliveries of Net Metered Output in such 12-month period.

(D) "Facility" is the 750 kW hydroelectric facility for the generation of electric power, including the diversion structure, penstock, powerhouse, turbine, generator, and Seller's Interconnection Equipment.

(E) "Net Metered Output" is all energy and capacity produced by the Facility, less Facility use, as determined at the Point of Delivery;

(F) "Point of Delivery" is the location where Pacific's and

Seller's electrical facilities are connected at a mutually agreeable point specified by Pacific;

(G) "Scheduled Maintenance Periods" are those times during which the Facility is shut down for routine maintenance with the advance approval of Pacific as provided in Article XV(A) hereof;

(H) "Seller's Interconnection Equipment" is all equipment and facilities not owned by Pacific located on Seller's side of the Point of Delivery required to be installed solely to interconnect and deliver power from Seller's Facility to Pacific's system including, but not limited to, connection, transformation, switching, and safety equipment.

ARTICLE II: TERM

Subject to the provisions of Article XXIII, this Agreement shall become effective when executed by both the parties hereto, and shall end on December 31, 2021.

ARTICLE III: DELIVERY OF POWER

Commencing on January 1, 1987, and for the term of this Agreement, Seller shall make available from the Facility a minimum of 985,000 kWh of Net Metered Output during each Contract Year, provided that such minimum for the first Contract Year shall be reduced pro rata to reflect the Commercial Operation Date. Subject to Article XVI, Seller shall make available and Pacific shall purchase all Net Metered Output from the Facility.

ARTICLE IV: PRICES

The following prices are established for all deliveries of

Net Metered Output hereunder; provided, however, that nothing in this subparagraph shall be construed as affecting or limiting the Seller's obligation to make deliveries in each Contract Year as established in Article III hereof.

(A) Nonfirm Energy Prices

For all Net Metered Output delivered prior to the later of January 1, 1987, or the Commercial Operation Date, Pacific shall pay Seller Pacific's then established price for nonfirm energy.

(B) Capacity Prices

Commencing upon the later of January 1, 1987, or the Commercial Operation Date, Pacific shall pay \$8.92 per month for each kW of Demonstrated Capacity. Subject to change by mutual agreement of the parties hereto based upon the actual performance of the Facility, the Demonstrated Capacity for the first 12 months of deliveries hereunder is assumed to be 750 kW. If after the first 12 months of deliveries hereunder the calculated Demonstrated Capacity is greater or less than the Demonstrated Capacity assumed for the first 12 months of deliveries, all previous capacity payments which were determined by using such assumed Demonstrated Capacity shall be adjusted retroactively to reflect underpayments or overpayments, and shall include interest at the average monthly prime rate as published by the Morgan Guaranty Trust

Company of New York for such period of time.

(C) Energy Prices

Commencing upon the later of January 1, 1987, or the Commercial Operation Date, Pacific shall pay for each kWh of Net Metered Output the energy prices for the Contract Years set forth below:

<u>Contract Year</u>	<u>Energy Price Cents/kWh</u>
1987	7.66
1988	7.75
1989	7.84
1990	7.94
1991	8.05
1992	8.16
1993	8.28
1994	8.40
1995	8.53
1996	8.67
1997	8.82
1998	8.98
1999	9.15
2000	9.33
2001	9.51
2002	9.71
2003	9.92
2004	10.15
2005	10.39
2006	10.64
2007	10.90
2008	11.19
2009	11.49
2010	11.81
2011	12.14
2012	12.50
2013	12.88
2014	13.28
2015	13.70
2016	14.16
2017	14.63
2018	15.14

<u>Contract Year</u>	<u>Energy Price Cents/kWh</u>
2019	15.68
2020	16.25
2021	16.85

ARTICLE V: PAYMENTS AND COMPUTATIONS

(A) Pacific shall provide Seller with computations of Net Metered Output on a monthly basis and shall concurrently therewith make payments therefor in accordance with the terms and conditions of Article IV, at the address specified in Article VI, below.

(B) Seller shall pay Pacific for Pacific's costs incurred hereunder, at the address specified in Article VI, below, within thirty (30) days of receipt of Pacific's written statement. Should Seller fail to pay in full statement(s) from Pacific within thirty (30) days, Pacific may offset future payment(s) to Seller hereunder by such amount(s).

ARTICLE VI: NOTICES

All written notices under this Agreement shall be directed as follows, and shall be considered delivered when deposited in the U.S. Mail, return receipt requested:

To Seller: Frederick D. Ehlers
P.O. Box 7148
Klamath Falls, Oregon 97602

To Pacific: Vice President, Power Resources
Pacific Power & Light Company
920 SW Sixth Avenue
Portland, OR 97204

The parties may change their addresses by providing notice thereof as

specified in this Article.

ARTICLE VII: FACILITY DESIGN AND CONSTRUCTION

(A) Seller shall design, construct, install, own, operate, and maintain the Facility. Seller shall provide Pacific with electrical data concerning its Facility sufficient to allow Pacific to make stability and protection studies. All specifications and changes in specifications, including new or additional equipment, shall be subject to Pacific's acceptance. Pacific's acceptance of Seller's specifications shall not be construed as confirming nor endorsing the design, nor as a warranty of safety, durability, or reliability of the Facility. Pacific shall not, by reason of any review, acceptance, or failure to review, be responsible for the Facility, including but not limited to the strength, details of design, adequacy or capacity thereof, nor shall Pacific's acceptance be deemed to be an endorsement of the Facility.

(B) At the request of Pacific, Seller shall provide Pacific, prior to the initial delivery of Net Metered Output, with a statement from a licensed professional engineer certifying that the Facility can reasonably be expected to generate capacity and energy in the amounts set forth herein for the duration of this Agreement.

ARTICLE VIII: INTERCONNECTION

(A) Seller shall install all Seller's Interconnection Equipment. Seller's Interconnection Equipment shall be of a size to accommodate the delivery of the Net Metered Output under this Agreement. Seller shall

allow Pacific to review the adequacy of all protective devices, and to establish requirements for settings and periodic testing; provided, however, that neither such action nor inaction by Pacific shall be construed as warranting the safety or adequacy of Seller's Interconnection Equipment. All such equipment installed hereunder shall conform with the Required Equipment Standards established in Schedule A, attached hereto. Seller shall reimburse Pacific for Pacific's cost associated with such periodic testing.

(B) Connection of Seller's Interconnection Equipment to Pacific's system shall be by or under the direction of Pacific.

(C) In the event that it is necessary for Pacific to install any facilities and equipment on Pacific's system to accommodate Seller's deliveries, or to reinforce Pacific's system for purposes of this Agreement, Seller shall reimburse Pacific for all of Pacific's costs associated therewith, in accordance with the rules for repayment established by the appropriate state regulatory commission having jurisdiction. Seller shall also reimburse Pacific for Pacific's operation and maintenance costs resulting from Pacific's installation of facilities and equipment under this Paragraph.

ARTICLE IX: SYSTEM EMERGENCY

In the event of a System Emergency, as defined in 18 C.F.R. Part 292, Pacific may require Seller to curtail its consumption of electricity purchased from Pacific in the same manner and to the same degree as other

customers within the same customer class who do not own facilities for generating electricity.

ARTICLE X: OPERATION, PROTECTION, AND CONTROL

(A) Seller's Property shall meet the requirements of all applicable state and local laws. Prior to commencement of generation, and at completion of any major changes, Seller's Property shall be inspected and approved by the appropriate state and local officials.

(B) Seller shall operate and maintain Seller's Property in a safe manner and in accordance with the National Electric Safety Code currently in effect.

(C) Seller may operate the Facility in parallel with Pacific's system, but subject at all times to Pacific's operating instructions and any and all other conditions established by Pacific in its sole discretion.

(D) Seller shall operate the Facility in such a manner as not to affect adversely Pacific's system and to be compatible with Pacific's system voltage level, fluctuating voltage guidelines (Engineering Bulletin No. 02.14), and voltage regulation at the Point of Delivery during all times that Seller's Facility is connected and operating in parallel with Pacific's system.

(E) Pacific may, upon one hundred eighty (180) days' notice to Seller, change its nominal operating voltage level at the Point of Delivery, in which case Seller shall modify Seller's Interconnection

Equipment as necessary to accommodate the modified nominal operating voltage level.

(F) Seller shall remedy any demonstrated harmonic distortions on Pacific's system attributable to the operation of Seller's Facility which result in objectionable service to Pacific's other customers. Should Seller's actions to remedy such harmonic distortions be inadequate, Pacific may without liability disconnect Seller's Facility from Pacific's system. During such period of disconnection, Pacific's obligation to make payments to Seller shall be suspended.

(G) Seller agrees that in the event of and during a period of a shortage of energy or capacity on Pacific's system as declared by Pacific in its sole discretion, Seller shall, at Pacific's request and within the limits of reasonable safety requirements as determined by Seller, use its best efforts to provide requested energy or capacity, and shall, if necessary, delay any Scheduled Maintenance Periods.

(H) Seller shall furnish and install on the Seller's side of the Point of Delivery a disconnect switch which shall be capable of fully disconnecting the Facility from Pacific's system. The disconnect switch shall be of the visible-break type which can be secured by a padlock and shall be accessible to Pacific's personnel at all times. Pacific shall have the right to disconnect the Facility from Pacific's system at the disconnect switch when necessary to maintain safe electrical operating conditions or, if in Pacific's sole judgment, the Facility at any time adversely affects Pacific's operation of its electrical system or the

quality of Pacific's service to other customers.

ARTICLE XI: METERING

(A) Flows to Pacific shall be measured by meters to be equipped with detents so that the record of those flows will not be affected by flows to Seller. Flows to Seller shall continue to be metered separately in accordance with the terms of the service agreement, if any, existing between the parties, and/or otherwise in accordance with tariffs filed and approved by the regulatory authority having jurisdiction.

(B) Pacific shall provide, install, own, and maintain meters to record flows to Pacific. Such meters shall be located at a mutually agreed upon designated location(s) and shall record and indicate the integrated demand for each sixty (60)-minute period, and shall also measure kWh. Pacific shall also provide, install, own, and maintain meters for measurement of reactive volt-ampere hours. Pacific may also, in its sole discretion, install additional metering devices at a location within Seller's Facility, agreed upon by both parties, to enable Seller to transmit information and data. All acquisition, installation, maintenance, inspection, and testing costs relating to all metering devices installed to accommodate Seller's generation shall be borne by Seller.

