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Suite 400
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Portland, OR 97204

September 4, 2009

Via Electronic and U.S. Mail

Public Utility Commission
Attn: Filing Center
550 Capitol St. NE #215
P.O. Box 2148
Salem OR 97308-2148

Re: In the Matter of International Paper Company v. PacifiCorp
Docket No.

Dear Filing Center:

Enclosed please find the original Complaint on behalf of the International Paper Company in the above-referenced docket. Pursuant to ORS § 756.512, I am providing the Commission with an original of this Complaint as well as a courtesy copy to Natalie Hocken at PacifiCorp.

Thank you for your assistance.

Sincerely yours,

/s/ Allison M. Wils
Allison M. Wils

Enclosures

CERTIFICATE OF FILING

I HEREBY CERTIFY that I have this day filed the foregoing Complaint on behalf of the International Paper Company, upon the Oregon Public Utility Commission, via U.S. Mail, postage-prepaid, and via electronic mail.

Dated at Portland, Oregon, this 4th day of September, 2009.

/s/ Allison M. Wils
Allison M. Wils

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

Docket No. ____

INTERNATIONAL PAPER COMPANY, Complainant, v. PACIFICORP, dba PACIFIC POWER, Defendant.	INTERNATIONAL PAPER COMPANY'S MOTION FOR WAIVER OF RULE AND LEAVE TO FILE COMPLAINT

I. INTRODUCTION

International Paper Company ("International Paper") respectfully moves the Public Utility Commission of Oregon ("OPUC" or "Commission") to waive its procedural rules for good cause shown, pursuant to ORS § 756.040, allowing International Paper to submit its complaint against PacifiCorp. Specifically, International Paper asks for leave from the requirements of OAR § 860-029-0100(5)(a), which requires that a complaint from a Qualifying Facility ("QF") concerning disputes over a proposed negotiated power purchase agreement ("PPA") must contain a statement that the QF provided written comments to public utility's draft PPA at least 60 days prior to the filing of the complaint. In light of PacifiCorp's unilateral refusal to continue good faith PPA negotiations, requiring International Paper to comply with OAR § 860-029-0100(5)(a) would be inequitable and serve no purpose.

II. BACKGROUND

On August 11, 2009, International Paper provided written comments to a draft PPA submitted by PacifiCorp on August 10, 2009. PacifiCorp does not contest this fact and, indeed, has acknowledged this fact in writing. International Paper was prepared to execute a finalized version of the original draft PPA, as well as a second draft PPA submitted on August 13, 2009—and even requested an executable contract in writing on August 19, 2009.

On August 21, 2009, however, PacifiCorp submitted a third draft PPA in which it unilaterally removed all pricing terms previously agreed upon between the parties, refusing to negotiate specific terms until OPUC investigations into revised avoided cost rates were completed. The Commission has opened UM 1442 to investigate PacifiCorp's proposed revisions to its avoided cost rates. A prehearing conference in that proceeding is set for September 16, 2009. While a schedule has not been established in the proceeding, Commission Staff has proposed a schedule that would result in a Commission decision by December 31, 2009. Therefore, PacifiCorp has essentially suspended execution of a PPA for at least 4 months.

III. ARGUMENT

PacifiCorp has completely frozen all PPA pricing term negotiations. Despite the continuing efforts of International Paper, no further progress can be made on

PPA negotiations. As a result, the intent behind OAR § 860-029-0100(5)(a), i.e., to mandate at least 60 days of attempted negotiations between a QF and a public utility, cannot be satisfied. As explained in International Paper's complaint, PacifiCorp's refusal to continue negotiations in good faith is a violation of federal and state law. Therefore, it would be both useless and inequitable to require International Paper to wait 60 days after providing written comments in order to file a complaint.

Moreover, the 60-day requirement appears directed only at substantive commentary. The intent of the rule appears only to ensure that negotiations are fully attempted *first* between the contracting parties, when actual negotiations have been initiated but not resolved. In the case of the present negotiations, International Paper has fully accepted PacifiCorp's draft PPA, and the only outstanding issue is price. PacifiCorp originally provided pricing and then withdrew the pricing provisions. Therefore, there is no purpose to a requirement that International Paper wait a full 60 days before seeking Commission intervention after PacifiCorp has breached its legal duties.

As noted in the testimony of Greg Comatas, which is being submitted in support of the complaint, International Paper's current PPA with PacifiCorp expires on December 31, 2009. Therefore, it is important for International Paper to know the price that will apply after that date so that it can effectively plan its operations.

IV. CONCLUSION

Requiring International Paper to wait 60 days to file a complaint would serve no legitimate purpose, because price is the only disputed issue; and PacifiCorp has stated that will not negotiate price until the Commission has issued a decision in UM 1442. In contrast, International Paper will be significantly harmed if PacifiCorp fails to enter into a contract at its currently filed avoided cost, as required by law. Therefore, the Commission should waive the requirement of OAR § 860-029-0100(5)(a) and grant International Paper leave to file its complaint. International Paper is filing its complaint and testimony with this Motion.

Dated this 4th day of September, 2009.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ Melinda J. Davison
Melinda J. Davison
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Of Attorneys for International Paper Company

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

Docket No. ____

INTERNATIONAL PAPER COMPANY,
Complainant,
v.
PACIFICORP, dba PACIFIC POWER,
Defendant.

COMPLAINT OF INTERNATIONAL PAPER COMPANY

INTRODUCTION

Pursuant to ORS § 756.500, International Paper Company ("International Paper" or "Complainant") brings this Complaint before the Public Utility Commission of Oregon ("OPUC" or "Commission") against PacifiCorp, dba Pacific Power ("PacifiCorp"), regarding the negotiation of a Qualifying Facility ("QF") power purchase agreement ("PPA") between the two parties. Complainant requests that the Commission order PacifiCorp to execute the PPA with the avoided cost pricing in effect on August 11, 2009. PacifiCorp's refusal to execute the PPA is contrary to the OPUC rules and PacifiCorp's own avoided cost tariffs presently in effect.

In support of this Complaint, Complainant alleges as follows:

IDENTITY OF THE PARTIES

1. International Paper is a New York corporation, qualified to do business in Oregon. International Paper's address is 6400 Poplar Avenue, Memphis, Tennessee 38197.

International Paper owns a paper mill and a 45 megawatt ("MW") QF at its location in Albany, Oregon.

2. PacifiCorp is an Oregon corporation that is qualified to do business in the state of Oregon as an electric utility company regulated by the Commission. PacifiCorp's address is 825 NE Multnomah, Suite 2000, Portland, Oregon 97232.

APPLICABLE STATUTES AND ADMINISTRATIVE RULES

3. The Commission has jurisdiction over this Complaint and PacifiCorp pursuant to ORS §§ 756.040 and 756.500. Pursuant to OAR § 860-029-0100, the Commission has authority to resolve disputes concerning proposed negotiated PPAs.

4. The statutes expected to be involved in this case include: ORS § 756.040; ORS §§ 756.500 through 610; and ORS §§ 758.505 through 545. Additionally, federal law is implicated under 16 USC § 824, et seq., the Public Utility Regulatory Policies Act ("PURPA"), 16 USC § 2601, et seq., and federal rules promulgated pursuant to PURPA, 18 CFR § 292.301, et seq. The rules expected to be involved in this case include those within divisions 11 through 14, 22, and 29 of OAR chapter 860.

FACTUAL BACKGROUND

Complainant alleges:

5. Pursuant to PacifiCorp Schedule 38, which governs avoided cost purchases from QFs larger than 10 MW, Complainant and PacifiCorp are parties to a PPA executed on December 10, 2007,[1/] providing for all terms and conditions under which International Paper sells all net delivered energy from its 45 MW QF in Albany, Oregon, to PacifiCorp ("2007 PPA"). The term of the 2007 PPA is from January 1, 2008, to December 31,

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[1/] International Paper is the assignee of Weyerhaeuser Co., who originally executed the PPA with PacifiCorp.

2009. The 2007 PPA was the result of a long process and negotiation, with International Paper's predecessor in interest initiating that process months before agreement was reached.

6. In recognition of the lengthy period required to execute the 2007 PPA, International Paper initiated the process for negotiation of a renewed PPA on May 29, 2009. Additionally, International Paper has structured the future operational plan of its QF in reliance on the fact that PacifiCorp would honor its legal mandate and currently effective tariffs by purchasing power at its presently effective avoided cost rates. In light of these factors, International Paper notified PacifiCorp by email that all pertinent QF information was virtually unchanged, and requested that PacifiCorp provide an indicative pricing proposal pursuant to Schedule 38 on May 29, 2009. This request is included as Exhibit A to the concurrently filed testimony.

7. On June 1, 2009, PacifiCorp furnished a preliminary statement of proposed terms to International Paper. PacifiCorp indicated that pricing would be according to on and off peak avoided costs currently in effect under Schedule 37, which states rates applicable to QFs of 10 MW or less and upon which all Schedule 38 large QF rates must be based. On June 5, 2009, International Paper confirmed these proposed terms as consistent with the 2007 PPA.

8. Contrary to the provisions of Schedule 38, however, PacifiCorp did not furnish a standard indicative pricing proposal within 30 days. Specifically, PacifiCorp furnished the indicative pricing proposal on July 1, 2009. Although inexplicably untimely, the indicative pricing proposal contained pricing terms that were consistent both with the 2007 PPA between the parties and the Schedule 37 rates.

9. On July 10, 2009, after reviewing PacifiCorp's indicative pricing proposal, International Paper submitted a written request to PacifiCorp, signaling International Paper's

desire to move forward in the negotiating process and requesting that PacifiCorp prepare a draft PPA pursuant to the provisions of Schedule 38.

10. PacifiCorp responded on August 10, 2009, by submitting a draft PPA ("Draft I") to International Paper. Draft I contained nearly the same pricing terms as the 2007 PPA between the parties. On August 11, 2009, International Paper submitted written commentary to PacifiCorp on the Draft I PPA, offering no changes of substance to the pricing terms. The proposed changes by International Paper were minor in nature. International Paper was prepared to sign a renewed contract based on the Draft I PPA, and to obligate itself to provide power to PacifiCorp under the terms of a renewed contract as of August 11, 2009.

11. PacifiCorp submitted a second draft PPA ("Draft II") on August 13, 2009. Draft II also contained the same pricing terms as Draft I and the 2007 PPA, and was created by PacifiCorp to address changes to very minor terms and conditions not substantively affecting pricing. On August 19, 2009, International Paper confirmed PacifiCorp's Draft II changes and requested in writing that PacifiCorp provide a final contract for execution.

12. Although International Paper did not offer any changes of substance to Draft II and, indeed, believed that all issues had been satisfactorily resolved, PacifiCorp submitted a third and final draft PPA ("Draft III") on August 21, 2009. Unlike the prior drafts, PacifiCorp deleted all specific purchase pricing terms from Draft III. In the place of the 2007 PPA avoided cost pricing rates that were included in Draft I and Draft II, PacifiCorp offered to "finalize pricing per OPUC directions" resulting from the OPUC Public Meeting scheduled on August 25, 2009.

13. After submitting the Draft III PPA, PacifiCorp indicated that it would freeze all further pricing negotiations until OPUC investigations into PacifiCorp's newly revised

avoided cost rates are completed. PacifiCorp left a voice message with International Paper on September 1, 2009, asking for comments on its Draft III PPA; however, PacifiCorp has not altered its position that pricing terms will not be finalized until *after* current OPUC investigations are completed.

14. On September 3, 2009, International Paper sent a formal letter to PacifiCorp, in a final effort to resolve the negotiation impasse between the parties. International Paper confirmed that it was ready, willing, and able to obligate itself to provide power under a renewed PPA as of August 11, 2009. International Paper recited the mandates of federal and state law, which require PacifiCorp to calculate avoided cost rates based on actual costs in effect on the date that PacifiCorp's obligation to purchase power is incurred. Finally, International Paper urged PacifiCorp to return to the negotiating table and honor its obligations under Schedule 38.

15. On September 4, 2009, PacifiCorp responded to International Paper's letter via email. PacifiCorp did not agree to supply International Paper with an executable PPA, nor to negotiate pricing terms. PacifiCorp further alleged that International Paper could not file a complaint until October 10, 2009, until sixty days had expired from the date International Paper filed written commentary to PacifiCorp's Draft I PPA.

16. International Paper remains ready, willing, and able to purchase power pursuant to the terms and conditions of the Draft II avoided cost rates that are currently in effect under Schedule 37.

LEGAL CLAIMS

International Paper Is In Compliance with Relevant Regulatory Requirements

17. Complainant realleges paragraphs 1 through 16.

18. OAR § 860-029-0100 governs complaints filed pursuant to ORS § 756.500, regarding the resolution of disputes concerning negotiation of a QF PPA.

19. Consistent with OAR § 860-029-0100(2), International Paper has complied with Schedule 38 procedural negotiation requirements for its renewed PPA, including: timely submission of all information requested by PacifiCorp; providing a written request for an indicative pricing proposal; providing a written request that PacifiCorp prepare a draft PPA; and providing written comments concerning PacifiCorp's draft PPA to PacifiCorp.

20. In accordance with OAR § 860-029-0100(5), International Paper makes the following statements:

a. International Paper provided written comments on PacifiCorp's Draft I PPA to PacifiCorp on August 11, 2009. Although sixty calendar days have not passed since those written comments were provided as required under OAR § 860-029-0100(3), PacifiCorp's unilateral decision to indefinitely suspend all pricing negotiations and refuse to execute the contract until the OPUC established new avoided cost rates makes it impossible to comply with this provision. From the beginning of negotiations, International Paper has been timely in its responses, while PacifiCorp has delayed the process of finalizing and executing a PPA.

b. From May 29, 2009, through the present, International Paper has attempted in good faith to negotiate with PacifiCorp for renewal of the 2007 PPA between the parties. The parties were in substantial accord on pricing terms until August 21, 2009—when PacifiCorp submitted its Draft III PPA, in which all pricing terms were unilaterally removed.

While International Paper has earnestly endeavored to move negotiations toward a resolution, PacifiCorp has refused to move forward on pricing terms since submitting the Draft III PPA. Instead, PacifiCorp has demanded that the parties await resolution of the Commission's investigation into its newly proposed avoided cost rates. E.g., UM 1442.

c. The unresolved terms and conditions between the parties are the pricing terms; that is, the prices at which PacifiCorp will purchase all net delivered energy from the 45 MW QF at International Paper's paper mill in Albany, Oregon.

d. The parties positions on the unresolved pricing terms are as follows:

    i. International Paper maintains that PacifiCorp is required, under Schedule 38, to provide a draft PPA containing "a comprehensive set of proposed terms and conditions, including specific pricing for purchases." Schedule 38 at 4. PacifiCorp has breached its obligation under and violated terms of Schedule 38 by withdrawing all specific pricing provisions from the Draft III PPA. Moreover, Schedule 38 provides that adjustments to Schedule 37 avoided cost prices, which form the basis of all large QF PPAs, can only be made under strict guidelines established by federal law and OPUC Order No. 07-360. Conversely, PacifiCorp insists upon finalizing prices *only* pursuant to a pending OPUC determination on newly proposed avoided cost rates, which have never been in effect. This is not a permissible adjustment to filed Schedule 37 rates, according to the terms of Schedule 38.

ii. PacifiCorp contends that finalization of pricing terms is not proper until the OPUC has completed its investigation into newly filed avoided cost rates. PacifiCorp filed Advice No. 09-012 on July 9, 2009, which proposes a revision to Schedule 37 avoided cost rates, and which is currently under investigation by the Commission in UM 1442. At the Public Meeting on August 25, 2009, the Commission did not act on the effectiveness of Advice No. 09-012 and as a result maintained the effectiveness of the current Schedule 37 rates.

21. As required by OAR § 860-029-0100(5)(e), International Paper attaches a proposed PPA encompassing all matters, including issues in dispute and those agreed upon between the parties as Exhibit A to Mr. Comatas' testimony. The only issue in dispute is the pricing. The proposed PPA, which is a near replica of the Draft II PPA—and which incorporates substantially the same pricing terms as the 2007 PPA and the presently effective Schedule 37—is included as Exhibit B to the testimony.

22. As required by OAR § 860-029-0100(6), International Paper is also submitting the direct testimony of Mr. Greg Comatas. Mr. Comatas's testimony includes all information upon which Complainant bases its claims, in accordance with OAR § 860-029-0100(6).

Complainant's First Claim for Relief

PacifiCorp Has Unreasonably Delayed QF PPA Negotiations

23. Complainant realleges paragraphs 1 through 22.

24. Under Schedule 38, PacifiCorp has a duty to conduct PPA negotiations without unreasonable delay. In violation of its duty, however, PacifiCorp has frozen further pricing negotiations on a renewal of the 2007 PPA between the parties, and refuses to offer specific pricing terms until pending OPUC investigations into revised avoided cost rates are completed. E.g., UM 1442. Indeed, PacifiCorp has unreasonably delayed the renewal process since its inception by exceeding the express 30 day time limit of Schedule 38, in which an initial pricing proposal must be submitted to a requesting QF.

25. The Commission has specifically ordered that utilities are not to "unreasonably delay negotiations and will respond in good faith to all proposals by the QF." Re OPUC, OPUC Docket No. UM 1129, Order No. 07-360 at Appendix A, page 2, Adopted Guideline 2.d (Aug. 20, 2007). PacifiCorp has unreasonably delayed negotiations between the parties, and it has not acted in good faith by freezing the renewal process of the 2007 PPA which expires on December 31, 2009.

Complainant's Second Claim for Relief

PacifiCorp Has Failed to Provide Comprehensive and Specific Pricing Terms

26. Complainant realleges paragraphs 1 through 25.

27. Schedule 38 obligates PacifiCorp to provide a draft PPA containing "a comprehensive set of proposed terms and conditions, including specific pricing for purchases." In its Draft III PPA, however, PacifiCorp has removed all specific pricing terms and offered only to finalize pricing sometime in the future, pending current OPUC investigations into avoided cost

filings. PacifiCorp's "offer" violates the requirements of Schedule 38, and PacifiCorp has breached its procedural negotiation duty to furnish specific pricing terms to International Paper.

Complainant's Third Claim for Relief

PacifiCorp Is Attempting to Modify Pricing Terms Illegally

28. Complainant realleges paragraphs 1 through 27.

29. The Commission requires that PacifiCorp's avoided costs are to be based upon yearly avoided costs, as approved by the Commission in Schedule 37. Order No. 07-360 at Appendix A, page 1, Adopted Guideline 2.a. PacifiCorp may only modify these avoided costs as allowed by federal law and the express directives of Order No. 07-360. Id. at 16; accord Schedule 38 at 3 ("Prices specified in Schedule 37 will . . . be modified . . . as allowed under federal law and per Order 07-360"). For any other modification to current Schedule 37 avoided cost rates, a "utility *must first* seek the approval of this Commission." Id. (emphasis added); accord Schedule 38 at 3. PacifiCorp had not sought such approval prior to the time the PPA was agreed upon by both parties.

30. Offering unknown future rates not presently in effect is not among the allowed rate modification types, either under federal law, including PURPA and rules promulgated under PURPA, or pursuant to Order No. 07-360. Under Oregon law, a utility has an obligation to purchase power from a QF as soon as a QF obligates itself to provide power, and the rate of purchase must be calculated according to a utility's actual avoided costs on the date an obligation is incurred. As International Paper has faithfully satisfied all relevant procedural negotiation obligations under OAR § 860-029-0100, the rate of purchase for the renewed PPA must be calculated according to the current Schedule 37—which is the only tariff reflecting

actual avoided costs at the time PacifiCorp incurred its purchase obligation. PacifiCorp cannot insist upon applying unknown future avoided cost rates to the renewed PPA.

31. Nevertheless, in its Draft III PPA, PacifiCorp has removed all previously agreed upon pricing terms, which reflected valid and current Schedule 37 rates. PacifiCorp has insisted that these rates be modified, pending OPUC determination of its newly proposed, revised Schedule 37 rates. This would potentially modify the pricing terms of the renewed PPA to include rates which were not in effect when PacifiCorp became obligated to purchase power from International Paper—and which are not even in effect now, at the time of the filing of this complaint. Such rate modification is not contemplated by federal law or Order No. 07-360, nor has PacifiCorp sought prior approval from the Commission to make such a modification. Plainly, therefore, PacifiCorp is seeking an illegal rate modification in the renewed PPA that is expressly forbidden by the Commission and Schedule 38.

RELIEF REQUESTED

WHEREFORE, International Paper respectfully requests that the Commission issue an Order:

1. Finding that PacifiCorp has not satisfied its obligations under Schedule 38 and Order No. 07-360;

2. Finding that PacifiCorp has violated federal law, including PURPA and regulations promulgated under PURPA;

3. Ordering PacifiCorp to fulfill its obligations under federal and state law to purchase all net delivered energy from International Paper’s QF, based upon the actual avoided cost rates in effect when PacifiCorp incurred its obligation, as incorporated in the proposed PPA included in Exhibit B, and execute the final PPA with the avoided cost pricing then in effect; and

4. Granting such other relief as the Commission may deem necessary.

Dated this 4th day of September, 2009.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ Melinda J. Davison
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Jesse E. Cowell
333 S.W. Taylor, Suite 400
Portland, Oregon 97204
(503) 241-7242 phone
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mjd@dvclaw.com
jec@dvclaw.com
Of Attorneys for International Paper Company

EXHIBIT A

From: Schroeder, Jim {Mkt Function} [Jim.Schroeder@PacifiCorp.com]
Sent: Friday, May 29, 2009 2:48 PM
To: Greg Comatas
Cc: Everett, Lynn; John Hayward; Link, Rick; Griswold, Bruce {Mkt Function}
Subject: RE: International Paper - Indicative Pricing Request

Greg
We are in receipt of your request and will begin to prepare the QF pricing per the current avoided cost as published in OR 38. I will give you indicative timing as to when the initial draft of the pricing can be completed.

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

-----Original Message-----
From: Greg Comatas [mailto:Greg.Comatas@ipaper.com]
Sent: Friday, May 29, 2009 2:15 PM
To: Schroeder, Jim {Mkt Function}
Cc: Everett, Lynn; John.Hayward@ipaper.com
Subject: International Paper - Indicative Pricing Request

Jim,

The Power Purchase Agreement between International Paper and PacifiCorp at the Albany, OR paper mill will expire on December 31, 2009. By means of this email, as you indicated in our phone conversation as being sufficient, we are requesting indicative pricing for the potential renewal of this contract for the period of January 1, 2010 through December 31, 2011.

Our request is based on Qualify Facility information substantially the same as that in our current agreement.

If you would, please prepare indicative fixed prices and a description of the price adjustments as appears in Exhibit E of our current agreement for the period of January 1, 2010 through December 31, 2011.

Acknowledgement of receipt of this email may be sent me and to those addressed above.

Please contact me should you have any questions regarding this request.