(C) All meters and metering equipment shall be operated and maintained by Pacific at Seller's expense, and shall be sealed by Pacific. The seal shall be broken only upon occasions when the meters are to be inspected, tested, or adjusted and representatives of both Pacific and

Seller shall be present upon such occasions. The metering equipment shall be inspected and tested periodically by Pacific and at other reasonable times upon request therefor by Seller. Any metering equipment found to be defective or inaccurate by an error in registration of more than plus or minus two percent (2%), at light load or at heavy load, shall be repaired, readjusted, or replaced.

(D) If any of the inspections or tests provided for herein disclose an error exceeding two percent (2%), either fast or slow, proper correction, based upon the inaccuracy found, shall be made of previous readings for the period of three (3) months immediately preceding the removal of such meter from service for test, or from the time the meter was in service since last tested, but not exceeding three (3) months, in the amount the meter shall have been shown to be in error by such test. Any correction in billing resulting from a correction in the meter records shall be made in the next monthly bill rendered, and such correction, when made, shall constitute full adjustment of any claim between Seller and Pacific arising out of such inaccuracy of metering equipment.

ARTICLE XII: LIABILITY AND INSURANCE

(A) Seller agrees to protect, indemnify, and hold harmless Pacific, its directors, officers, employees, agents, and representatives, against and from any and all loss, claims, actions, or suits, including costs and attorneys' fees, for or on account of injury, bodily or otherwise, to, or death of, persons, or for damage to, or destruction of property belonging to Pacific or others, resulting from, or arising out of

or in any way connected with the facilities on Seller's side of the Point of Delivery, or Seller's operation and/or maintenance, excepting only such injury or harm as may be caused solely by the fault or negligence of Pacific, its directors, officers, employees, agents, or representatives.

(B) Prior to connection of Seller's generation to Pacific's system, Seller shall secure and continuously carry, in an insurance company or companies acceptable to Pacific, insurance policies for bodily injury and property damage liability. Such insurance shall include: provisions or endorsements naming Pacific, its directors, officers and employees as additional insureds; provisions that such insurance is primary insurance with respect to the interest of Pacific and that any insurance maintained by Pacific is excess and not contributory insurance with the insurance required hereunder; cross-liability or severability of insurance interest clause; and provisions that such policies shall not be canceled or their limits of liability reduced without thirty (30) days' prior written notice to Pacific. A copy of each such insurance policy, certified as a true copy by an authorized representative of the issuing insurance company or, at the discretion of Pacific, in lieu thereof, a certificate in form satisfactory to Pacific certifying to the issuance of such insurance, shall be furnished to Pacific. Initial limits of liability for all requirements under this Section (B) shall be \$1,000,000 single limit, which limits may be required to be increased by Pacific's giving Seller two years' notice. Such increase shall not exceed fifteen percent (15%) per year.

(C) Prior to connection of Seller's generation to Pacific's

system, Seller shall obtain insurance acceptable to Pacific against property damage or destruction in an amount not less than the cost of replacement of the Property. Seller shall promptly notify Pacific of any loss or damage to the Property. Unless the parties agree otherwise, Seller shall repair or replace the damaged or destroyed Property. Except as provided in paragraph (A) of this Article XII, Seller agrees to waive its insurers' rights of subrogation regarding Facility property losses.

(D) Seller shall provide Pacific copies of all insurance policies at the address listed in Article VI.

ARTICLE XIII: LAND RIGHTS

Seller hereby grants to Pacific for the term of this Agreement all necessary rights of way and easements to install, operate, maintain, replace, and remove Pacific's metering and other facilities necessary or useful to this Agreement, including adequate and continuing access rights on property of Seller. Seller agrees to execute such other grants, deeds or documents as Pacific may require to enable it to record such rights of way and easements. If any part of Pacific's facilities is installed on property owned by other than Seller, Seller shall, if Pacific is unable to do so without cost to Pacific, procure from the owners thereof all necessary permanent rights of way and easements for the construction, operation, maintenance, and replacement of Pacific's facilities upon such property in a form satisfactory to Pacific. At Seller's request, Pacific shall, to the extent it is legally able, acquire such rights of way at

Seller's cost.

ARTICLE XIV: COMMUNICATIONS

Seller shall at its expense maintain appropriate communication facilities, as determined by Pacific, with Pacific's dispatcher.

ARTICLE XV: MAINTENANCE

(A) Seller may shut down the Facility for Scheduled Maintenance Periods not to exceed thirty (30) days each Contract Year at such times as are approved in advance by Pacific. Seller shall propose to Pacific Scheduled Maintenance Periods for each Contract Year by the preceding February 1, and within sixty (60) days of Pacific's receipt of such proposal, Pacific shall inform Seller of the acceptability or unacceptability of the proposed periods.

(B) In the event the Facility must be shut down for unscheduled maintenance, Seller shall notify Pacific immediately of the necessity of such shutdown, the time when such shutdown has occurred, or will occur, and the anticipated duration of such shutdown. Seller shall take all reasonable measures and exercise its best efforts to avoid unscheduled maintenance and to limit the duration of such shutdowns.

ARTICLE XVI: CONTINUITY OF SERVICE

Pacific may require Seller to curtail, interrupt, or reduce deliveries of energy or capacity in order to construct, install, maintain, repair, replace, remove, investigate, or inspect any of Pacific's equipment or any part of its system or if Pacific determines that curtailment,

interruption, or reduction is necessary because of emergencies, operating conditions on its system, or as otherwise required by prudent utility practices. In such circumstances, Pacific shall not be obligated to accept deliveries of energy or capacity hereunder.

ARTICLE XVII: QUALIFYING FACILITY STATUS

Seller covenants that the Facility is and shall continue to be a "qualifying facility," as that term is used and defined in 18 C.F.R., Part 292, for the term of this Agreement. Pacific may, in its discretion, require certification by the Federal Energy Regulatory Commission of qualifying status under 18 C.F.R., Part 292.207(b).

ARTICLE XVIII: FORCE MAJEURE

As used in this Agreement, "Force Majeure" means unforeseeable causes beyond the reasonable control of and without the fault or negligence of the party claiming Force Majeure, and specifically excludes non-availability of stream flow to operate Seller's Facility. If either party is rendered wholly or partly unable to perform its obligations under this Agreement because of Force Majeure, that party shall be excused from whatever performance is affected by the Force Majeure to the extent so affected, provided that:

(A) the non-performing party, within two weeks after the occurrence of the Force Majeure, give the other party written notice describing the particulars of the occurrence;

(B) the suspension of performance be of no greater scope and of

no longer duration than is required by the Force Majeure;

(C) no obligations of either party which arose before the occurrence causing the suspension of performance be excused as a result of the occurrence, and

(D) the non-performing party use its best efforts to remedy its inability to perform.

ARTICLE XIX: LIABILITY; DEDICATION

Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any person not a party to this Agreement. No undertaking by 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, nor affect the status of Pacific as an independent public utility corporation, or Seller as an independent individual or entity.

ARTICLE XX: SEVERAL OBLIGATIONS

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 to 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 XXI: WAIVER

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 XXII: CHOICE OF LAWS

This Agreement shall be construed and interpreted in accordance with the laws of the State of Oregon, excluding any choice of law rules which may direct the application of the laws of another jurisdiction.

ARTICLE XXIII: GOVERNMENTAL JURISDICTION
AND AUTHORIZATION

(A) This Agreement is subject to the jurisdiction of those governmental agencies having control over either party or this Agreement. This Agreement shall not become valid until all required governmental authorizations and permits are first obtained and copies thereof are submitted to Pacific.

(B) This Agreement shall not become effective until the Public Utility Commissioner of the state of Oregon or his delegate has reviewed all terms and provisions hereof and has determined that the prices to be paid for Net Metered Output are in accordance with the appropriate prices

reviewed and approved by the Commissioner.

ARTICLE XXIV: SUCCESSORS AND ASSIGNS

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. Excepting assignments by Pacific to Bonneville Power Administration ("BPA"), no assignment hereof by either party hereto shall become effective without the written consent of the other being first obtained and such consent shall not be unreasonably withheld. Nothing in this Agreement shall be construed as limiting or restricting Pacific's right to enter into arrangements with BPA whereby BPA acquires the output of the Facility or Pacific takes a billing or energy credit therefrom.

ARTICLE XXV: MODIFICATION

No modification of this Agreement shall be effective unless it is in writing and signed by both parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their respective names as of the date first above written.

FREDERICK D. EHLERS

PACIFIC POWER & LIGHT COMPANY

By 

By 
Vice President

Title OWNER

SCHEDULE A
REQUIRED EQUIPMENT STANDARDS

In the event that Seller's Facility incorporates a synchronous generator, Seller shall furnish, install, and maintain equipment necessary to establish and maintain synchronism automatically with Pacific's system.

Seller shall not employ anything other than three phase generators without first obtaining express written permission from Pacific.

In order to protect the Facility, Seller's Interconnection Equipment, and Pacific's system from property damage, to minimize the likelihood of injury to operating personnel and third parties, and to allow Pacific to provide service to its non-generating customers in the event Seller's Facility or Seller's Interconnection Equipment encounters operating difficulties, Seller shall provide, install, and maintain the following equipment:

1. A lockable main disconnect switch which allows isolation of Seller's generation from Pacific's system;
2. An automatic disconnecting device to be used in conjunction with relaying devices;
3. An overcurrent device to be used in conjunction with the automatic disconnecting device required under Paragraph 2;
4. Underfrequency and overfrequency relays to be used in conjunction with the automatic disconnecting device required under Paragraph 2;
5. A dedicated voltage transformation, with ground source as required by Pacific, for Seller's generation and load; and
6. Undervoltage and overvoltage relays.

AMENDED AND RESTATED POWER PURCHASE AGREEMENT
BETWEEN
HDI ASSOCIATES V, AN OREGON LIMITED PARTNERSHIP
AND
PACIFIC POWER & LIGHT COMPANY

THIS AGREEMENT, entered into on this 12th day of October, 1988, is between HDI Associates V, an Oregon Limited Partnership, hereinafter referred to as "Seller" and Pacific Power & Light Company, an electric utility with corporate headquarters in Portland, Oregon, hereinafter referred to as "Pacific."

RECITALS:

Frederick D. Ehlers and Pacific entered into a Power Purchase Agreement dated May 20, 1983 for a 750 kilowatt (kW) hydroelectric facility. Mr. Ehlers assigned his interest in the May 20, 1983 agreement to Hydroelectric Development, Inc. ("HDI") pursuant to a North Fork Water Power Project Agreement of Transfer and Assignment dated May 20, 1986 with the agreement of Mr. Ehlers that he will remain liable for the obligations of the Seller under the May 20, 1983 agreement. HDI assigned its interest in the May 20, 1983 agreement to Seller pursuant to an Assignment of Engineering Contract dated May 10, 1987 with the agreement of HDI that it will remain liable for the obligations of the Seller under the May 20, 1983 agreement. All parties, including Mr. Ehlers, now wish to amend and supersede the May 20, 1983 agreement with this Agreement.