Thanks,

Greg

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

EXHIBIT B

POWER PURCHASE AGREEMENT

BETWEEN

INTERNATIONAL PAPER COMPANY

AND

PACIFICORP

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

RECITALS

A. Seller owns and operates a cogeneration facility comprised of a combustion gas turbine generator with heat recovery steam generator, and a steam turbine generator, located in Albany, Linn County, OR with a combined Nameplate Capacity Rating of 93.02 megawatts (“**MW**”) (as more fully described in **Exhibit A**, the "**Facility**"). Because Seller’s combined Nameplate Capacity Rating exceeds the 45 MW capacity of the PacifiCorp Western Kraft Substation, Seller will self-limit delivery of Net Delivered Energy to 45 MW (“**Maximum Delivery Rate**”); and

B. Seller has self-certified the cogeneration facility as a qualifying facility under the Public Utility Regulatory Policies Act of 1978 in Federal Energy Regulatory Commission

("**FERC**") Docket No. QF95-233. Seller intends to operate the Facility as a Qualifying Facility, as such term is defined in Section 3.2.6 below; and

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

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

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

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

G. Seller applied to PacifiCorp Transmission for a Large Generation Interconnection Agreement on August 5, 2009; and

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

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

NOW, THEREFORE, the Parties mutually agree as follows:

SECTION 1: DEFINITIONS; RULES OF INTERPRETATION

Definitions. When used in this Agreement, the following terms shall have the following meanings:

1.1 “**Approved Outage**” means any outage included in the Maintenance Schedule, attached hereto as **Exhibit C**, any outage scheduled at least ten business days in advance, and any outage otherwise approved in advance by PacifiCorp in its discretion.

1.2 "**Billing Period**" means a calendar month.

1.3 “**Combustion Turbine Meter**” means the Landis-Gyr Model #2510 meter, serial number 89554706, which measures gross electric output from the combustion gas turbine and the heat recovery steam generator at the Facility.

1.4 “**Commission**” means the Oregon Public Utility Commission.

1.5 “**Contracted Monthly On-Peak Availability Factor**” means the Monthly On-Peak Availability Factor Seller has elected for its Net Delivered Energy, as set forth in Section 4.3

1.6 “**Credit Requirements**” means a long-term credit rating (corporate rating or long-term senior unsecured debt rating) of (i)“BBB-“ or greater from Standard & Poor’s Rating Service, or (ii) “Baa3” or greater by Moody’s Investors Service, or if no public rating is available, a credit rating determined by PacifiCorp in its reasonable discretion upon review of the Seller’s audited financial statements.

1.7 “**Effective Date**” shall have the meaning as set forth in Section 2.1 hereto.

1.8 “**Event of Default**” shall have the meaning as set forth in Section 11.1 hereto.

1.9 “**Facility**” shall have the meaning set forth in Recital A.

1.10 “**Generation Interconnection Agreements**” means the Large Generator Interconnection Agreement entered into separately between Seller and the Transmission Provider, providing for the construction and operation of the interconnection facilities at the Point of Delivery, which agreements are listed in **Exhibit B**.

1.11 “**Generation Meter**” (MWh) means the sum of the Combustion Turbine Meter and the Steam Turbine Meter.

1.12 “**Liquidated Damages Market Index**” shall have the meaning set forth in Section 5.3 of this Agreement.

1.13 “**Load Meter**” means the sum of the hourly advances of the Generation Meters and the Western Kraft revenue meter “to Albany Paper Mill” minus the hourly advance of the Western Kraft revenue meter “from Albany Paper Mill”, in MWh.

1.14 “**Material Adverse Change**” means the occurrence of any event of default under any material agreement to which Seller is a party; failure to meet Credit Requirements; the sale of the Facility, the Albany Paper Mill, or both, to a person or entity that fails to meet Credit Requirements; or any other development, financial or otherwise, which would have a material adverse effect on Seller, the Facility or Seller's ability to operate, maintain or own the Facility as provided in this Agreement.

1.15 "**Maximum Delivery Rate**" shall have the meaning set forth in Recital A.

1.16 "**Monthly On-Peak Availability Factor**" is defined in Section 5.1.

1.17 "**Nameplate Capacity Rating**" means the maximum capacity of the Facility, expressed in MW, when operated consistent with the manufacturer's recommended power factor and operating parameters, as set forth in Recital A and **Exhibit A**.

1.18 "**Net Delivered Energy**" shall have the meaning ascribed thereto in Section 4.2 of this Agreement.

1.19 "**Net Monthly On-Peak Delivery Hours**", in hours, means, for a given calendar month, all the On-Peak Hours less all hours of any Approved Outage occurring during On-Peak Hours.

1.20 "**Net Monthly On-Peak Delivery Obligation**", in MWH, means the Contracted Monthly On-Peak Availability Factor times the Maximum Delivery Rate times the Net Monthly On-Peak Delivery Hours.

1.21 "**Net Output**" means all energy and capacity (if any) produced by the Facility, less station use.

1.22 "**Off-Peak Hours**" means all hours of the week that are not On-Peak Hours.

1.23 **"On-Peak Hours"** means 6:00 a.m. to 10:00 p.m., Pacific Prevailing Time ("**PPT**"), Mondays through Saturdays, excluding Western Electricity Coordinating Council (WECC) and North American Electric Reliability Corporation (NERC) holidays.

1.24 "**On-Peak Price**" and "**Off-Peak Price**" shall have the meanings set forth in Section 5.1 of this Agreement.

1.25 "**Output Shortfall**" shall have the meaning set forth in Section 5.2.

1.26 "**Point of Delivery**" means the Point of Change of Ownership as specified in the Generation Interconnection Agreements and in **Exhibit A** -- the low (12.47 kV) side of the retail delivery transformer(s) in the PacifiCorp Western Kraft Substation.

1.27 "**Prime Rate**" means the publicly announced prime rate or reference rate for commercial loans to large businesses with the highest credit rating in the United States in effect from time to time quoted by J.P. Morgan Chase & Co. If a J.P. Morgan Chase & Co. prime rate is not available, the applicable Prime Rate shall be the announced prime rate or reference rate for commercial loans in effect from time to time quoted by a bank with $10 billion or more in assets in New York City, N.Y., selected by the Party to whom interest based on the prime rate is being paid.

1.28 "**Prudent Electrical Practices**" means any of the practices, methods and acts engaged in or approved by a significant portion of the electrical utility industry or any of the practices, methods or acts, which, in the exercise of reasonable judgment in the light of the facts known at the time a decision is made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Prudent Electrical Practices is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts.

1.29 "**Qualifying Facility**," or "**QF**" shall have the meaning set forth in Section 3.2.6.

1.30 "**Required Facility Documents**" means all licenses, permits, authorizations, and agreements necessary for operation, and maintenance of the Facility including without limitation those set forth in **Exhibit B**.

1.31 "**Steam Turbine Meter**" means the Landis-Gyr, Model # 2510 meter, serial # 89554707, which measures gross output from the steam turbine generator at the Facility.

1.32 "**Term**" shall mean the period between the date energy is first delivered and the Termination Date.

1.33 "**Termination Date**" shall have the meaning set forth in Section 2.2 of this Agreement.

1.34 "**Transmission Provider**" means PacifiCorp, acting in its transmission function capacity, or its successor.

1.35 **"Western Kraft revenue meter 'to Albany Paper Mill'"** means the Landis-Gyr Model #2510, serial # 89554710 located at the PacifiCorp Western Kraft Substation, Bank 1.

1.36 "**Western Kraft revenue meter 'from Albany Paper Mill**'" means the totalizing Alpha Meter, serial # 01227596 located at the PacifiCorp Western Kraft Substation, Bank 2.

Rules of Interpretation. Each Party conducts its operations in a manner intended to comply with FERC Order No. 2004, Standards of Conduct for Transmission Providers, requiring the separation of transmission and merchant functions. Moreover, the Parties acknowledge that Transmission Provider's transmission function offers transmission service on its system in a manner intended to comply with FERC policies and requirements relating to the provision of open-access transmission service. The Parties recognize that Seller has entered into a separate Generation Interconnection Agreement.

The Parties acknowledge and agree that the Generation Interconnection Agreement is a separate and freestanding contract and that the terms of this Agreement are not binding upon Transmission Provider.

Except as explicitly provided in this Agreement, nothing in the Generation Interconnection Agreement shall alter or modify the Parties' rights, duties, and obligations under this Agreement.

This Agreement shall not be construed to create any rights between Seller and Transmission Provider.

Seller recognizes that, for purposes of this Agreement, Transmission Provider shall be deemed to be a separate entity and not a Party to the Agreement.

SECTION 2: TERM; EFFECTIVE DATE

2.1 Effective Date. This Agreement shall become effective when executed ("**Effective Date**"); *provided, however* that Seller shall not deliver and PacifiCorp shall not purchase Net Delivered Energy (or output from the Facility of any kind) under this Agreement prior to the later of January 1, 2010 or the date Seller has complied with the requirements of Section 2.2(a), (b), and (c), below.

2.2 By the Effective Date, Seller shall provide PacifiCorp with (a) a copy of an executed Generation Interconnection Agreement, which shall be consistent with all material terms and requirements of this Agreement, (b) the Required Facility Documents, and (c) an executed copy of **Exhibit H** – *Seller's Authorization to Release Generation Data to PacifiCorp C&T*.

2.3 Termination. Except as otherwise provided herein, this Agreement shall terminate December 31, 2011, at midnight ("**Termination Date**") Hour Ending 2400 PPT.

SECTION 3: REPRESENTATIONS AND WARRANTIES

3.1 PacifiCorp represents, covenants, and warrants to Seller that:

3.1.1 PacifiCorp is duly organized and validly existing under the laws of the State of Oregon.

3.1.2 PacifiCorp has the requisite corporate power and authority to enter into this Agreement and to perform according to the terms of this Agreement.

3.1.3 PacifiCorp has taken all corporate actions required to be taken by it to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby.

3.1.4 The execution and delivery of this Agreement does not contravene any provision of, or constitute a default under, any indenture, mortgage, or other material agreement binding on PacifiCorp or any valid order of any court, or any regulatory agency or other body having authority to which PacifiCorp is subject.

3.1.5 This Agreement is a valid and legally binding obligation of PacifiCorp, enforceable against PacifiCorp in accordance with its terms (except as the enforceability of this Agreement may be limited by bankruptcy, insolvency, bank moratorium or similar laws affecting creditors' rights generally and laws restricting the availability of equitable remedies and except as the enforceability of this Agreement may be subject to general principles of equity, whether or not such enforceability is considered in a proceeding at equity or in law).

3.2 Seller represents, covenants, and warrants to PacifiCorp that:

3.2.1 Seller is a corporation duly organized and validly existing under the laws of the State of New York.

3.2.2 Seller has the requisite power and authority to enter into this Agreement and to perform according to the terms hereof.

3.2.3 Seller's officers and management, as appropriate have taken all actions required to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby.

3.2.4 The execution and delivery of this Agreement does not contravene any provision of, or constitute a default under, any indenture, mortgage, or other material agreement binding on Seller or any valid order of any court, or any regulatory agency or other body having authority to which Seller is subject.

3.2.5 This Agreement is a valid and legally binding obligation of Seller, enforceable against Seller in accordance with its terms (except as the enforceability of this Agreement may be limited by bankruptcy, insolvency, bank moratorium or similar laws affecting creditors' rights generally and laws restricting the availability of equitable remedies and except as the enforceability of this Agreement may be subject to general principles of equity, whether or not such enforceability is considered in a proceeding at equity or in law).

3.2.6 The Facility is and shall for the Term of this Agreement continue to be a "**qualifying facility**" ("**QF**") as that term is defined in the version of 18 C.F.R. Part 292 in effect on the Effective Date. Seller has provided the appropriate QF certification, which may include a Federal Energy Regulatory Commission ("**FERC**") self-certification to PacifiCorp prior to PacifiCorp's execution of this Agreement. If at any time during the Term of this Agreement PacifiCorp has reason to believe that Seller no longer qualifies as a QF, PacifiCorp may identify the basis for such belief and require Seller to demonstrate that the Facility is a lawful QF. If, upon review of such data and documentation, PacifiCorp continues to believe that the Facility is not a lawful QF, then PacifiCorp may require that Seller provide PacifiCorp a written legal opinion, from an attorney in good standing in the State of Oregon who has no economic relationship, association or nexus with the Seller or the Facility, stating that the Facility is a QF and has been operated lawfully as a QF under this Agreement. The attorney's opinion shall provide sufficient documentation to demonstrate that Seller has maintained and will continue to maintain the Facility as a QF. If such legal opinion states that Seller has maintained the Facility as a QF, then PacifiCorp shall pay for said legal opinion. If such legal opinion states that

Seller's Facility is not a QF, then Seller shall pay for said legal opinion and Seller shall be deemed to have received written notice from PacifiCorp that Seller is in default of this representation for the purposes of section 11.1.1.