The undersigned parties also have raised various claims against each other. These claims have been denied. The parties wish to resolve all claims existing as of this date, whether known or unknown, through the execution of this Agreement.

Seller now will own and operate a hydroelectric facility, with a rating not to exceed 1,230 kilowatts (kW), for the generation of electric power located on the North Fork of the Sprague River, approximately nine miles northeast of Bly, Oregon, in Sections 29 and 30 of T-35-S, R-15-E. The average annual energy production of the Facility now is estimated to be 5,100,000 kilowatt-hours (kWh) rather than 6,570,000 kWh.

NOW, THEREFORE, the undersigned parties agree as follows:

ARTICLE I: DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings:

(A) "Commercial Operation Date" is the date, after start-up testing of the Facility is completed, that Pacific receives a written statement from a licensed professional engi-

neer certifying that the Facility is able to generate electric power reliably.

(B) "Contract Year" is a calendar year commencing at 12:01 a.m. on January 1 and ending at 12:00 p.m. on December 31.

(C) "Demonstrated Capacity" is the actual demonstrated ability of the Facility to generate and deliver electric power, expressed in kW, useful to Pacific in meeting its capacity requirements, less Facility Use, less transmission and transformation losses to the Point of Delivery and less transmission losses on Pacific's distribution line between the Point of Delivery and the Ely Substation. The Demonstrated Capacity shall be determined at the end of the first 12 months of deliveries hereunder. For each month thereafter, the Demonstrated Capacity shall be determined using the current month and the 11 immediately preceding months. The Demonstrated Capacity shall be the lesser of:

(1) kWh of Net Metered Output per 12 months
8760 x 0.70

or

(2) the average rate of delivery (kW) during the highest consecutive 24-hour period of kWh deliveries of Net Metered Output in such 12-month period.

or

(3) 1230 kW.

(D) "Facility" is the following hydroelectric facility for the generation of electric power. It includes a diversion structure, penstock, powerhouse, a turbine-generator, and Seller's Interconnection Equipment. The turbine-generator is being manufactured by Louis Allis. It will be a Bouvier type with two horizontal Francis turbines with runners overhung on a single generator shaft. Its model number is 442 mm. The maximum output of the turbine-generator will be 1,275 kW. The three-phase generator is rated 750 kW with a 1.9 service factor, 2,400 volts, and 336 amperes. Synchronous speed is 1,200 revolutions per minute.

(E) "Net Metered Output" is all energy and capacity produced by the Facility, less Facility use and any line losses (deemed to be 4 percent until recalculated), and such Net Metered Output shall be calculated as equal to 96 percent of the measured deliveries of energy and capacity to Pacific metered at the Point of Delivery; provided however 72 months after the Commercial Operation Date Pacific, at Seller's expense, shall recalculate the actual average line loss percentage based on the production during the preceding 60 months, and the line loss percentage thereafter shall be the newly calculated percentage;

and further provided that either party may notify the other between 132 and 144 months after the Commercial Operation Date that it wishes to have the line losses recalculated and in such event Pacific, at Seller's expense, shall recalculate the actual average line loss percentage based on the production during the preceding 120 months, and the line loss percentage thereafter shall be the newly calculated percentage.

(F) "Point of Delivery" is the point where Pacific's overhead power line is connected to Seller's underground power line at the start of the canyon leading to the Facility's powerhouse, located approximately eight miles northeast of Bly, Oregon in Section 31, T-35-S, R-15-E.

(G) "Scheduled Maintenance Periods" are those times during which the Facility is shut down for routine maintenance with the advance approval of Pacific as provided in Article XV(A) hereof.

(H) "Seller's Interconnection Equipment" is all equipment and facilities not owned by Pacific located on Seller's side of the Point of Delivery required to be installed solely to interconnect and deliver power from Seller's Facility to Pacific's system including, but not limited to, connection, transformation, switching, and safety equipment.

ARTICLE II: TERM

(A) Subject to the provisions of this Article and Article XXIII, this Agreement shall become effective when executed by both the parties hereto, and shall end on December 31, 2023.

(B) Time is of the essence in this Agreement. Therefore, if the following events have not occurred by the dates specified, this Agreement will terminate immediately without further action by either party:

(1) Seller shall remit to Pacific within 30 days of the date of execution of this Agreement the unpaid balance of Pacific's current estimated cost for its interconnection study, which unpaid balance is \$23,000, and Seller shall remit to Pacific within 30 days of any invoice therefor any difference between the actual cost and the estimated cost previously paid to Pacific.

(2) Seller shall establish prior to the Commercial Operation Date that it has satisfactory real property interests for the full term of this Agreement for this Facility.

(3) Seller shall demonstrate that a significant amount of construction on the powerhouse, penstock, and diversion structures has been accomplished by November 1, 1988.

(4) The initial delivery of Net Metered Output from the Facility to Pacific's system shall occur prior to June 30, 1989.

(5) Prior to the earlier of the Commercial Operation Date or July 31, 1989 Seller shall present to Pacific as listed below the required authorizations, permits, and approvals required for the Seller and for the construction and operation of the Facility:

(a) then currently effective FERC license,

(b) then currently effective approved Hydroelectric License from the Oregon Water Resources Department,

(c) Oregon Department of Fish and Wildlife approval of current construction plan,

(d) then currently effective County Building Permits, and

(e) Oregon Electrical Permit showing final approval of electrical installation.

(6) The Commercial Operation Date as described in Article I(A) shall be established prior to December 31, 1989.

ARTICLE III: DELIVERY OF POWER

Commencing on January 1, 1989, and for the term of this Agreement, Seller shall make available from the Facility a minimum of 985,000 kWh of Net Metered Output during each Contract Year, provided that such minimum for the first Contract Year shall be reduced pro rata to reflect the Commercial Operation Date and that such minimum shall be reduced to reflect reductions in Net Metered Output as a result of the implementation of Articles X(E) and XVI. Subject to Article XVI, Seller shall make available and Pacific shall purchase all Net Metered Output from the Facility.

ARTICLE IV: PRICES

The following prices are established for all deliveries of Net Metered Output hereunder (as reduced by line losses as described in paragraph I(E)); provided, however, that nothing in this subparagraph shall be construed as affecting or limiting the Seller's obligation to make deliveries in each Contract Year as established in Article III hereof.

(A) Nonfirm Energy Prices. For all Net Metered Output delivered prior to the later of January 1, 1989 or the Commercial Operation Date, Pacific shall pay Seller Pacific's then established price for nonfirm energy, as approved by the Public Utility Commission of Oregon ("Commission").

(B) Capacity Prices. Commencing upon the later of January 1, 1989 or the Commercial Operation Date, Pacific shall pay \$8.92 per month for each kW of Demonstrated Capacity. Sub-

7/30
1.9% Saw. Factor

ject to change by mutual agreement of the parties hereto based upon the actual performance of the Facility, the Demonstrated Capacity for the first 12 months of deliveries hereunder is assumed to be 905 kW. If after the first 12 months of deliveries hereunder the calculated Demonstrated Capacity is less than the Demonstrated Capacity assumed for the first 12 months of deliveries, all previous capacity payments that were determined by using such assumed Demonstrated Capacity shall be adjusted retroactively to reflect underpayments or overpayments and shall include interest at the average monthly prime rate as published by the Morgan Guaranty Trust Company of New York for such period of time.

(C) Energy Prices. Commencing upon the later of January 1, 1989, or the Commercial Operation Date, Pacific shall pay for each kWh of Net Metered Output the energy prices for the Contract Years set forth below:

<u>Contract Year</u>	<u>Energy Price Cents/kWh</u>
1989	7.66
1990	7.75
1991	7.84
1992	7.94
1993	8.05
1994	8.16
1995	8.28
1996	8.40
1997	8.53
1998	8.67
1999	8.82
2000	8.98
2001	9.15
2002	9.33
2003 ¹⁵	9.51
2004	9.71
2005	9.92
2006	10.15
2007	10.39
2008 ¹⁰	10.64
2009	10.90
2010	11.19
2011	11.49
2012	11.81
2013 ¹⁵	12.14
2014	12.50
2015	12.88
2016	13.28
2017	13.70
2018	14.16
2019	14.63
2020	15.14
2021	15.68
2022	16.25
2023	16.85

8.92 per kW

ARTICLE V: PAYMENTS AND COMPUTATIONS

(A) Pacific shall provide Seller with computations of Net Metered Output on a monthly basis within 30 days following Pacific's reading of the meter and shall concurrently therewith make payments therefor in accordance with the terms and conditions of Article IV, at the address specified in Article VI, below.

(B) Seller shall pay Pacific for Pacific's costs incurred hereunder, at the address specified in Article VI, below, within thirty (30) days of receipt of Pacific's written statement. Should Seller fail to pay in full statement(s) from Pacific within thirty (30) days, Pacific may offset future payment(s) to Seller hereunder by such amount(s).

ARTICLE VI: NOTICES

All written notices under this Agreement shall be directed as follows and shall be considered delivered when deposited in the U.S. Mail, return receipt requested:

To Seller: HDI Associates V, An Oregon
Limited Partnership
10394 West Chatfield Avenue - Suite 108
Littleton, CO 80127

To Pacific: Supervisor, Small Purchased Resources
Pacific Power & Light Company
920 SW Sixth Avenue
Portland, OR 97204

The parties may change their addresses by providing notice thereof as specified in this Article.

ARTICLE VII: FACILITY DESIGN AND CONSTRUCTION

(A) Seller shall design, construct, install, own, operate, and maintain the Facility. All specifications and changes in specifications for the Facility, including new or additional equipment, shall be subject to Pacific's acceptance. Seller shall provide Pacific with electrical data concerning its Facility sufficient to allow Pacific to make stability and protection studies. Pacific's acceptance of Seller's specifications shall not be construed as confirming nor endorsing the design, nor as a warranty of safety, durability, or reliability of the Facility. Pacific shall not, by reason of any review, acceptance, or failure to review, be responsible for the Facility, including but not limited to the strength, details of design, adequacy or capacity thereof, nor shall Pacific's acceptance be deemed to be an endorsement of the Facility.

(B) Seller shall provide Pacific, prior to the initial delivery of Net Metered Output, with a statement from a licensed professional engineer certifying that the Facility can reasonably be expected to generate capacity and energy in the amounts set forth herein for the duration of this Agreement.

ARTICLE VIII: INTERCONNECTION

(A) Seller shall install all Seller's Interconnection Equipment and may install all required overhead power line extensions necessary for interconnection from the Point of Delivery to the end of Pacific's existing distribution line on Campbell Road approximately 3.5 miles northeast of Bly ("Overhead Extension"). Seller's Interconnection Equipment and the Overhead Extension shall be of a size to accommodate the delivery of the Net Metered Output under this Agreement. Seller shall allow Pacific to review the adequacy of all protective devices and to establish requirements for settings and periodic testing; provided, however, that neither such action nor inaction by Pacific shall be construed as warranting the safety or adequacy of Seller's Interconnection Equipment or the Overhead Extension. The Overhead Extension shall be built to Pacific's specifications and subject to Pacific's inspections at Seller's cost. If Seller wishes Pacific to build the Overhead Extension, it shall notify Pacific in writing thereof by March 31, 1988. All such equipment installed hereunder shall conform with the Required Equipment Standards established in Schedule A, attached hereto. Seller shall reimburse Pacific for Pacific's reasonable costs associated with any reviews, inspections, or periodic testing.

(B) Connection of Seller's Interconnection Equipment and the Overhead Extension to Pacific's system shall be by or under the direction of Pacific.

(C) In the event that it is necessary for Pacific to install any facilities and equipment on Pacific's system to accommodate Seller's deliveries, or to reinforce Pacific's system for purposes of this Agreement, Seller shall reimburse Pacific for all of Pacific's costs associated therewith, in accordance with the rules for repayment established by the Commission. Title to the Overhead Extension and all easements therefor shall be conveyed to Pacific and shall be considered part of Pacific's installation of facilities. Not less often than annually, Seller also shall reimburse Pacific for Pacific's operation and maintenance costs resulting from Pacific's installation of facilities and equipment under this Paragraph. Such reimbursement shall be paid at the rate of eight percent (8%) annually of the actual installed cost of such facilities and equipment, including without limitation, all applicable overheads, all costs of the Overhead Extension, and all costs of

Pacific's reviews and inspections of Seller's Interconnection Equipment, and Pacific's installation of facilities.

ARTICLE IX: SYSTEM EMERGENCY

In the event of a System Emergency, as defined in 18 CFR, part 292, Pacific may require Seller to curtail its consumption of electricity purchased from Pacific in the same manner and to the same degree as other customers within the same customer class who do not own facilities for generating electricity.

ARTICLE X: OPERATION, PROTECTION, AND CONTROL

(A) Seller's Facility shall meet the requirements of all applicable state and local laws. Prior to commencement of generation, and at completion of any major changes, Seller's Facility shall be inspected and approved by the appropriate state and local officials.

(B) Seller shall operate and maintain Seller's Facility in a safe manner and in accordance with the National Electric Safety Code currently in effect.

(C) Seller may operate the Facility in parallel with Pacific's system, but subject at all other times to Pacific's operating instructions and any and all other conditions established by Pacific in its sole discretion.

(D) Seller shall operate the Facility in such a manner as not to affect adversely Pacific's system and to be compatible with Pacific's system voltage level, fluctuating voltage guidelines (Engineering Bulletin No. 02.14), and voltage regulation at the Point of Delivery during all times that Seller's Facility is connected and operating in parallel with Pacific's system.

(E) Pacific may, upon one hundred eighty (180) days' notice to Seller, change its nominal operating voltage level at the Point of Delivery, in which case Seller shall modify Seller's Interconnection Equipment as necessary to accommodate the modified nominal operating voltage level.

(F) Seller shall remedy any demonstrated harmonic distortions on Pacific's system attributable to the operation of Seller's Facility that result in objectionable service to Pacific's other customers. Should Seller's actions to remedy such harmonic distortions be inadequate, Pacific may without liability disconnect Seller's Facility from Pacific's system. During such period of disconnection, Pacific's obligation to make payments to Seller shall be suspended.

(G) Seller agrees that in the event of and during a period of a shortage of energy or capacity on Pacific's system as declared by Pacific in its sole discretion, Seller shall, at Pacific's request and within the limits of reasonable safety requirements as determined by Seller, use its best efforts to provide requested energy or capacity, and shall, if necessary, delay any Scheduled Maintenance Periods.

(H) Seller shall furnish and install on the Seller's side of the Point of Delivery a disconnect switch that shall be capable of fully disconnecting the Facility from Pacific's system. The disconnect switch shall be of the visible-break type that can be secured by a padlock and shall be accessible to Pacific's personnel at all times. Pacific shall have the right to disconnect the Facility from Pacific's system at the disconnect switch when necessary to maintain safe electrical operating conditions or, if in Pacific's sole judgment, the Facility at any time adversely affects Pacific's operation of its electrical system or the quality of Pacific's service to other customers.

ARTICLE XI: METERING

(A) Flows to Pacific shall be measured by meters to be equipped with detents so that the record of those flows will not be affected by flows to Seller. Flows to Seller shall continue to be metered separately in accordance with the terms of the service agreement, if any, existing between the parties, and/or otherwise in accordance with tariffs filed and approved by the Commission.

(B) Pacific shall provide, install, own, and maintain meters to record flows to Pacific. Such meters shall be located at a mutually agreed-upon designated location(s) and shall record and indicate the integrated demand for each sixty (60)-minute period, and shall also measure kWh. Pacific shall also provide, install, own, and maintain meters for measurement of reactive volt-ampere hours. Pacific may also, in its sole discretion, install additional metering devices at a location within Seller's Facility, agreed upon by both parties, to enable Seller to transmit information and data. All acquisition, installation, maintenance, inspection, and testing costs relating to all metering and telemetering devices installed to accommodate Seller's generation shall be borne by Seller.

(C) All meters and metering equipment shall be operated and maintained by Pacific at Seller's expense and shall be sealed by Pacific. The seal shall be broken only upon occasions when the meters are to be inspected, tested, or adjusted and representatives of both Pacific and Seller shall be present upon such occasions. The metering equipment shall be inspected and

tested periodically by Pacific and at other reasonable times upon request therefor by Seller. Any metering equipment found to be defective or inaccurate by an error in registration of more than plus or minus two percent (2%), at light load or at heavy load, shall be repaired, readjusted, or replaced.

(D) If any of the inspections or tests provided for herein disclose an error exceeding two percent (2%), either fast or slow, proper correction, based upon the inaccuracy found, shall be made of previous readings for the period of three (3) months immediately preceding the removal of such meter from service for test, or from the time the meter was in service since last tested, but not exceeding three (3) months, in the amount the meter shall have been shown to be in error by such test. Any correction in billing resulting from a correction in the meter records shall be made in the next monthly bill rendered, and such correction, when made, shall constitute full adjustment of any claim between Seller and Pacific arising out of such inaccuracy of metering equipment.

ARTICLE XII: LIABILITY AND INSURANCE

(A) Seller agrees to protect, indemnify, and hold harmless Pacific, its directors, officers, employees, agents, and representatives, against and from any and all loss, claims, actions, or suits, including costs and attorneys' fees, for or on account of injury, bodily or otherwise, to, or death of, persons, or for damage to, or destruction of property belonging to Pacific or others, resulting from, or arising out of or in any way connected with the facilities on Seller's side of the Point of Delivery, or Seller's operation and/or maintenance, excepting only such injury or harm as may be caused solely by the fault or negligence of Pacific, its directors, officers, employees, agents, or representatives.

(B) Prior to connection of Seller's generation to Pacific's system, Seller shall secure and continuously carry, in an insurance company or companies acceptable to Pacific, insurance policies for bodily injury and property damage liability. Such insurance shall include: provisions or endorsements naming Pacific, its directors, officers and employees as additional insureds; provisions that such insurance is primary insurance with respect to the interest of Pacific and that any insurance maintained by Pacific is excess and not contributory insurance with the insurance required hereunder; cross-liability or severability of insurance interest clause; and provisions that such policies shall not be canceled or their limits of liability reduced without thirty (30) days' prior written notice to Pacific. A copy of each such insurance policy, certified as a true copy by an authorized representative of the issuing insurance company or, at the discretion of Pacific, in lieu thereof,

a certificate in form satisfactory to Pacific certifying to the issuance of such insurance, shall be furnished to Pacific. Initial limits of liability for all requirements under this Section (B) shall be \$1,000,000 single limit, which limits may be required to be increased by Pacific's giving Seller two years' notice; provided however, Pacific shall require such increases only when it requires a similar increase in its ordinary course of business for other small power producers which are selling power to Pacific. Such increase shall not exceed fifteen percent (15%) per year. The maximum requirement shall not exceed \$5,000,000.

(C) Prior to connection of Seller's generation to Pacific's system, Seller shall obtain insurance acceptable to Pacific against property damage or destruction in an amount not less than the cost of replacement of the Facility. Seller shall promptly notify Pacific of any loss or damage to the Facility. Unless the parties agree otherwise, Seller shall repair or replace the damaged or destroyed Facility. Except as provided in paragraph (A) of this Article XII, Seller agrees to waive its insurers' rights of subrogation regarding Facility property losses.

(D) Seller shall provide Pacific copies of all insurance policies at the address listed in Article VI.

ARTICLE XIII: LAND RIGHTS

Seller hereby grants to Pacific for the term of this Agreement all necessary rights of way and easements to install, operate, maintain, replace, and remove Pacific's metering, telemetering and other facilities necessary or useful to this Agreement, including adequate and continuing access rights on property of Seller. Seller agrees to execute such other grants, deeds or documents as Pacific may require to enable it to record such rights of way and easements. If any part of Pacific's facilities is installed on property owned by other than Seller, Seller shall, if Pacific is unable to do so without cost to Pacific, procure from the owners thereof all necessary permanent rights of way and easements for the construction, operation, maintenance, and replacement of Pacific's facilities upon such property in a form satisfactory to Pacific. At Seller's request, Pacific shall, to the extent it is legally able, acquire such rights of way at Seller's cost.

ARTICLE XIV: COMMUNICATIONS

Seller shall at its expense maintain appropriate communication facilities, as determined by Pacific, with Pacific's dispatcher.

ARTICLE XV: MAINTENANCE

(A) Seller may shut down the Facility for Scheduled Maintenance Periods not to exceed thirty (30) days each Contract Year at such times as are approved in advance by Pacific. Seller shall propose to Pacific Scheduled Maintenance Periods for each Contract Year by February 1 of such Contract Year, and within sixty (60) days of Pacific's receipt of such proposal, Pacific shall inform Seller of the acceptability or unacceptability of the proposed periods.