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

3.2.8 Seller's credit rating on its senior, unsecured debt currently is rated "BBB" by the Standard and Poor's Rating Service, and Baa3 by Moody's rating service.

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

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

SECTION 4: DELIVERY OF POWER

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

4.2 Net Delivered Energy.

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

a) The Generation Meter (MW) if the Load Meter and Generation Meter are both less than or equal to 45 MW; or

b) 45 MW if the Load Meter is less than or equal to 45 MW and the Generation Meter is greater than 45 MW; or

c) the lesser of (i) the Generation Meter minus the Load Meter plus 45 MW, or (ii) 45 MW, if the Load Meter is greater than 45 MW.

4.2.2 Energy delivered during partial hours shall equal the average generation during the partial hour multiplied by the minutes in the partial hour divided by sixty (i.e. for delivery from 12:00 thru 12:15, the partial hour energy equals the average energy from 12:00 to 12:15 multiplied by 15 and divided by 60).

4.2.3. All calculations will be rounded to the nearest kW or kWh at the last step in the calculation, but not before.

4.3 Contracted Monthly On-Peak Availability Factor. Seller promises to achieve a Monthly On-Peak Availability Factor of 85% ("**Contracted Monthly On-Peak Availability Factor**") for each calendar month of the Term, or else be subject to Liquidated Damages (as calculated in Section 5.3). In months where Seller achieves a Monthly On-Peak Availability Factor greater than 85%, the Contract Prices shall be adjusted upwards in accordance with Section 5.1. In months where Seller's delivery of Net Delivered Energy during On-Peak Hours is impaired due to an event of Force Majeure, all On-Peak Hours during the impairment (and all energy delivered during those hours) shall be excluded from the MOAF calculation, below.

SECTION 5: PURCHASE PRICES AND LIQUIDATED DAMAGES

5.1 Contract Prices. PacifiCorp shall pay Seller the following prices (in $US) for Net Delivered Energy:

When delivered during Off-Peak hours in 2010:

Off-Peak Price = $57.87/MWh

When delivered during On-Peak hours in 2010:

On-Peak Price = if MOAF < 85%, then **$73.66/MWh** else

= if MOAF ≥ 85%, then **$[57.87+($15.79*MOAF)]/MWh,**

where:

"**MOAF**" = "Monthly On-Peak Availability Factor," which equals the total Net Delivered Energy delivered during On-Peak Hours divided by the product of the Maximum Delivery Rate and the Net Monthly On-Peak Delivery Hours.

When delivered during Off-Peak hours in 2011:

Off-Peak Price = $56.11/MWh

When delivered during On-Peak hours in 2011:

On-Peak Price = if MOAF < 85%, then **$73.14/MWh** else

= if MOAF ≥ 85%, then [**$56.11 +($17.03 *MOAF)]/MWh**

Commission Order No. 07-360 requires that the utility provide documentation showing its calculation of the Contract Prices, above. Calculations and documentation are provided, in **Exhibit E** to this term sheet. A table showing On-Peak Price for MOAF between 85% and 100% is attached as **Exhibit F**.

5.2 Output Shortfall. If Seller's MOAF is less than the Contracted On-Peak Monthly Availability Factor, Seller shall incur an Output Shortfall, calculated as follows:

"Output Shortfall" (MWh) = Net Monthly On-Peak Delivery Obligation minus On-Peak Net Delivered Energy

5.3 Liquidated Damages. For any Output Shortfall, Seller agrees to pay PacifiCorp the Liquidated Damages (if any) calculated using the following formula:

Liquidated Damages = Output Shortfall multiplied by (Liquidated Damages Market Index minus the On-Peak Price)

Where:

"**Liquidated Damages Market Index**" ("LDMI") means the average On-Peak energy price ($/MWh) at the Mid-Columbia index for the month in question, calculated as the average of: 1.0577 times the IntercontinentalExchange ("ICE") Mid-C Physical Peak Daily electricity index for each day of the month:

LDMI = Average [ICE Mid-C Peak Daily index price $_{\text{of all days of applicable Monthly On-Peak hours)}}$*1.0577]

In the event ICE fails to provide complete hourly index data from the preceding month by the tenth of each month, PacifiCorp will fill the missing data by averaging the two values above and below the missing value and this value will be used for billing and not be corrected even if ICE fills the data at a later date.

In any given Billing Period, if the On-Peak Price is greater than the Liquidated Damages Market Index, then Seller shall not owe Liquidated Damages. Each Party agrees and acknowledges that (a) the damages that PacifiCorp would incur due to an Output Shortfall would be difficult or impossible to predict with certainty, and (b) the liquidated damages contemplated by this Section 5.3 are a fair and reasonable calculation of such damages.

5.4 Final Purchase Price. The final monthly purchase price for output of the Facility shall be the payment for Net Delivered Energy calculated in Section 5.1, less liquidated damages (if any) calculated in Section 5.3. The example calculations set forth on **Exhibit D**, attached hereto, illustrates how Net Delivered Energy, Liquidated Damages, and the resulting Payment are calculated under this Section.

SECTION 6: OPERATION AND CONTROL

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

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

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

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

SECTION 7: FUEL/MOTIVE FORCE

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

SECTION 8: CREDIT

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

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

SECTION 9: METERING

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

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

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

SECTION 10: BILLINGS, COMPUTATIONS AND PAYMENTS

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

10.2 In the event that a portion of the bill or adjustment arising hereunder is disputed, payment of the portion not in dispute shall be made when due. Seller and PacifiCorp shall seek to make a determination on any disputed amount within sixty (60) days after issuance of Seller's notice of dispute. Either Party may resort to any remedy available at law or in equity.

10.3 Any amounts owing after the due date thereof shall bear interest at the lesser of one percent (1%) per month or the maximum rate allowed by law, from the date due until paid.

SECTION 11: DEFAULT AND REMEDIES

11.1 Events of Default. The following events shall constitute an "**Event of Default**" under this Agreement:

11.1.1 Failure of a Party to perform any material obligation imposed upon that Party by this Agreement (including but not limited to failure to make a payment when due) or breach by a Party of a representation or warranty set forth in this Agreement, if such failure or breach is not cured within thirty (30) days following written notice;

11.1.2 Filing of a petition in bankruptcy by or against a Party if such petition is not withdrawn or dismissed within sixty (60) days after it is filed;

11.1.3 Material Adverse Change. A Material Adverse Change has occurred with respect to Seller (or in the event of an assignment of this Agreement, Seller's assignee) and Seller (or Seller's assignee, in the case of an assignment) fails to provide such performance assurances as are reasonably requested by PacifiCorp, including without limitation the posting of additional default security, within thirty (30) days from the date of such request;

11.1.4 Seller's failure to cure Event of Default under the Generation Interconnection Agreement or the Master Electric Service Agreement within the time allowed for a cure under such agreement.

11.2 Termination. In the event of any default hereunder that is not cured in the manner provided for in this Agreement, the non-defaulting Party may terminate this Agreement at its sole discretion by delivering written notice to the other Party and may pursue any and all legal or equitable remedies provided by law or pursuant to this Agreement. The rights provided in this Section 11 are cumulative such that the exercise of one or more rights shall not constitute a waiver of any other rights.

11.3 Termination Payment. If this Agreement is terminated because of Seller's Event of Default, Seller shall pay PacifiCorp, in addition to any damages accrued but not paid prior to termination ("prior damages"), a lump sum termination payment equal to PacifiCorp's cost to cover, which shall be calculated as 85% of the Maximum Delivery Rate multiplied by the remaining On-Peak hours in the Term times the difference between the Mid-C market price for the remaining Term and the On-Peak Price (at 85% Monthly On-Peak Availability Factor). The Parties agree that the Mid-C market price shall be the average of three contemporaneous quotations from energy brokers (namely ICAP Energy, Prebon Energy, and Natsource) for firm, flat delivery of Seller's minimum delivery obligation from the date of cessation of delivery through the Termination Date. The cost to cover may be less than zero, in which case the termination payment shall be zero. The Parties agree that the amount of termination payment shall be calculated by PacifiCorp within thirty (30) days after termination of the Agreement. Amounts owed pursuant to this Section shall be due within five (5) days after PacifiCorp provides Seller notice of amount due. Prior damages and the termination payment shall be the sole remedy for default; *provided however*, that Seller shall not intentionally breach this Agreement in order to sell Facility Output to another buyer.

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

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

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

SECTION 12: INDEMNIFICATION, LIABILITY AND INSURANCE

12.1 Seller agrees to release, indemnify and hold harmless PacifiCorp, its directors, officers, agents, and representatives against and from any and all loss, claims, actions or suits, including costs and attorney's fees, both at trial and on appeal, resulting from, or arising out of or in any way connected with: the energy delivered by Seller hereunder to and at the Point of Delivery, or with any facilities on Seller's side of the Point of Delivery, including without limitation any loss, claim, action or suit, for or on account of injury, bodily or otherwise, to, or death of, persons, or for damage to, or destruction or economic loss of property belonging to PacifiCorp, Seller or others, excepting only such loss, claim, action or suit as may be caused solely by the fault or gross negligence of PacifiCorp, its directors, officers, employees, agents or representatives.

12.2 PacifiCorp agrees to release, indemnify and hold harmless Seller, its directors, officers, agents, and representatives against and from any and all loss, claims, actions or suits, including costs and attorney's fees, both at trial and on appeal, resulting from, or arising out of or in any way connected with the energy delivered by Seller hereunder after the Point of Delivery, and facilities on PacifiCorp's side of the Point of Delivery, including without limitation any loss, claim, action or suit, for or on account of injury, bodily or otherwise, to, or death of, persons, or for damage to, or destruction or economic loss of property, excepting only such loss, claim, action or suit as may be caused solely by the fault or gross negligence of Seller, its directors, officers, employees, agents or representatives.

12.3 Notice of Claims. If either Party receives notice of a threatened or asserted claim for which such Party might seek indemnification or defense or to be held harmless, it shall promptly give notice of such claim to the other Party.

12.4 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 PacifiCorp as an independent public utility corporation or Seller as an independent individual or entity.

12.5 NEITHER PARTY NOR ITS DIRECTORS, BOARD MEMBERS, COMMISSIONERS, OFFICERS, EMPLOYEES, OR AGENTS SHALL HAVE ANY LIABILITY TO THE OTHER PARTY FOR ANY LOST PROFITS, LOST REVENUES, OR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, EXEMPLARY, OR PUNITIVE DAMAGES, WHETHER ARISING FROM CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR OTHERWISE.

12.6 Workers' Compensation Law. Seller shall comply with all applicable Workers' Compensation Laws and shall furnish proof thereof satisfactory to PacifiCorp prior to connection of the Facility to PacifiCorp's electric system.

12.7 Insurance Coverage Requirements. Without limiting any liabilities or any other obligations of Seller, Seller shall, prior to the Effective Date, secure and continuously carry with insurers acceptable to PacifiCorp the following insurance coverage:

12.7.1 All Risk Property insurance providing coverage in an amount at least equal to the full replacement value of the Facility against "all risks" of physical loss or damage, including coverage for earth movement, flood, and boiler and machinery. The Risk policy may contain separate sub-limits and deductibles subject to insurance company underwriting guidelines. The Risk Policy will be maintained in accordance with terms available in the insurance market for similar facilities.