(B) In the event the Facility must be shut down for unscheduled maintenance, Seller shall notify Pacific's dispatcher (telephone number 503/883-7804) immediately of the necessity of such shutdown, the time when such shutdown has occurred, or will occur, and the anticipated duration of such shutdown. Seller shall take all reasonable measures and exercise its best efforts to avoid unscheduled maintenance and to limit the duration of such shutdowns.

ARTICLE XVI: CONTINUITY OF SERVICE

Pacific may require Seller to curtail, interrupt, or reduce deliveries of energy or capacity in order to construct, install, maintain, repair, replace, remove, investigate, or inspect any of Pacific's equipment or any part of its system or if Pacific determines that curtailment, interruption, or reduction is necessary because of emergencies, operating conditions on its system, or as otherwise required by prudent utility practices. In such circumstances, Pacific shall not be obligated to accept deliveries of energy or capacity hereunder.

ARTICLE XVII: QUALIFYING FACILITY STATUS

Seller covenants that the Facility is and shall continue to be a "qualifying facility," as that term is used and defined in 18 CFR, part 292, for the term of this Agreement. Seller represents that it has obtained self-certification by the Federal Energy Regulatory Commission of qualifying status under 18 CFR, part 292.207(b).

ARTICLE XVIII: FORCE MAJEURE

As used in this Agreement, "Force Majeure" means unforeseeable causes beyond the reasonable control of and without the fault or negligence of the party claiming Force Majeure and specifically excludes nonavailability of stream flow to operate Seller's Facility. If either party is rendered wholly or partly unable to perform its obligations under this Agreement because of Force Majeure, that party shall be excused from what-

ever performance is affected by the Force Majeure to the extent so affected, provided that:

(A) the nonperforming party, within two weeks after the occurrence of the Force Majeure, give the other party written notice describing the particulars of the occurrence;

(B) the suspension of performance be of no greater scope and of no longer duration than is required by the Force Majeure;

(C) no obligations of either party creating an event of default that arose before the occurrence causing the suspension of performance be excused as a result of the occurrence; and

(D) the nonperforming party use its best efforts to remedy its inability to perform.

ARTICLE XIX: LIABILITY; DEDICATION

Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any person not a party to this Agreement. No undertaking by 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, nor affect the status of Pacific as an independent public utility corporation, or Seller as an independent individual or entity.

ARTICLE XX: SEVERAL OBLIGATIONS

Except where specifically stated in this Agreement to be otherwise, the duties, obligations, and liabilities of Seller and Pacific 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 to impose a trust or partnership duty, obligation, or liability on or with regard to either party.

ARTICLE XXI: WAIVER

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 XXII: CHOICE OF LAWS

This Agreement shall be construed and interpreted in accordance with the laws of the State of Oregon, excluding any

choice-of-law rules that may direct the application of the laws of another jurisdiction.

ARTICLE XXIII: GOVERNMENTAL JURISDICTION
AND AUTHORIZATION

(A) This Agreement is subject to the jurisdiction of those governmental agencies having control over either party or this Agreement. This Agreement shall not become valid until all required governmental authorizations and permits are first obtained and copies thereof are submitted to Pacific.

(B) This Agreement shall not become effective until the Commission or its representative has reviewed all terms and provisions hereof and has determined that the prices to be paid for Net Metered Output are in accordance with the appropriate prices reviewed and approved by the Commission.

ARTICLE XXIV: SUCCESSORS AND ASSIGNS

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. Excepting assignments by Pacific to Bonneville Power Administration ("BPA"), no assignment hereof by either party hereto shall become effective without the written consent of the other being first obtained, and such consent shall not be unreasonably withheld. Nothing in this Agreement shall be construed as limiting or restricting Pacific's right to enter into arrangements with BPA whereby BPA acquires the output of the Facility or Pacific takes a billing or energy credit therefrom. Notwithstanding the above, consent is hereby given by Seller for any assignment by Pacific made in connection with an anticipated merger between Pacific and Utah Power & Light Company or made in connection with Pacific's potential reincorporation under the laws of Oregon.

ARTICLE XXV: MODIFICATION

No modification of this Agreement shall be effective unless it is in writing and signed by both parties hereto.

ARTICLE XXVI: RELEASE

Pacific hereby releases Hydroelectric Development, Inc., Seller, HDI Oregon, Inc. (an Oregon Corporation and the General Partner of Sellers) and Frederick D. Ehlers, together with all directors, officers, employees, representatives, and agents thereof, and Hydroelectric Development, Inc., Seller, HDI Oregon, Inc. and Frederick D. Ehlers hereby release Pacific, together with all directors, officers, employees, representa-

tives, and agents thereof, from all claims, actions, liability, or loss arising from any transaction, agreement, or other relationship between the parties prior to this date whether known or unknown.

XXVII: CONFIDENTIALITY

Except as required by law, each of the undersigned shall not disclose to any party, other than potential financing institutions, any of the discussions of the parties giving rise to the terms of this Agreement. This section shall not preclude the publication of the Agreement, itself, to the Commission or to any other party.

ARTICLE XXVIII: INTEGRATION

This Agreement constitutes the full agreement of the parties, and all prior agreements, including without limitation the Power Purchase Agreement dated May 20, 1983, are hereby superseded.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their respective names as of the date first above written.

HDI ASSOCIATES V, AN OREGON
LIMITED PARTNERSHIP

PACIFIC POWER & LIGHT COMPANY

By HDI Oregon, Inc.,
general partner

By *W. P. Dumas*

By *William C. Bauer*
Vice President

Title *President of HDI Oregon*
Corporate General Partner of
HDI Associates V, an Oregon Limited Partnership *mp*

HDI OREGON, INC.

By *W. P. Dumas*


Title *President*

HYDROELECTRIC DEVELOPMENT, INC.

By _____

Title _____

FREDERICK D. EHLERS

 _____

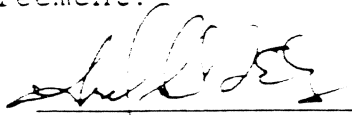
Frederick D. Ehlers ("Ehlers") and Hydroelectric Development, Inc. ("HDI") agree that their assignments of their interests in this Agreement shall not terminate nor relieve them of any obligations of the Seller hereunder. Ehlers and HDI shall remain jointly and severally liable with HDI Associates V, an Oregon Limited Partnership ("Seller") for all obligations of Seller.

HDI and Ehlers shall be directly liable to Pacific for all obligations, without requiring that Pacific first proceed against Seller or any collateral. Pacific may deal with Seller in any manner in which Pacific sees fit, without any further consent of HDI or Ehlers. Specifically, but without limitation, HDI and Ehlers agree that any extension of time, amendment or modification to the Agreement or compromise of the amount of liability shall not affect HDI or Ehlers' liability hereunder.

HDI and Ehlers waive notice of default, demand for payment and all other suretyship defenses whatsoever, and agree to perform unconditionally upon demand all obligations owed Pacific by Seller under the Agreement.

Each reference to HDI or Ehlers shall include the heirs, executors, administrators, legal representatives,

successors and assigns of such party, all of whom shall be bound by the provisions of this Agreement.



Frederick D. Ehlers

HYDROELECTRIC DEVELOPMENT, INC.

By _____

Title _____

HYDROELECTRIC DEVELOPMENT, INC.

By W. D. Ehlers

Title President

FREDERICK D. EHLERS



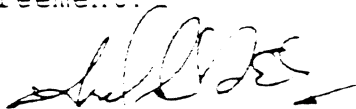
Frederick D. Ehlers ("Ehlers") and Hydroelectric Development, Inc. ("HDI") agree that their assignments of their interests in this Agreement shall not terminate nor relieve them of any obligations of the Seller hereunder. Ehlers and HDI shall remain jointly and severally liable with HDI Associates V, an Oregon Limited Partnership ("Seller") for all obligations of Seller.

HDI and Ehlers shall be directly liable to Pacific for all obligations, without requiring that Pacific first proceed against Seller or any collateral. Pacific may deal with Seller in any manner in which Pacific sees fit, without any further consent of HDI or Ehlers. Specifically, but without limitation, HDI and Ehlers agree that any extension of time, amendment or modification to the Agreement or compromise of the amount of liability shall not affect HDI or Ehlers' liability hereunder.

HDI and Ehlers waive notice of default, demand for payment and all other suretyship defenses whatsoever, and agree to perform unconditionally upon demand all obligations owed Pacific by Seller under the Agreement.

Each reference to HDI or Ehlers shall include the heirs, executors, administrators, legal representatives,

successors and assigns of such party, all of whom shall be bound by the provisions of this Agreement.



Frederick D. Ehlers

HYDROELECTRIC DEVELOPMENT, INC.

By W. L. P. Dumas

Title President

SECOND AMENDED AND RESTATED POWER PURCHASE AGREEMENT
BETWEEN
HDI ASSOCIATES V, AN OREGON LIMITED PARTNERSHIP
AND
PACIFICORP ELECTRIC OPERATIONS

THIS AGREEMENT, entered into on this 26th day of September ____, 1990, is between HDI Associates V, an Oregon Limited Partnership, hereinafter referred to as "Seller" and PacificCorp Electric Operations, an assumed business name of PacificCorp, an Oregon corporation which also does business as Pacific Power & Light Company, hereinafter referred to as "Pacific."

RECITALS:

Frederick D. Ehlers and Pacific entered into a Power Purchase Agreement dated May 20, 1983 for a 750 kilowatt (kW) hydroelectric facility. Mr. Ehlers assigned his interest in the May 20, 1983 agreement to Hydroelectric Development, Inc. ("HDI") pursuant to a North Fork Water Power Project Agreement of Transfer and Assignment dated May 20, 1986 with the agreement of Mr. Ehlers that he will remain liable for the obligations of the Seller under the May 20, 1983 agreement. HDI assigned its interest in the May 20, 1983 agreement to Seller pursuant to an Assignment of Engineering Contract dated May 10, 1987 with the agreement of HDI that it will remain liable for the obligations of the Seller under the May 20, 1983 agreement. The May 20, 1983 agreement was amended and restated by an Amended and Restated Power Purchase Agreement dated October 12, 1988. All parties, including Mr. Ehlers, now wish to amend and supersede the October 12, 1988 agreement with this Agreement.

The undersigned parties also have raised various claims against each other. These claims have been denied. The parties wish to resolve all claims existing as of this date, whether known or unknown, through the execution of this Agreement.

Seller owns and operates a 750 kilowatt (kW) hydroelectric facility for the generation of electric power located on the North Fork of the Sprague River, approximately nine miles northeast of Bly, Oregon, in Sections 29 and 30 of T-35-S, R-15-E. The average annual energy production of the Facility is estimated to be 5,100,000 kilowatt-hours (kWh).

NOW, THEREFORE, the undersigned parties agree as follows:

ARTICLE I

DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings:

(A) "Commercial Operation Date" is October 20, 1989, the date after start-up testing of the Facility was completed, and that Pacific received a written statement from a licensed professional engineer certifying that the Facility is able to generate electric power reliably.

(B) "Contract Year" is a calendar year commencing at 12:01 a.m. on January 1 and ending at 12:00 midnight December 31.

(C) "Demonstrated Capacity" is the actual demonstrated ability of the Facility to generate and deliver electric power, expressed in kW, useful to Pacific in meeting its capacity requirements, less Facility Use, less transmission and transformation losses to the location of Pacific's metering potential transformers ("PT's") and current transformer ("CT's") on Pacific's Pole #B5411 (as further described in Exhibit 1, attached hereto) and less transmission losses on the distribution line between the location of Pole #B5411 and the Bly Substation. The Demonstrated Capacity for the period of September 1, 1990 through August 31, 1991 will be calculated on a monthly basis using the following formula:

$$\frac{\text{kWh of Net Metered Output per Month}}{720 \times 0.70}$$

Commencing upon September 1, 1991 the Demonstrated Capacity shall be determined using the current month and the 11 immediately preceding months. The Demonstrated Capacity shall be the lesser of:

(1) $\frac{\text{kWh of Net Metered Output per 12 months}}{8760 \times 0.70}$

or

(2) the average rate of delivery (kW) during the highest consecutive 24-hour period of kWh deliveries of Net Metered Output in such 12-month period.

or

(3) 1230 kW.

(D) "Facility" is the following hydroelectric facility for the generation of electric power. It includes a diversion structure, penstock, powerhouse, a turbine-generator, and Seller's Interconnection Equipment. The turbine-generator was manufactured by Magnetex/Louis Allis. It is a Bouvier type with two horizontal Francis turbines with runner overhung on a single generator shaft. Its model number is 442 mm. The maximum output of the turbine-generator will be 1,275 kW. The three-phase generator is rated 750 kW with a 1.9 service factor, 2,400 volts, and 336 amperes. Synchronous speed is 1,200 revolutions per minute.

(E) "Net Metered Output" ("NMO") is all energy and capacity produced by the Facility, less Facility use and any line losses (deemed to be 4 percent until recalculated), and such Net Metered Output shall be calculated as equal to 96 percent of the measured deliveries of energy and capacity to Pole #B5411; provided, however 36 months after the Commercial Operation Date Pacific, at Seller's expense and request, shall recalculate the actual average line loss percentage from Pole #B5411 to the Bly Substation based on the production during the preceding 24 months, and the line loss percentage thereafter shall be the newly calculated percentage; and further provided that either party may notify the other at any time after 72 months after the Commercial Operation Date that it wishes to have the line losses recalculated and in such event, at the requesting party's expense, the parties shall arrange to recalculate the actual average line loss percentage based on the production during the period from January 1, 1991 to the date of written request by either party; and the line loss percentage thereafter shall be the newly calculated percentage. The second recalculation shall be determined by an independent third party reasonably acceptable to Seller and Pacific.

(F) "Scheduled Maintenance Periods" are those times during which the Facility is shut down for routine maintenance with the advance approval of Pacific as provided in Article XV(A) hereof.

(G) "Seller's Interconnection Equipment" is all equipment and facilities not owned by Pacific required to be installed solely to interconnect and deliver power from Seller's Facility to Pacific's system including, but not limited to, distribution facilities, connections, transformation, switching, and safety equipment as further described in Article VIII, Paragraph (A).

ARTICLE II

TERM

This Agreement shall become effective when executed by both parties hereto, and shall end on December 31, 2023.

ARTICLE III

DELIVERY OF POWER

Commencing on January 1, 1989, and for the term of this Agreement, Seller shall make available from the Facility a minimum of 985,000 kWh of Net Metered Output during each Contract Year, provided that such minimum for the first Contract Year shall be reduced pro rata to reflect the Commercial Operation Date and that such minimum shall be reduced to reflect reductions in Net Metered Output as a result of the implementation of Articles X(E) and XVI. Subject to Article XVI, Seller shall make available and Pacific shall purchase all Net Metered Output from the Facility.

ARTICLE IV

PRICES

The following prices are established for all deliveries of Net Metered Output hereunder (as reduced by line losses as described in Article I, Paragraph (E)); provided, however, that nothing in this subparagraph shall be construed as affecting or limiting the Seller's obligation to make deliveries in each Contract Year as established in Article III hereof.

(A) Nonfirm Energy Prices. For all Net Metered Output delivered prior to the later of January 1, 1989 or the Commercial Operation Date, and for all Net Metered Output in excess of 7,000,000 kWh per Contract Year, Pacific shall pay Seller Pacific's then established price for nonfirm energy, as approved by the Public Utility Commission of Oregon ("Commission").

(B) Capacity Prices. Commencing upon the later of January 1, 1989 or the Commercial Operation Date, Pacific shall pay \$8.92 per month for each kW of Demonstrated Capacity.

(C) Energy Prices. Commencing upon the later of January 1, 1989, or the Commercial Operation Date, Pacific shall pay for each kWh of Net Metered Output the energy prices for the Contract Year set forth below:

<u>Contract Year</u>	<u>Energy Price Cents/kWh</u>
1989	7.66
1990	7.75
1991	6.34
1992	7.71

1993	7.82
1994	7.93
1995	8.05
1996	8.17
1997	8.30
1998	8.44
1999	8.59
2000	8.75
2001	8.92
2002	9.10
2003	9.28
2004	9.48
2005	9.69
2006	9.92
2007	10.16
2008	10.41
2009	10.67
2010	10.96
2011	11.49
2012	11.81
2013	12.14
2014	12.50
2015	12.88
2016	13.28
2017	13.70
2018	14.16
2019	14.63
2020	15.14
2021	15.68
2022	16.25
2023	16.85

(D) In the event the Facility delivers more or less than 5,100,000 kWh in Contract Year 1991 only, the following formula will apply to determine a cash payment adjustment due to the applicable party by March 1, 1992:

Cash payment adjustment = \$.0634 x actual 1991 Contract Year NMO - [(\$.0784 x actual 1991 Contract Year NMO) - \$76,629]. A positive adjustment is a payment to Pacific; negative adjustment is a payment to Seller.

ARTICLE V

PAYMENTS AND COMPUTATIONS

(A) Pacific shall provide Seller with computations of Net Metered Output on a monthly basis within 30 days following Pacific's reading of the meter and shall concurrently therewith make payments therefor in accordance with the terms and conditions of Article IV at the address specified in Article VI, below.

(B) Seller shall pay Pacific for Pacific's costs incurred under this Agreement, at the address specified in Article VI, below, within thirty (30) days of receipt of Pacific's written statement. Should Seller fail to pay in full statement(s) from Pacific within thirty (30) days, Pacific may offset future payment(s) to Seller hereunder by such amount(s).

ARTICLE VI

NOTICES

All written notices under this Agreement shall be directed as follows and shall be considered delivered when deposited in the U.S. Mail, return receipt requested:

To Seller: HDI Associates V, an Oregon
Limited Partnership
#200 The Water Tower
5331 SW Macadam
Portland, OR 97201

To Pacific: Manager, Resource Acquisitions
Pacific Power & Light Company
920 SW Sixth Avenue
Portland, OR 97204

The parties may change their addresses by providing notice thereof as specified in this Article.

ARTICLE VII

FACILITY DESIGN AND CONSTRUCTION

Seller shall design, construct, install, own, operate, and maintain the Facility. All changes in specifications for the Facility, including new or additional equipment, shall be subject to Pacific's reasonable acceptance. Seller has provided Pacific with electrical data concerning its Facility sufficient to allow Pacific to make stability and protection studies. Pacific's acceptance of Seller's specifications shall not be construed as confirming nor endorsing the design, nor as a warranty of safety, durability, or reliability of the Facility. Pacific shall not, by reason of any review, acceptance, or failure to review, be responsible for the Facility, including but not limited to the strength, details of design, adequacy or capacity thereof, nor shall Pacific's acceptance be deemed to be an endorsement of the Facility.

ARTICLE VIII

INTERCONNECTION

(A) Seller installed all Seller's Interconnection Equipment and all required overhead power line extensions necessary for interconnection to Pacific's existing distribution line on Campbell Road approximately 3.5 miles northeast of Bly, Oregon ("Overhead Extension"). Seller shall own all the Overhead Extension except the following facilities until transfer of such ownership to Pacific as described in Paragraph (C) below: transformer on Pole #B5269, electronic recloser on Pole #B5270, sensing PT's on Pole #B5271, disconnect switch on Pole #B5272, metering PT's and CT's on Pole #B5411, conduit and wiring between Pole #B5411 and Seller's building (see Exhibit 1), and meter and telemetry equipment ("RTU") located in Seller's building. All facilities and equipment located between Pole #B5269 and Pole #B5411 currently owned by Seller are subject to ownership transfer ("Transferrable Portion of the Overhead Extension"). Seller's Interconnection Equipment and the Overhead Extension is and shall continue to be of a size to accommodate the delivery of the Net Metered Output under this Agreement. Seller shall allow Pacific to review the adequacy of all protective devices and to establish requirements for settings and periodic testing; provided, however, that neither such action nor inaction by Pacific shall be construed as warranting the safety or adequacy of Seller's Interconnection Equipment or the Overhead Extension. The Overhead Extension was built to Pacific's specifications and subject to Pacific's inspections at Seller's cost. All such equipment installed hereunder conforms and shall continue to conform with the Required Equipment Standards established in Schedule A, attached hereto. Seller shall reimburse Pacific for Pacific's reasonable costs associated with any reasonable reviews, inspections, or periodic testing of Seller's Interconnection Equipment.

(B) Connection of Seller's Interconnection Equipment and the Overhead Extension to Pacific's system was under the direction of Pacific.