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

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

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

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

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

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

SECTION 13: FORCE MAJEURE

13.1 Neither Party shall be subject to any liability or damages due to an event of Force Majeure. As used in this Agreement, “Force Majeure” means an inability to meet its obligations under this Agreement to the extent that such failure shall be due to causes beyond the reasonable control of either PacifiCorp or Seller, which, despite the exercise of due diligence, such Party is unable to prevent or overcome. Examples of Force Majeure events include, but are not limited to the following: (a) the operation and effect of any rules, regulations and orders promulgated by the Commission, any municipality, or governmental agency of the United States, or subdivision thereof (so long as the claiming Party has not applied for or assisted in the application for, and has opposed where and to the extent reasonable, such government action); (b) restraining order, injunction or similar decree of any court; (c) war, sabotage or acts of terrorism; (d) flood, fire, storms or lightning; (e) earthquake; (f) act of God; (g) civil disturbance; or (h) strikes or boycotts, which is in each case (i) beyond the reasonable control of such Party, (ii) by the exercise of reasonable foresight such Party could not reasonably have been expected to avoid and (iii) by the exercise of due diligence, such Party shall be unable to prevent or overcome. Provided, the Party claiming Force Majeure shall make every reasonable attempt to remedy the cause thereof as diligently and expeditiously as possible. Force Majeure, however, specifically excludes the cost or availability of fuel or motive force to operate the Facility; changes in market conditions that affect the price of energy or transmission; failure to comply with applicable provisions of the WARN Act, or other disruptions in Facility performance resulting from Seller's voluntary conveyance of this Agreement or any related agreement in connection with a sale or closure of the Albany Paper Mill, Facility, or both. Except for the obligation to pay amounts owed when due, time periods for performance obligations of Parties herein shall be extended for the period during which Force Majeure was in effect.

13.2 No obligations of either Party which arose before the Force Majeure causing the suspension of performance shall be excused as a result of the Force Majeure.

13.3 Neither Party shall be required to settle any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the Party involved in the dispute, are contrary to the Party's best interests.

13.4 PacifiCorp may terminate the Agreement if Seller fails to remedy Seller's inability to perform, due to a Force Majeure event, within six months after the occurrence of the event.

SECTION 14: REGULATORY TERMINATION

PacifiCorp may terminate this Agreement, without penalty or damages, with one (1) day's notice if Seller (i) permanently suspends operations at its paper mill containing the Facility in Albany, Oregon, for any reason whatsoever including, without limitation, regulatory or legal actions by either the State of Oregon or the United States Environmental Protection Agency that affect the operation of the Facility for environmental purposes or (ii) loses its QF certification for the Facility.

SECTION 15: SEVERAL OBLIGATIONS

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 between the Parties. If Seller includes two or more parties, each such party shall be jointly and severally liable for Seller's obligations under this Agreement.

SECTION 16: CHOICE OF LAW

This Agreement shall be interpreted and enforced 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.

SECTION 17: PARTIAL INVALIDITY

It is not the intention of the Parties to violate any laws governing the subject matter of this Agreement. If any of the terms of the Agreement are finally held or determined to be invalid, illegal or void as being contrary to any applicable law or public policy, all other terms of the Agreement shall remain in effect. If any terms are finally held or determined to be invalid, illegal or void, the Parties shall enter into negotiations concerning the terms affected by such decision for the purpose of achieving conformity with requirements of any applicable law and the intent of the Parties to this Agreement.

SECTION 18: WAIVER

Any waiver at any time by either Party of its rights with respect to an Event of Default under this Agreement or with respect to any other matters arising in connection with this Agreement must be in writing, and such waiver shall not be deemed a waiver with respect to any subsequent default or other matter.

SECTION 19: GOVERNMENTAL AUTHORIZATIONS; REPEAL OF PURPA

Seller shall at all times maintain in effect all local, state and federal licenses, permits and other approvals as then may be required by law for the construction, operation and maintenance of the Facility, and shall provide upon request copies of the same to PacifiCorp.

This Agreement shall not terminate upon the repeal of the PURPA, unless federal or state law mandates such termination. The repeal of PURPA during the Term, shall not cause Seller to be deemed in breach of Seller’s warranty in Section 3.2.6.

SECTION 20: SUCCESSORS AND ASSIGNS

This Agreement and all of the terms hereof shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties. No assignment hereof by either Party shall become effective without (a) the written consent of the other Party being first obtained and such consent shall not be unreasonably withheld, (b) Seller agreeing to require as a condition of sale of the Facility that the buyer thereof agree to abide by the terms of this Agreement; and (c) the assignee agreeing in writing to be bound by the terms hereof. Notwithstanding part (a) of the foregoing, either Party may assign this Agreement without the other Party’s consent to a lender as part of a financing transaction or as part of (x) a sale of the Facility (in the case of Seller) or of all or substantially all of the assigning Party’s assets (in the case of PacifiCorp) or (y) a merger, consolidation or other reorganization of the assigning Party.

SECTION 21: ENTIRE AGREEMENT

This Agreement supersedes all prior agreements, proposals, representations, negotiations, discussions or letters, whether oral or in writing, regarding PacifiCorp's purchase of Net Delivered

Energy from the Facility. No modification of this Agreement shall be effective unless it is in writing and signed by both Parties.

SECTION 22: NOTICES

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

To Seller:

All Notices:

Shipping Address 3251 OLD SALEM RD NE
ALBANY OR 97321

Mailing Address PO BOX 339
ALBANY OR 97321

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

Duns: 001316561
Federal Tax ID Number: 13-0872805

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

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

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

Wire Transfer:
International Paper
JP Morgan Chase Bank
New York, NY 10081
ABA: 021000021
Swift ID: CHASUS33
ACCT: 0361046469
Bank Contact: Jeanne Muino (212) 552-1481

All Notices:

To PacifiCorp:

All Notices:

825 NE Multnomah Street
Portland, OR 97232
Attn: Contract Administration, Suite 600
Phone: (503) 813 - 5952
Facsimile: (503) 813 - 6291
Duns: 00-790-9013
Federal Tax ID Number: 93-0246090

Invoices:
Attn: Back Office, Suite 600
Phone: (503) 813 - 5585
Facsimile: (503) 813 – 5580

Scheduling:
Attn: Resource Planning, Suite 600
Phone: (503) 813 - 6090
Facsimile: (503) 813 – 6265

Real Time Generation Desk:
Attn: Real Time Generation Desk, Suite 600
Phone: (503) 813 - 5394
Facsimile: (503) 813 – 5512

Payments:
Attn: Wholesale Sales
PO Box 5504
Portland, OR 97228

Wire Transfer:
BNK: Bank One N.A.
ABA: 071000013
ACCT: 55-44688
NAME: PacifiCorp Wholesale

Credit and Collections:
Attn: Credit Manager, Suite 700
Phone: (503) 813 - 5684
Facsimile: (503) 813 – 5609

With additional Notices of an Event of Default or Potential Event of Default to:
Attn: PacifiCorp General Counsel
Phone: (503) 813-5029
Facsimile: (503) 813-7252

22.2 The Parties may change the person to whom such notices are addressed, or their addresses, by providing written notices thereof in accordance with this Section.

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

PacifiCorp	Seller
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Title:_____________________________	Title: ____________________________

EXHIBIT A
DESCRIPTION OF SELLER'S FACILITY

Seller's Facility consists of one (1) gas fired simple cycle gas aeroderivative turbine generators manufactured by General Electric (LM6000) with a total Nameplate Capacity Rating of 48000 kW, and one (1) Ganz Ansaldo steam turbine generator with a Nameplate Capacity Rating of 45030 kW. More specifically, the Facilities Description is Appendix D of the Large Generation Interconnection Agreement between PacifiCorp and International Paper Company dated ________________.

Point of Delivery: The low side of the retail delivery transformer at PacifiCorp's Western Kraft substation.

Location of the Facility: The Facility is located in the vicinity of the International Paper Mill in Linn County, Oregon. The location is more particularly described as follows:

MAIN PAPER MILL SITE DESCRIPTION (location of the steam turbine)

Map: 10S 03W 28 00400

Also vacated road contg 0.25 ac(MF192-335) Rd File #689

Also Tax Lot 1203, daf: Beg at the SE cor of the Isaac Miller DLC 46;
th N1°11'47"W 262.63 ft; th S88°54'W, 2226.47 ft to the true POB; th
S88°54'W 300.31 ft; th S18°19'E 249.94 ft; th N42°22'18"E 328.97 ft
to the POB Contg 0.82 ac (M-248-96)
Except 0.12 ac gone to Co Rd 367 (MF992-457)

NO. 1 TURBINE SITE DESCRIPTION (location of the engine)

Map: 10S 03W 28 01100

Assessors Desc. FTLPO
Beg. N. 1°15' W. 4 chs. fr the SE cor. of I. Miller Sr.
DLC. 46, T. 10 S3,R 3 W.
  th N. 1°15' W. 16 chs.
  th S. 88°37' W. (34.85 chs.) to W. li of Sec. 28
  th S. 16 chs.
  th N. 88°37' E. 35.25 chs.
  56.08 Less 0.73 Rd.
Also Tax Lot 400 (10 3W 29) daf: Assessor's Desc: Baap N1º15'W 20chs &
S88º37'W 34.85 chs fr SE cor of DLC I, Miller C1. 46, T 10S, R3W; th S
88º37'W 27.65chs; th S1º15'E 16chs; th N88º37'E 27.25chs; th N 16chs
to beg; Ex Tax Lot 401. Contg 9.49ac (M-238-95)
Except 0.21 ac gone to Co Rd 367 (MF992-455)

EXHIBIT B
REQUIRED FACILITY DOCUMENTS

LARGE GENERATION INTERCONNECTION AGREEMENT between PACIFICORP and INTERNATIONAL PAPER COMPANY dated ____________

SELLER’S QF SELF-CERTIFICATION

ABSTRACT OF SELLER’S INSURANCE POLICY

SELLER’S MASTER ELECTRIC SERVICE AGREEMENT

EXHIBIT C
ANTICIPATED MONTHLY MAINTENANCE SCHEDULES

Approved Outage Periods during the Term are tentatively scheduled for:

Albany Maintenance Schedule - hours per month		
2010	LM-6000	Steam Turbine
Jan		
Feb	24 Quarterly Maint	
Mar		
Apr	120 Mill annual outage	672 Turbine maintenance
May		336 Turbine maintenance
Jun	120 LM-6000 & HRSG annual outage.	
July		
Aug		
Sep		
Oct	24 Quarterly Maint	
Nov		
Dec		

Albany Maintenance Schedule - hours per month		
2011	LM-6000	Steam Turbine
Jan		
Feb	24 Quarterly Maint	
Mar		
Apr	120 Mill annual outage	120 Mill annual outage
May		
Jun	120 LM-6000 & HRSG annual outage.	
July		
Aug		
Sep		
Oct	24 Quarterly Maint	
Nov		
Dec		

These schedules are tentative and may be adjusted by Seller with 10 business days prior notice to PacifiCorp.