(C) In the event that it is necessary for Pacific to install any facilities and equipment on Pacific's system to accommodate Seller's deliveries, or to reinforce Pacific's system for purposes of this Agreement, Seller shall reimburse Pacific for all of Pacific's costs associated therewith, in accordance with the rules for repayment established by the Commission. Title to the Transferrable Portion of the Overhead Extension as further described above and on Exhibit 1 shall be transferred to Pacific by July 1, 1991 and all easements therefor shall be conveyed to Pacific and shall be considered part of Pacific's installation of facilities. All such

transfers shall be with the representation of Seller that it has no knowledge of any encumbrances against, and has not caused any encumbrances to be placed against, the Transferable Portion of the Overhead Extension or such easements. As of the effective date of this Agreement, Pacific acknowledges that the condition of the Transferrable Portion of the Overhead Extension is acceptable for purposes of transfer of ownership to Pacific. Seller acknowledges that the condition of the Transferrable Portion of the Overhead Extension at the time of ownership transfer as described above will be equivalent to its condition as of the effective date of this Agreement excepting normal wear and tear. Seller will be responsible for all costs of ownership, operation and maintenance associated with the Transferrable Portion of the Overhead Extension prior to transfer of ownership as set forth herein. Not less often than annually Seller also shall reimburse Pacific for Pacific's operation and maintenance ("O&M") costs resulting from Pacific's installation of facilities and equipment under this Paragraph. Such reimbursement shall be paid on each February 15th of each Contract Year in accordance with the following schedule and amounts: February 15, 1991 - \$18,400; February 15, 1992 - \$26,400; February 15, 1993 and all subsequent years - \$34,400/year. In the event Seller has not reimbursed Pacific within sixty (60) days of Pacific's transmittal of the O&M invoice, Pacific may withhold payments in accordance with Article V, Paragraph (B).

ARTICLE IX

SYSTEM EMERGENCY

In the event of a System Emergency, as defined in 18 CFR, part 292, Pacific may require Seller to curtail its consumption of electricity purchased from Pacific in the same manner and to the same degree as other customers within the same customer class who do not own facilities for generating electricity.

ARTICLE X

OPERATION, PROTECTION, AND CONTROL

(A) Seller's Facility shall meet the requirements of all applicable state and local laws. Prior to commencement of generation, and at completion of any major changes, Seller's Facility shall be inspected and approved by the appropriate state and local officials.

(B) Seller shall operate and maintain Seller's Facility in a safe manner and in accordance with the National Electric Safety Code currently in effect.

(C) Seller may operate the Facility in parallel with Pacific's system, but subject at all other times to Pacific's operating instructions and any and all other conditions established by Pacific in its sole discretion.

(D) Seller shall operate the Facility in such a manner as not to affect adversely Pacific's system and to be compatible with Pacific's system voltage level, fluctuating voltage guidelines (Engineering Bulletin No. 02.14), and voltage regulation during all times that Seller's Facility is connected and operating in parallel with Pacific's system.

(E) Pacific may, upon one hundred eighty (180) days' notice to Seller, change its nominal operating voltage level, in which case Seller shall modify Seller's Interconnection Equipment as necessary to accommodate the modified nominal operating voltage level.

(F) Seller shall remedy any demonstrated harmonic distortions on Pacific's system attributable to the operation of Seller's Facility that result in objectionable service to Pacific's other customers. Should Seller's actions to remedy such harmonic distortions be inadequate, Pacific may without liability disconnect Seller's Facility from Pacific's system. During such period of disconnection, Pacific's obligation to make payments to Seller shall be suspended.

(G) Seller agrees that in the event of and during a period of a shortage of energy or capacity on Pacific's system as declared by Pacific in its sole discretion, Seller shall, at Pacific's request and within the limits of reasonable safety requirements as determined by Seller, use its best efforts to provide requested energy or capacity, and shall, if necessary, delay any Scheduled Maintenance Periods.

(H) Seller has furnished and installed and shall continue to maintain a disconnect switch that is capable of fully disconnecting the Facility from Pacific's system. The disconnect switch is and shall be the visible-break type that can be secured by a padlock and is accessible to Pacific's personnel at all times. Pacific shall have the right to disconnect the Facility from Pacific's system at the disconnect switch when necessary to maintain safe electrical operating conditions or, if in Pacific's sole judgment, the Facility at any time adversely affects Pacific's operation of its electrical system or the quality of Pacific's service to other customers.

ARTICLE XI

METERING

(A) Flows to Pacific shall be measured by meters to be equipped with detents so that the record of those flows will not be affected by flows to Seller. Flows to Seller shall continue to be metered separately in accordance with the terms of the service agreement, if any, existing between the parties, and/or otherwise in accordance with tariffs filed and approved by the Commission.

(B) Pacific shall provide, install, own, and maintain meters to record flows to Pacific. Such meters shall be located at a mutually agreed-upon designated location(s) and shall record and indicate the integrated demand for each sixty (60)-minute period, and shall also measure kWh. Pacific shall also provide, install, own, and maintain meters for measurement of reactive volt-ampere hours. Pacific may also, in its sole discretion, install additional metering devices at a location within Seller's Facility, agreed upon by both parties, to enable Seller to transmit information and data. All acquisition, installation, maintenance, inspection, and testing costs relating to all metering and telemetering devices installed to accommodate Seller's generation shall be borne by Seller.

(C) All meters and metering equipment shall be operated and maintained by Pacific at Seller's expense and shall be sealed by Pacific. The seal shall be broken only upon occasions when the meters are to be inspected, tested, or adjusted and representatives of both Pacific and Seller shall be present upon such occasions. The metering equipment shall be inspected and tested periodically by Pacific and at other reasonable times upon request therefor by Seller. Any metering equipment found to be defective or inaccurate by an error in registration of more than plus or minus two percent (2%), at light load or at heavy load, shall be repaired, readjusted, or replaced.

(D) If any of the inspections or tests provided for herein disclose an error exceeding two percent (2%), either fast or slow, proper correction, based upon the inaccuracy found, shall be made of previous readings for the period of three (3) months immediately preceding the removal of such meter from service for test, or from the time the meter was in service since last tested, but not exceeding three (3) months, in the amount the meter shall have been shown to be in error by such test. Any correction in billing resulting from a correction in the meter records shall be made in the next monthly bill rendered, and such correction, when made, shall

constitute full adjustment of any claim between Seller and Pacific arising out of such inaccuracy of metering equipment.

ARTICLE XII

LIABILITY AND INSURANCE

(A) Seller agrees to protect, indemnify, and hold harmless Pacific, its directors, officers, employees, agents, and representatives, against and from any and all loss, claims, actions, or suits, including costs and attorneys' fees, for or on account of injury, bodily or otherwise, to, or death of, persons, or for damage to, or destruction of property belonging to Pacific or others, resulting from, or arising out of or in any way connected with Seller's Facility, or Seller's operation and/or maintenance thereof, excepting only such injury or harm as may be caused solely by the fault or negligence of Pacific, its directors, officers, employees, agents, or representatives.

(B) Seller shall secure and continuously carry, in an insurance company or companies acceptable to Pacific, insurance policies for bodily injury and property damage liability. Such insurance shall include: provisions or endorsements naming Pacific, its directors, officers and employees as additional insureds; provisions that such insurance is primary insurance with respect to the interest of Pacific and that any insurance maintained by Pacific is excess and not contributory insurance with the insurance required hereunder; cross-liability or severability of insurance interest clause; and provisions that such policies shall not be cancelled or their limits of liability reduced without thirty (30) days' prior written notice to Pacific. A copy of each such insurance policy, certified as a true copy by an authorized representative of the issuing insurance company or, at the discretion of Pacific, in lieu thereof, a certificate in form satisfactory to Pacific certifying to the issuance of such insurance, shall be furnished to Pacific. Initial limits of liability for all requirements under this Section (B) shall be \$1,000,000 single limit, which limits may be required to be increased by Pacific's giving Seller two years' notice; provided however, Pacific shall require such increases only when it requires a similar increase in its ordinary course of business for other small power producers which are selling power to Pacific. Such increase shall not exceed fifteen percent (15%) per year. The maximum requirement shall not exceed \$5,000,000.

(C) Seller shall obtain and continuously carry insurance acceptable to Pacific against property damage or destruction in an amount not less than the cost of replacement of the Facility. Seller shall promptly notify Pacific of any loss or damage to the Facility. Unless the parties agree otherwise, Seller shall repair or replace the damaged or destroyed

Facility. Except as provided in Paragraph (A) of this Article XII, Seller agrees to waive its insurers' rights of subrogation regarding Facility property losses.

(D) Seller shall provide Pacific copies of all insurance policies at the address listed in Article VI.

ARTICLE XIII

LAND RIGHTS

Seller hereby grants to Pacific for the term of this Agreement all necessary rights of way and easements to install, operate, maintain, replace, and remove Pacific's metering, telemetering and other facilities necessary or useful to this Agreement, including adequate and continuing access rights on property of Seller. Seller agrees to execute such other grants, deeds or documents as Pacific may require to enable it to record such rights of way and easements. If any part of Pacific's facilities is installed on property owned by other than Seller, Seller shall, if Pacific is unable to do so without cost to Pacific, procure from the owners thereof all necessary permanent rights of way and easements for the construction, operation, maintenance, and replacement of Pacific's facilities upon such property in a form satisfactory to Pacific. At Seller's request, Pacific shall, to the extent it is legally able, acquire such rights of way at Seller's cost.

ARTICLE XIV

COMMUNICATIONS

Seller shall at its expense maintain appropriate communication facilities, as determined reasonably by Pacific, with Pacific's dispatcher.

ARTICLE XV

MAINTENANCE

(A) Seller may shut down the Facility for Scheduled Maintenance Periods not to exceed thirty (30) days each Contract Year at such times as are approved in advance by Pacific. Seller shall propose to Pacific Scheduled Maintenance Periods for each Contract Year by February 1 of such Contract Year, and within sixty (60) days of Pacific's receipt of such proposal, Pacific shall reasonably inform Seller of the acceptability or unacceptability of the proposed periods.

(B) In the event the Facility must be shut down for unscheduled maintenance, Seller shall notify Pacific's

dispatcher (telephone number 503/883-7804) immediately of the necessity of such shutdown, the time when such shutdown has occurred, or will occur, and the anticipated duration of such shutdown. Seller shall take all reasonable measures and exercise its best efforts to avoid unscheduled maintenance and to limit the duration of such shutdowns.

ARTICLE XVI

CONTINUITY OF SERVICE

Pacific may require Seller to curtail, interrupt, or reduce deliveries of energy or capacity in order to construct, install, maintain, repair, replace, remove, investigate, or inspect any of Pacific's equipment or any part of its system or if Pacific determines that curtailment, interruption, or reduction is necessary because of emergencies, operating conditions on its system, or as otherwise required by prudent utility practices. In such circumstances, Pacific shall not be obligated to accept deliveries of energy or capacity hereunder.

ARTICLE XVII

QUALIFYING FACILITY STATUS

Seller covenants that the Facility is and shall continue to be a "qualifying facility," as that term is used and defined in 18 CFR, part 292, for the term of this Agreement. Seller represents that it has obtained self-certification by the Federal Energy Regulatory Commission of qualifying status under 18 CFR, part 292.207(b).

ARTICLE XVIII

FORCE MAJEURE

As used in this Agreement, "Force Majeure" means unforeseeable causes beyond the reasonable control of and without the fault or negligence of the party claiming Force Majeure, but specifically excludes nonavailability of stream flow to operate Seller's Facility. If either party is rendered wholly or partly unable to perform its obligations under this Agreement because of Force Majeure, that party shall be excused from whatever performance is affected by the Force Majeure to the extent so affected, provided that:

(A) the nonperforming party, within two weeks after the occurrence of the Force Majeure, gives the other party written notice describing the particulars of the occurrence;

(B) the suspension of performance is of no greater scope and of no longer duration than is required by the Force Majeure;

(C) no obligations of either party creating an event of default that arose before the occurrence causing the suspension of performance are excused as a result of the occurrence; and

(D) the nonperforming party uses its best efforts to remedy its inability to perform.

ARTICLE XIX

LIABILITY; DEDICATION

Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any person not a party to this Agreement. No undertaking by 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, nor affect the status of Pacific as an independent public utility corporation, or Seller as an independent individual or entity.

ARTICLE XX

SEVERAL OBLIGATIONS

Except where specifically stated in this Agreement to be otherwise, the duties, obligations, and liabilities of Seller and Pacific 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 to impose a trust or partnership duty, obligation, or liability on or with regard to either party.

ARTICLE XXI

WAIVER

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 XXII

CHOICE OF LAWS

This Agreement shall be construed and interpreted in accordance with the laws of the State of Oregon, excluding any choice-of-law rules that may direct the application of the laws of another jurisdiction.

ARTICLE XXIII

GOVERNMENTAL JURISDICTION AND AUTHORIZATION

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

ARTICLE XXIV

SUCCESSORS AND ASSIGNS

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. Excepting assignments by Pacific to Bonneville Power Administration ("BPA"), no assignment hereof by either party hereto shall become effective without the written consent of the other being first obtained, and such consent shall not be unreasonably withheld. Nothing in this Agreement shall be construed as limiting or restricting Pacific's right to enter into arrangements with BPA whereby BPA acquires the output of the Facility or Pacific takes a billing or energy credit therefrom.

ARTICLE XXV

MODIFICATION

No modification of this Agreement shall be effective unless it is in writing and signed by both parties hereto.

ARTICLE XXVI

RELEASE

Pacific hereby releases HDI, Seller, HDI Oregon, Inc. (an Oregon Corporation and the General Partner of Seller) and Frederick D. Ehlers, together with all directors, officers, employees, representatives, agents and affiliated companies thereof, and Seller, HDI Oregon, Inc. and Frederick D. Ehlers hereby release Pacific, together with all directors, officers, employees, representatives, agents, and affiliated companies

thereof, from all claims, actions, liability, or loss arising from any transaction, act or omission, agreement or other relationship between the parties prior to this date, and in connection with the North Fork Sprague River hydroelectric project, whether known or unknown. Furthermore Seller, HDI Oregon, Inc. and Frederick D. Ehlers agree to indemnify and hold harmless Pacific, together with all directors, officers, employees, representatives, agents and affiliated companies thereof from all claims, actions, liability or loss asserted by HDI against any of the indemnified parties arising from any transaction, act or omission, agreement or other relationship between Pacific and HDI prior to this date, and in connection with the North Fork Sprague River hydroelectric project, whether known or unknown. Without limitation, such claims being released include without limitation, all claims described in PacifiCorp, dba Pacific Power & Light Company v. HDI Associates V, an Oregon Limited Partnership, Multnomah County Circuit Court No. 9004-02429.

XXVII

CONFIDENTIALITY

Except as required by law, each of the undersigned shall not disclose to any party, other than potential financing institutions, any of the discussions of the parties giving rise to the terms of this Agreement. This section shall not preclude the publication of the Agreement, itself, to the Commission or to any other party.

ARTICLE XXVIII

INTEGRATION

This Agreement constitutes the full agreement of the parties, and all prior agreements, including without limitation the Amended and Restated Power Purchase Agreement dated October 12, 1988 and the Interconnection Facilities Construction Agreement of March 17, 1989, are hereby superseded.

ARTICLE XXIX

ATTORNEY FEES

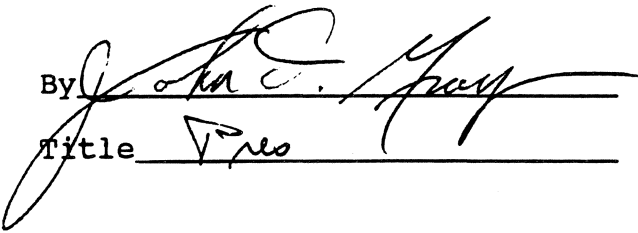
In the event of litigation between the parties regarding this Agreement, the prevailing party shall be entitled to recover its reasonable attorney fees and costs, at trial, on appeal, on petition for review, and in any bankruptcy proceeding.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their respective names as of the date first above written.

HDI ASSOCIATES V, AN OREGON
LIMITED PARTNERSHIP

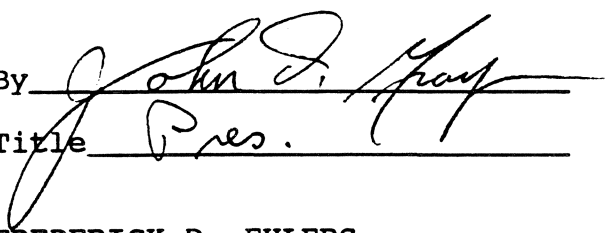
PACIFICORP, dba
PACIFICORP ELECTRIC OPERATIONS

By HDI Oregon, Inc.
general partner

By 
Title Pres

By 
Vice President

HDI OREGON, INC.

By 
Title Pres.

FREDERICK D. EHLERS



SCHEDULE A
REQUIRED EQUIPMENT STANDARDS

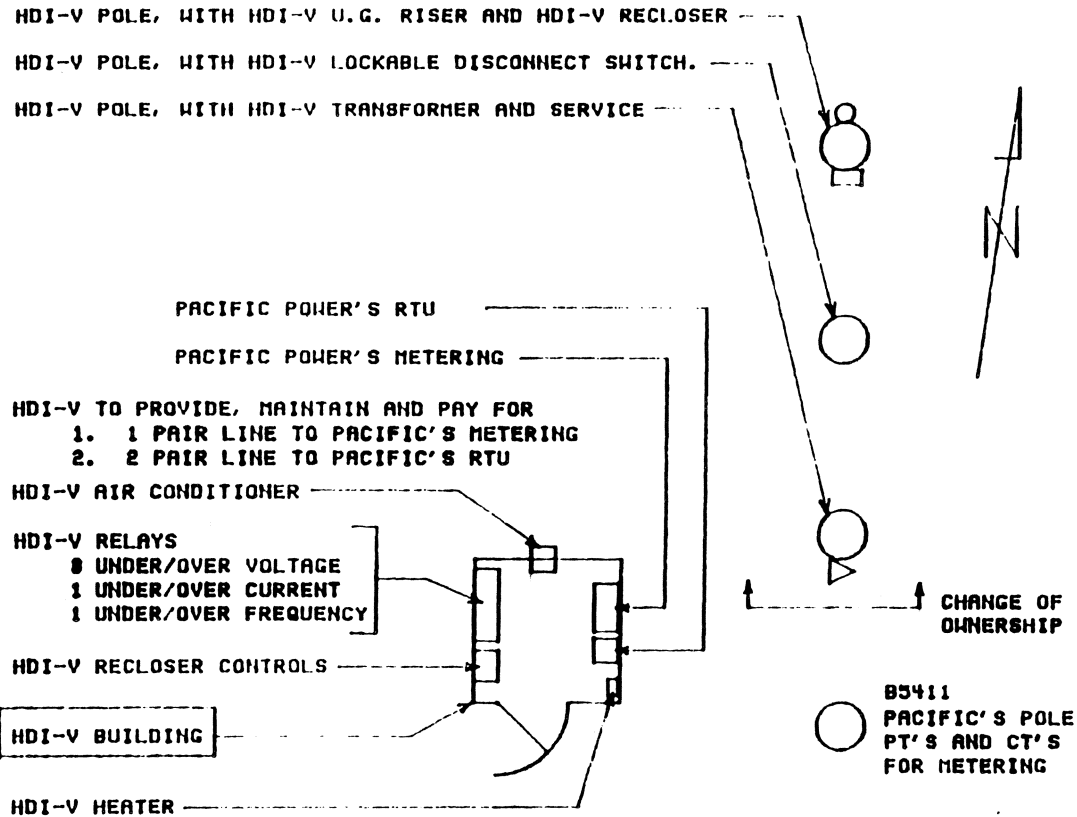
In the event that Seller's Facility incorporates a synchronous generator, Seller shall furnish, install, and maintain equipment necessary to establish and maintain synchronism automatically with Pacific's system.

Seller shall not employ anything other than three phase generators without first obtaining express written permission from Pacific.

In order to protect the Facility, Seller's Interconnection Equipment, and Pacific's system from property damage, to minimize the likelihood of injury to operating personnel and third parties, and to allow Pacific to provide service to its non-generating customers in the event Seller's Facility or Seller's Interconnection Equipment encounters operating difficulties, Seller shall provide, install, and maintain the following equipment:

1. A lockable main disconnect switch which allows isolation of Seller's generation from Pacific's system;
2. An automatic disconnecting device to be used in conjunction with relaying devices;
3. An overcurrent device to be used in conjunction with the automatic disconnecting device required under Paragraph 2;
4. Underfrequency and overfrequency relays to be used in conjunction with the automatic disconnecting device required under Paragraph 2;
5. A dedicated voltage transformation, with ground source as required by Pacific, for Seller's generation and load; and
6. Undervoltage and overvoltage relays.

EXHIBIT 1



B5987 PACIFIC'S POLE TOP OF BLUFF

B5405 PACIFIC'S POLE TOP OF BLUFF

LINE EXTENDS 5.7 MILES FROM POLE B5987 AT TOP OF BLUFF TO POLE B5269 ON CAMPBELL ROAD

B5411 PACIFIC'S POLE PT'S AND CT'S FOR METERING

B5406 PACIFIC'S POLE ANGLE STRUCTURE

PACIFIC POWER'S OWNERSHIP TO INCLUDE ALL ELECTRICAL OVERHEAD FACILITIES FROM POLE B5269 ON CAMPBELL ROAD TO POLE B5411 AT THE METERING POINT

DRAWING NOT TO SCALE

SEPTEMBER 21, 1988
DRAWN BY: DALE HUNNICUTT