EXHIBIT D
BILLING SCENARIO EXAMPLES

Case 1: Monthly On-Peak Availability Factor = 100%

Enter First Day of Month	7/1/10 [redacted]
Enter Holiday	4

				Price
Total On-Peak Net Delivered Energy	**19,440,000**	HLH	**19,440,000**	**73.66**
85% Capacity (On-Peak)	**15,912,000**	LLH	**14,040,000**	**57.87**
On-Peak Output Shortfall	**-**		33,480,000	
Monthly On-Peak Availability Factor	**100.00%**			
Total $$	**$ 2,244,445.20**			

	110036										
CH 5	CH 1	CH 3									
A	**B**	**C**				**A + B - C**	**D**				
Generation Meter (KW)	Revenue Mtr "to IP"	Revenue Mtr "from IP"	Date	HE	Day	Load Meter	Max Delivery Rate	Net Delivered Energy (Max 45 MW/Hr)	Hour Type (HLH = On-Peak LLH = Off-Peak)	Payment - On- Peak	Payment - Off- Peak
50240	0	1080	7/1/10	1	Thu	49,160	45,000	45,000	LLH	$ -	$ 2,604.15
50080	10	1090	7/1/10	2	Thu	49,000	45,000	45,000	LLH	$ -	$ 2,604.15
50130	0	1050	7/1/10	3	Thu	49,080	45,000	45,000	LLH	$ -	$ 2,604.15
50110	0	1100	7/1/10	4	Thu	49,010	45,000	45,000	LLH	$ -	$ 2,604.15
49740	0	1060	7/1/10	5	Thu	48,680	45,000	45,000	LLH	$ -	$ 2,604.15
49670	0	1080	7/1/10	6	Thu	48,590	45,000	45,000	LLH	$ -	$ 2,604.15
49670	0	1080	7/1/10	7	Thu	48,590	45,000	45,000	HLH	$ 3,314.70	$ -
49360	0	1060	7/1/10	8	Thu	48,300	45,000	45,000	HLH	$ 3,314.70	$ -
49720	0	1090	7/1/10	9	Thu	48,630	45,000	45,000	HLH	$ 3,314.70	$ -
49920	0	1070	7/1/10	10	Thu	48,850	45,000	45,000	HLH	$ 3,314.70	$ -
50270	0	1060	7/1/10	11	Thu	49,210	45,000	45,000	HLH	$ 3,314.70	$ -
49980	0	1080	7/1/10	12	Thu	48,900	45,000	45,000	HLH	$ 3,314.70	$ -
49790	10	1110	7/1/10	13	Thu	48,690	45,000	45,000	HLH	$ 3,314.70	$ -
49980	0	1040	7/1/10	14	Thu	48,940	45,000	45,000	HLH	$ 3,314.70	$ -
50170	0	1090	7/1/10	15	Thu	49,080	45,000	45,000	HLH	$ 3,314.70	$ -
50210	0	1080	7/1/10	16	Thu	49,130	45,000	45,000	HLH	$ 3,314.70	$ -
50270	0	1060	7/1/10	17	Thu	49,210	45,000	45,000	HLH	$ 3,314.70	$ -
50320	20	1060	7/1/10	18	Thu	49,280	45,000	45,000	HLH	$ 3,314.70	$ -
50180	20	1160	7/1/10	19	Thu	49,040	45,000	45,000	HLH	$ 3,314.70	$ -
50230	0	1060	7/1/10	20	Thu	49,170	45,000	45,000	HLH	$ 3,314.70	$ -
50410	10	1090	7/1/10	21	Thu	49,330	45,000	45,000	HLH	$ 3,314.70	$ -
50380	0	1080	7/1/10	22	Thu	49,300	45,000	45,000	HLH	$ 3,314.70	$ -
50020	0	1070	7/1/10	23	Thu	48,950	45,000	45,000	LLH	$ -	$ 2,604.15
50070	0	1060	7/1/10	24	Thu	49,010	45,000	45,000	LLH	$ -	$ 2,604.15
49940	0	1040	7/2/10	1	Fri	48,900	45,000	45,000	LLH	$ -	$ 2,604.15
50050	10	1150	7/2/10	2	Fri	48,910	45,000	45,000	LLH	$ -	$ 2,604.15
49680	0	1060	7/2/10	3	Fri	48,620	45,000	45,000	LLH	$ -	$ 2,604.15
49680	20	1110	7/2/10	4	Fri	48,590	45,000	45,000	LLH	$ -	$ 2,604.15
47850	0	1600	7/2/10	5	Fri	46,250	45,000	45,000	LLH	$ -	$ 2,604.15
45250	0	7400	7/2/10	6	Fri	37,850	45,000	45,000	LLH	$ -	$ 2,604.15
45260	0	8230	7/2/10	7	Fri	37,030	45,000	45,000	HLH	$ 3,314.70	$ -
45250	0	8400	7/2/10	8	Fri	36,850	45,000	45,000	HLH	$ 3,314.70	$ -
46350	30	3050	7/2/10	9	Fri	43,330	45,000	45,000	HLH	$ 3,314.70	$ -
48040	20	1070	7/2/10	10	Fri	46,990	45,000	45,000	HLH	$ 3,314.70	$ -
48380	0	1080	7/2/10	11	Fri	47,300	45,000	45,000	HLH	$ 3,314.70	$ -
48870	10	1100	7/2/10	12	Fri	47,780	45,000	45,000	HLH	$ 3,314.70	$ -
48350	10	1090	7/2/10	13	Fri	47,270	45,000	45,000	HLH	$ 3,314.70	$ -
47930	0	1090	7/2/10	14	Fri	46,840	45,000	45,000	HLH	$ 3,314.70	$ -
47620	10	1090	7/2/10	15	Fri	46,540	45,000	45,000	HLH	$ 3,314.70	$ -
47780	10	1040	7/2/10	16	Fri	46,750	45,000	45,000	HLH	$ 3,314.70	$ -
48530	0	1120	7/2/10	17	Fri	47,410	45,000	45,000	HLH	$ 3,314.70	$ -
48420	0	1080	7/2/10	18	Fri	47,340	45,000	45,000	HLH	$ 3,314.70	$ -
48720	0	1110	7/2/10	19	Fri	47,610	45,000	45,000	HLH	$ 3,314.70	$ -
49040	10	1070	7/2/10	20	Fri	47,980	45,000	45,000	HLH	$ 3,314.70	$ -
49010	0	1080	7/2/10	21	Fri	47,930	45,000	45,000	HLH	$ 3,314.70	$ -
49150	0	1080	7/2/10	22	Fri	48,070	45,000	45,000	HLH	$ 3,314.70	$ -
49820	10	1100	7/2/10	23	Fri	48,730	45,000	45,000	LLH	$ -	$ 2,604.15
50420	0	1070	7/2/10	24	Fri	49,350	45,000	45,000	LLH	$ -	$ 2,604.15
50960	0	1100	7/3/10	1	Sat	49,860	45,000	45,000	LLH	$ -	$ 2,604.15
51010	0	1060	7/3/10	2	Sat	49,950	45,000	45,000	LLH	$ -	$ 2,604.15
50790	0	1080	7/3/10	3	Sat	49,710	45,000	45,000	LLH	$ -	$ 2,604.15
50940	0	1080	7/3/10	4	Sat	49,860	45,000	45,000	LLH	$ -	$ 2,604.15
50810	10	1100	7/3/10	5	Sat	49,720	45,000	45,000	LLH	$ -	$ 2,604.15
49640	0	1180	7/3/10	6	Sat	48,460	45,000	45,000	LLH	$ -	$ 2,604.15

EXHIBIT D-ctd

Case 2: Monthly On-Peak Availability Factor varies between 85% and 99%.

Enter First Day of Month	7/1/10	[redacted]
Enter Holiday	4	

					Price
Total On-Peak Net Delivered Energy	**17,321,000**	HLH	**17,321,000**		**72.48**
85% Capacity (On-Peak)	**15,912,000**	LLH	**12,606,640**		**57.87**
On-Peak Output Shortfall	**-**		29,927,640		
Monthly On-Peak Availability Factor	**92.53%**				
Total $$	**$ 1,984,971.78**				

CH 5 **A** Generation Meter (KW)	110036 CH 1 **B** Revenue Mtr "to IP"	CH 3 **C** Revenue Mtr "from IP"	Date	HE	Day	**A + B - C** Load Meter	**D** Max Delivery Rate	Net Delivered Energy (Max 45 MW/Hr)	Hour Type (HLH = On-Peak LLH = Off-Peak)	Payment - On-Peak	Payment - Off- Peak
35000	0	1080	7/1/10	1	Thu	33,920	45,000	35,000	LLH	$ -	$ 2,025.45
35000	10	1090	7/1/10	2	Thu	33,920	45,000	35,000	LLH	$ -	$ 2,025.45
35000	0	1050	7/1/10	3	Thu	33,950	45,000	35,000	LLH	$ -	$ 2,025.45
35000	0	1100	7/1/10	4	Thu	33,900	45,000	35,000	LLH	$ -	$ 2,025.45
35000	0	1060	7/1/10	5	Thu	33,940	45,000	35,000	LLH	$ -	$ 2,025.45
35000	0	1080	7/1/10	6	Thu	33,920	45,000	35,000	LLH	$ -	$ 2,025.45
35000	0	1080	7/1/10	7	Thu	33,920	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1060	7/1/10	8	Thu	33,940	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1090	7/1/10	9	Thu	33,910	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1070	7/1/10	10	Thu	33,930	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1060	7/1/10	11	Thu	33,940	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1080	7/1/10	12	Thu	33,920	45,000	35,000	HLH	$ 2,536.80	$ -
35000	10	1110	7/1/10	13	Thu	33,900	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1040	7/1/10	14	Thu	33,960	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1090	7/1/10	15	Thu	33,910	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1080	7/1/10	16	Thu	33,920	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1060	7/1/10	17	Thu	33,940	45,000	35,000	HLH	$ 2,536.80	$ -
35000	20	1060	7/1/10	18	Thu	33,960	45,000	35,000	HLH	$ 2,536.80	$ -
35000	20	1160	7/1/10	19	Thu	33,860	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1060	7/1/10	20	Thu	33,940	45,000	35,000	HLH	$ 2,536.80	$ -
35000	10	1090	7/1/10	21	Thu	33,920	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1080	7/1/10	22	Thu	33,920	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1070	7/1/10	23	Thu	33,930	45,000	35,000	LLH	$ -	$ 2,025.45
35000	0	1060	7/1/10	24	Thu	33,940	45,000	35,000	LLH	$ -	$ 2,025.45
35000	0	1040	7/2/10	1	Fri	33,960	45,000	35,000	LLH	$ -	$ 2,025.45
35000	10	1150	7/2/10	2	Fri	33,860	45,000	35,000	LLH	$ -	$ 2,025.45
35000	0	1060	7/2/10	3	Fri	33,940	45,000	35,000	LLH	$ -	$ 2,025.45
35000	20	1110	7/2/10	4	Fri	33,910	45,000	35,000	LLH	$ -	$ 2,025.45
35000	0	1600	7/2/10	5	Fri	33,400	45,000	35,000	LLH	$ -	$ 2,025.45
35000	0	7400	7/2/10	6	Fri	27,600	45,000	35,000	LLH	$ -	$ 2,025.45
35000	0	8230	7/2/10	7	Fri	26,770	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	8400	7/2/10	8	Fri	26,600	45,000	35,000	HLH	$ 2,536.80	$ -
35000	30	3050	7/2/10	9	Fri	31,980	45,000	35,000	HLH	$ 2,536.80	$ -
35000	20	1070	7/2/10	10	Fri	33,950	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1080	7/2/10	11	Fri	33,920	45,000	35,000	HLH	$ 2,536.80	$ -
35000	10	1100	7/2/10	12	Fri	33,910	45,000	35,000	HLH	$ 2,536.80	$ -
35000	10	1090	7/2/10	13	Fri	33,920	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1090	7/2/10	14	Fri	33,910	45,000	35,000	HLH	$ 2,536.80	$ -
35000	10	1090	7/2/10	15	Fri	33,920	45,000	35,000	HLH	$ 2,536.80	$ -
35000	10	1040	7/2/10	16	Fri	33,970	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1120	7/2/10	17	Fri	33,880	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1080	7/2/10	18	Fri	33,920	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1110	7/2/10	19	Fri	33,890	45,000	35,000	HLH	$ 2,536.80	$ -
35000	10	1070	7/2/10	20	Fri	33,940	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1080	7/2/10	21	Fri	33,920	45,000	35,000	HLH	$ 2,536.80	$ -
35000	0	1080	7/2/10	22	Fri	33,920	45,000	35,000	HLH	$ 2,536.80	$ -
35000	10	1100	7/2/10	23	Fri	33,910	45,000	35,000	LLH	$ -	$ 2,025.45
35000	0	1070	7/2/10	24	Fri	33,930	45,000	35,000	LLH	$ -	$ 2,025.45
35000	0	1100	7/3/10	1	Sat	33,900	45,000	35,000	LLH	$ -	$ 2,025.45
35000	0	1060	7/3/10	2	Sat	33,940	45,000	35,000	LLH	$ -	$ 2,025.45
35000	0	1080	7/3/10	3	Sat	33,920	45,000	35,000	LLH	$ -	$ 2,025.45
35000	0	1080	7/3/10	4	Sat	33,920	45,000	35,000	LLH	$ -	$ 2,025.45
35000	10	1100	7/3/10	5	Sat	33,910	45,000	35,000	LLH	$ -	$ 2,025.45
35000	0	1180	7/3/10	6	Sat	33,820	45,000	35,000	LLH	$ -	$ 2,025.45

EXHIBIT D-ctd

Case 3: Monthly On-Peak Availability Factor < 85%.

Enter First Day of Month	7/1/10
Enter Holiday	4

Total On-Peak Net Delivered Energy	**14,026,970**
85% Capacity (On-Peak)	**15,912,000**
On-Peak Output Shortfall	**(1,885,030)**
Monthly On-Peak Availability Factor	**74.93%**
Total $$	**$ 1,582,954.07**

		Price
HLH	**14,026,970**	**71.29**
LLH	**10,073,810**	**57.87**
	24,100,780	

	110036										
CH 5	CH 1	CH 3									
A	**B**	**C**				**A + B - C**	**D**				
Generation Meter (KW)	Revenue Mtr "to IP"	Revenue Mtr "from IP"	Date	HE	Day	Load Meter	Max Delivery Rate	Net Delivered Energy (Max 45 MW/Hr)	Hour Type (HLH = On-Peak LLH = Off-Peak)	Payment - On-Peak	Payment - Off-
40000	10	1090	7/1/10	1	Thu	38,920	45,000	40,000	LLH	$ -	$ 2,314.80
40000	0	1050	7/1/10	2	Thu	38,950	45,000	40,000	LLH	$ -	$ 2,314.80
40000	60	1170	7/1/10	3	Thu	38,890	45,000	40,000	LLH	$ -	$ 2,314.80
40000	60	1080	7/1/10	4	Thu	38,980	45,000	40,000	LLH	$ -	$ 2,314.80
40000	0	1150	7/1/10	5	Thu	38,850	45,000	40,000	LLH	$ -	$ 2,314.80
40000	10	1050	7/1/10	6	Thu	38,960	45,000	40,000	LLH	$ -	$ 2,314.80
40000	0	1090	7/1/10	7	Thu	38,910	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1070	7/1/10	8	Thu	38,930	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1060	7/1/10	9	Thu	38,940	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1080	7/1/10	10	Thu	38,920	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1080	7/1/10	11	Thu	38,920	45,000	40,000	HLH	$ 2,851.60	$ -
40000	50	1180	7/1/10	12	Thu	38,870	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1000	7/1/10	13	Thu	39,000	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1090	7/1/10	14	Thu	38,910	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1060	7/1/10	15	Thu	38,940	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1090	7/1/10	16	Thu	38,910	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1060	7/1/10	17	Thu	38,940	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1070	7/1/10	18	Thu	38,930	45,000	40,000	HLH	$ 2,851.60	$ -
40000	10	1070	7/1/10	19	Thu	38,940	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1080	7/1/10	20	Thu	38,920	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1080	7/1/10	21	Thu	38,920	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1070	7/1/10	22	Thu	38,930	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1090	7/1/10	23	Thu	38,910	45,000	40,000	LLH	$ -	$ 2,314.80
40000	0	1070	7/1/10	24	Thu	38,930	45,000	40,000	LLH	$ -	$ 2,314.80
40000	0	1060	7/2/10	1	Fri	38,940	45,000	40,000	LLH	$ -	$ 2,314.80
40000	0	1070	7/2/10	2	Fri	38,930	45,000	40,000	LLH	$ -	$ 2,314.80
40000	0	1070	7/2/10	3	Fri	38,930	45,000	40,000	LLH	$ -	$ 2,314.80
40000	0	1090	7/2/10	4	Fri	38,910	45,000	40,000	LLH	$ -	$ 2,314.80
40000	0	1060	7/2/10	5	Fri	38,940	45,000	40,000	LLH	$ -	$ 2,314.80
40000	0	1070	7/2/10	6	Fri	38,930	45,000	40,000	LLH	$ -	$ 2,314.80
40000	0	1090	7/2/10	7	Fri	38,910	45,000	40,000	HLH	$ 2,851.60	$ -
40000	10	1040	7/2/10	8	Fri	38,970	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1070	7/2/10	9	Fri	38,930	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1090	7/2/10	10	Fri	38,910	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1070	7/2/10	11	Fri	38,930	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1060	7/2/10	12	Fri	38,940	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1080	7/2/10	13	Fri	38,920	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1080	7/2/10	14	Fri	38,920	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1060	7/2/10	15	Fri	38,940	45,000	40,000	HLH	$ 2,851.60	$ -
40000	10	1060	7/2/10	16	Fri	38,950	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1080	7/2/10	17	Fri	38,920	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1100	7/2/10	18	Fri	38,900	45,000	40,000	HLH	$ 2,851.60	$ -
40000	50	1120	7/2/10	19	Fri	38,930	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1070	7/2/10	20	Fri	38,930	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1060	7/2/10	21	Fri	38,940	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1090	7/2/10	22	Fri	38,910	45,000	40,000	HLH	$ 2,851.60	$ -
40000	0	1090	7/2/10	23	Fri	38,910	45,000	40,000	LLH	$ -	$ 2,314.80
40000	0	1080	7/2/10	24	Fri	38,920	45,000	40,000	LLH	$ -	$ 2,314.80
40000	0	1080	7/3/10	1	Sat	38,920	45,000	40,000	LLH	$ -	$ 2,314.80
40000	0	1080	7/3/10	2	Sat	38,920	45,000	40,000	LLH	$ -	$ 2,314.80
40000	0	1080	7/3/10	3	Sat	38,920	45,000	40,000	LLH	$ -	$ 2,314.80
40000	0	1050	7/3/10	4	Sat	38,950	45,000	40,000	LLH	$ -	$ 2,314.80
40000	10	1080	7/3/10	5	Sat	38,930	45,000	40,000	LLH	$ -	$ 2,314.80
40000	0	1080	7/3/10	6	Sat	38,920	45,000	40,000	LLH	$ -	$ 2,314.80

EXHIBIT E
ORDER NO. 07-360 ADJUSTMENTS TO SCHEDULE 37 AVOIDED COST PRICES

The following adjustments to the Schedule 37 Avoided Cost Prices, above, are based on the Commission's Adopted Guidelines for Negotiation of Power Purchase Agreements for QFs 10 MW or Larger (published in Appendix A of Commission Order No. 07-360), PacifiCorp's compliance filing and PacifiCorp's Tariff, Schedule 38:

A. Transmission and Distribution System Upgrades – Schedule 38 permits an upward adjustment of the Schedule 37 prices based upon system upgrade savings realized as a result of purchasing Seller's power. PacifiCorp Transmission has confirmed that Seller's Facility will not enable any postponement or avoidance of any system upgrade during 2008. Therefore there is no Transmission and Distribution System Upgrade adjustment to the Schedule 37 pricing.

B. Dispatchability-- Schedule 38 permits an adjustment (upward or downward) to account for differences in dispatchability between Seller's Facility and the proxy resource. PacifiCorp has no right to schedule, curtail, or dispatch the Facility under normal operating conditions. This is comparable to PacifiCorp's proxy resource (firm power purchases). Therefore, there is no dispatchability adjustment to Schedule 37 Avoided Costs Prices.

C. Reliability – Schedule 38 permits an adjustment (upward or downward) to account for differences in reliability between Seller's Facility and the proxy resource. Schedule 37 On-Peak price is reduced by 3.410% and the Schedule 37 Off-Peak price is reduced by 2.120% to account for the difference in service quality between the proxy resource and Seller's energy deliveries supplied without reserves. The reductions are based on PacifiCorp's cost of holding reserves for the term, in order to obtain a product comparable to the proxy resource.

D. Further Adjustment for On-Peak availability – Schedule 38 permits an adjustment (upward or downward) to account for differences in On-Peak availability between Seller's Facility and the proxy resource. The On-Peak availability of the proxy resource is 100%. Seller's Contract Price for On-Peak deliveries will be adjusted downward to account for Seller's Contracted Monthly On-Peak Availability Factor of 85%. Seller shall receive a higher Contract Price for On-Peak deliveries if its actual Monthly On-Peak Availability exceeds 85%. Seller shall receive the Contract Price (but may be liable for liquidated damages pursuant to the liquidated damages formula, below) if its actual Monthly On-Peak Availability is less than 85%.

E. Fossil Fuel Risk-- Schedule 38 permits an adjustment (upward) to account for differences in fossil fuel risk between Seller's Facility and the proxy resource. The Fossil Fuel Risk adjustment applies only during times when Company is resource deficient. Therefore there is no Fossil Fuel Risk adjustment to the Schedule 37 Avoided Cost Prices.

F. Line Losses – Schedule 38 permits an adjustment (upward or downward) to account for differences in line losses between Seller's Facility and the proxy resource. The Line Loss adjustment accounts for the differences in line losses on the system with and without Seller's Facility. Based on PacifiCorp's transmission and distribution loss rates in Oregon Schedule 220, Seller is entitled to a line loss credit of 5.077% to the Schedule 37 price.

The Adjustments and resulting Contract Prices are shown on the following page.

EXHIBIT E-ctd

EXHIBIT E-ctd

QuickTime™ and a
decompressor
are needed to see this picture.

EXHIBIT F
Table of On-Peak Prices and Examples (2010 Prices)

International Paper APM 2010 - 2011 QF pricin

Steps:
1) adjust schedule 37 on and off peak prices downward for non-firm delivery
On-Peak price = $72.10/MWh * 96.59% = $69.64/MWh
Off-Peak price: $55.90/MWh * 97.88% = $54.71/MWh
2) adjust prices in step 1) upward for transmission loss benefit
On-Peak price = $69.64/MWh * (1+ 5.77%) = $73.66/MWh
Off-Peak price: $54.71/MWh * (1+ 5.77%) = $57.87/MWh
3) provide a sliding scale to on-peak prices only to reflect actual monthly on-peak availability
4) calculate liquidated damages if applicable

monthly on-pk availability less planned maintenance hours %	2010 on-pk $/MWh	2010 off-pk $/MWh
100%	$ 73.66	$ 57.87
99%	$ 73.50	$ 57.87
98%	$ 73.34	$ 57.87
97%	$ 73.18	$ 57.87
96%	$ 73.03	$ 57.87
95%	$ 72.87	$ 57.87
94%	$ 72.71	$ 57.87
93%	$ 72.55	$ 57.87
92%	$ 72.39	$ 57.87
91%	$ 72.24	$ 57.87
90%	$ 72.08	$ 57.87
89%	$ 71.92	$ 57.87
88%	$ 71.76	$ 57.87
87%	$ 71.61	$ 57.87
86%	$ 71.45	$ 57.87
85%	$ 71.29	$ 57.87

notes: 1) monthly availability is only calculated for on-peak hours less any planned on-peak maintenance hours

Steps:
1) calculate monthly on-peak availability factor
2) where monthly availability = actual on-peak net generation (MWh/mn) / ((total on-peak hours minus planned maintenance hours(hrs/mn)) * 45 MW)

3) calculate on-peak price = off-peak price + [($73.66/MWh - $57.87/MWh) *on-peak availability factor]
4) All on-pk net generation (MWh/mn) * on-pk price ($/MWh) at coorsponding monthly on-pk availability
5) All off-pk net generation (MWh/mn) * off-pk price ($/MWh) at coorsponding monthly off-pk availability
6) Shortfall enegy (MWh/mn * (average of hourly on-peak market price - $71.61/MWh)

Example: **Oct-10**

Givens:	total on-pk hours	432 hrs/mn
	total off-pk hours	312 hrs/mn
	planned maintenance on-pk hours	16 hrs/mn
	actual on-pk net generation	16,475 MWh/mn
	actual off-pk net generation	13,350 MWh/mn

2) Oct 2010 monthly on-peak availability
equals 16,475 / (432-16) *45
equals 88.0%
3) $57.87/MWh + [($73.66/MWh - $57.87/MWh) * 0.88]
4) 16,475 MWh/mn * $71.76/MWh
$1,182,332/mn - on-peak
5) 13,350 MWh/mn * $57.87/MWh
$772,564/mn - off-peak

EXHIBIT G

FORM OF MEMORANDUM OF POWER PURCHASE AGREEMENT

WHEN RECEIVED MAIL TO:

PACIFICORP
825 NE Multnomah, Suite 1900
Portland, Oregon 97232
Attn: Credit Manager

MEMORANDUM OF POWER PURCHASE AGREEMENT

THIS MEMORANDUM OF POWER PURCHASE AGREEMENT ("**Memorandum**"), dated as of the ____ day of _____________, 2009, is made by and between INTERNATIONAL PAPER COMPANY, a New York Corporation ("**Seller**") and PACIFICORP, an Oregon corporation ("**PacifiCorp**"). Seller and PacifiCorp are sometimes hereinafter referred to collectively as the "**Parties**" and individually as "**Party**".

RECITALS

A. Seller and PacifiCorp entered into a Power Purchase Agreement on or about August __, 2009 (the "**Agreement**"), pursuant to which Seller has agreed to deliver, and PacifiCorp has agreed to purchase, until January 1, 2012 all Net Delivered Energy (as that term is defined in the Agreement) from Seller's Qualifying Facility (the "**Facility**") located at its Albany Paper Mill in Township 10 South, Range 3 West Section 28, Linn County, Oregon. The property on which the Facility is located (the "**Premises**") is more particularly described in the attached **Exhibit A.**

B. Seller and PacifiCorp desire to provide record notice of Seller's obligations under the Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and obligations set forth in the Agreement and this Memorandum, Seller and PacifiCorp agree as follows:

TERMS

1. The Premises. Seller acknowledges and agrees that the real property comprising the Premises, and all improvements and fixtures constructed thereon, including without limitation, the Facility, are and will be owned by the Seller and shall hereafter be held, sold, conveyed, transferred, assigned, subdivided, leased, rented, encumbered, occupied and used subject to and in accordance with the provisions of Section 11.4 of the Agreement and this Memorandum.

2. Covenants Running with the Land. The provisions of Section 11.4 of the Agreement are and shall be deemed to be covenants running with the land and shall be binding upon and inure to the benefit of Seller and PacifiCorp and their respective successors and assigns, including without limitation any person acquiring or owning an interest in the Premises or the Project, and their respective heirs, executors, successors, assigns, administrators, devisees and representatives.

3. Notice. Pursuant to Section 11.4 of the Agreement, if the Agreement is terminated due to a default by Seller, and Seller, or any successor to Seller with respect to the ownership of the Premises, requires or seeks to require PacifiCorp to purchase energy from the Facility under the Public Utility Regulatory Policies Act of 1978, as amended from time to time ("PURPA"), such purchases shall, at PacifiCorp's sole option, be subject to the terms of the Agreement, including but not limited to the contract pricing of Section 5.1, until January 1, 2012.

EXHIBIT G--ctd

4. This Memorandum, and the rights and obligations of the parties hereunder, are subject to all of the terms and conditions of the Agreement. The Agreement is hereby incorporated by reference as if fully set forth herein.

5. Counterparts. This Memorandum may be executed in counterparts, each of which when executed and delivered shall be deemed an original, and all of which shall together constitute one and the same instrument.

6. Further Information. Further information regarding the specific terms and conditions of the Agreement may be requested from PacifiCorp at 825 NE Multnomah, Suite 600, Portland, Oregon 97232, Attn: Manager, Origination. Disclosure of any such information shall be subject to the terms and conditions of a written confidentiality agreement acceptable to PacifiCorp in its sole and absolute discretion.

IN WITNESS WHEREOF, Grantor and Grantee have executed and acknowledged this Memorandum as of the day and year first above written.

INTERNATIONAL PAPER CO. a New York Corporation	PACIFICORP, an Oregon corporation
By: ______________________________	By: ______________________________
Name: ____________________________	Name: ____________________________
Title: _____________________________	Title: _____________________________

STATE OF ____________________)
: ss.
COUNTY OF__________________)

The foregoing instrument was acknowledged before me this ___ day of _____________ 2009 by ______________________________, the ______________________________ of INTERNATIONAL PAPER COMPANY, a New York Corporation.

____
NOTARY PUBLIC

STATE OF OREGON)
: ss.
COUNTY OF MULTNOMAH)

The foregoing instrument was acknowledged before me this ___ day of _____________ 2009 by ______________________________, the ______________________________ of PACIFICORP, an Oregon corporation.

____
NOTARY PUBLIC

EXHIBIT H

FORM OF MEMORANDUM OF POWER PURCHASE AGREEMENT

EXHIBIT A

TO
MEMORANDUM OF POWER PURCHASE AGREEMENT

(Legal Description of the Premises)

Legal Description attached hereto for recording and thereafter to be supplemented and/or updated by Seller to set forth recordable descriptions of all real property (fee and leasehold estates) comprising the Facility and Premises.

Location of the Facility: The Facility is located in the vicinity of the International Paper Mill in Linn County, Oregon. The location is more particularly described as follows:

MAIN PAPER MILL SITE DESCRIPTION (location of the steam turbine)

Map: 10S 03W 28 00400

Also vacated road contg 0.25 ac(MF192-335) Rd File #689

Also Tax Lot 1203, daf: Beg at the SE cor of the Isaac Miller DLC 46;
th N1°11'47"W 262.63 ft; th S88°54'W, 2226.47 ft to the true POB; th
S88°54'W 300.31 ft; th S18°19'E 249.94 ft; th N42°22'18"E 328.97 ft
to the POB Contg 0.82 ac (M-248-96)
Except 0.12 ac gone to Co Rd 367 (MF992-457)

NO. 1 TURBINE SITE DESCRIPTION (location of the engine)

Map: 10S 03W 28 01100

Assessors Desc. FTLPO
Beg. N. 1°15' W. 4 chs. fr the SE cor. of I. Miller Sr.
DLC. 46, T. 10 S3,R 3 W.
th N. 1°15' W. 16 chs.
th S. 88°37' W. (34.85 chs.) to W. li of Sec. 28
th S. 16 chs.
th N. 88°37' E. 35.25 chs.
56.08 Less 0.73 Rd.
Also Tax Lot 400 (10 3W 29) daf: Assessor's Desc: Baap N1º15'W 20chs &
S88º37'W 34.85 chs fr SE cor of DLC I, Miller C1. 46, T 10S, R3W; th S
88º37'W 27.65chs; th S1º15'E 16chs; th N88º37'E 27.25chs; th N 16chs
to beg; Ex Tax Lot 401. Contg 9.49ac (M-238-95)
Except 0.21 ac gone to Co Rd 367 (MF992-455)

EXHIBIT H
Seller's Authorization to Release Generation Data to PacifiCorp C&T

[Interconnection Customer Letterhead]

Transmission Services
Attn: Director, Transmission Services
825 NE Multnomah, Suite 1600
Portland, OR 97232

RE: ___________ Seller's Authorization to Release Generation Data to PacifiCorp C&T

Dear Sir:

_________________ hereby voluntarily authorizes PacifiCorp's Transmission business unit to share ____________________'s generator interconnection information and generator meter data with Marketing Affiliate employees of PacifiCorp Energy, including, but not limited to those in the Commercial and Trading group. _________________ acknowledges that PacifiCorp did not provide it any preferences, either operational or rate-related, in exchange for this voluntary consent.

____
Name

____
Title

____
Date

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

Docket No. ____

INTERNATIONAL PAPER COMPANY,)
)
Complainant,)
)
v.)
)
PACIFICORP, dba PACIFIC POWER,)
)
Defendant.)
)

DIRECT TESTIMONY OF

GREG COMATAS

ON BEHALF OF

INTERNATIONAL PAPER COMPANY

September 4, 2009

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

A. Greg Comatas, 6400 Poplar Avenue, Memphis, Tennessee 38197.

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

A. I am a strategic sourcing manager with International Paper Company ("IP"). I am appearing in this proceeding as a witness for IP.

Q. **PLEASE BRIEFLY DESCRIBE THE NATURE OF YOUR ROLE AT IP.**

A. I am an energy commodities buyer for IP facilities in Oregon, Washington, New York and North Carolina. It has been my role to represent IP in the negotiation of a renewal of our power purchase agreement ("PPA") with PacifiCorp. I have been the main point of contact between IP stakeholders and Jim Schroeder of PacifiCorp.

I. INTRODUCTION AND SUMMARY

Q. **WHAT IS THE PURPOSE OF THIS TESTIMONY?**

A. According to OAR § 860-029-0100(6), a complainant in a dispute involving negotiations between a qualifying facility ("QF") and a utility must support its claims by written direct testimony that includes all information upon which claims are made. This testimony is to provide the factual support for International Paper's Complaint before the Oregon Public Utility Commission ("OPUC").

Q. **PLEASE SUMMARIZE YOUR TESTIMONY.**

A. As primary contact for IP in negotiating a renewal of the PPA between PacifiCorp and IP, for IP's 45 megawatt ("MW") QF in Albany, Oregon ("2007 PPA"), I recite the chronology of negotiations between the two parties. I begin my testimony by explaining the background of the relationship between IP and

PacifiCorp, and then explain how and when the process for renewal of the PPA between the parties began. I discuss the initial untimeliness of PacifiCorp's response to IP's pricing proposal request. I recount the timing and content of PacifiCorp's first two, substantively agreeable draft PPAs, and IP's acceptance of their terms. I conclude by testifying to PacifiCorp's abrupt decision to suspend all pricing negotiations on the eve of contract execution, IP's continued efforts to execute a renewed PPA, and PacifiCorp's complete refusal to continue the negotiation process. Finally, I confirm that IP is ready, willing and able to execute a PPA with PacifiCorp pursuant to the terms and conditions offered by PacifiCorp at the avoided cost rates currently in effect under PacifiCorp's Schedule 37.

II. BACKGROUND OF THE PARTIES' RELATIONSHIP

Q. HOW DID IP COME INTO A QF RELATIONSHIP WITH PACIFICORP?

A. IP is the assignee of Weyerhaeuser Co., who originally executed a PPA with PacifiCorp on December 10, 2007, for the 45 MW QF in Albany, Oregon ("2007 PPA"). In connection with its acquisition of the Albany Mill, IP was assigned Weyerhaeuser's interest in the QF and in the 2007 PPA on August 4, 2008.

Q. WHEN DOES THE 2007 PPA EXPIRE?

A. The term of the 2007 PPA runs from January 1, 2008, to December 31, 2009.

Q. IS THERE ANYTHING ELSE RELEVANT TO THESE PROCEEDINGS, WHICH YOU WOULD LIKE TO DISCUSS CONCERNING THE 2007 PPA?

A. Yes. I was aware that the process of negotiation between Weyerhaeuser and PacifiCorp in executing the 2007 PPA spanned a number of months. Therefore, IP believed it would be prudent to initiate renewal negotiations well before the expiration of the 2007 PPA. It is also important to IP to have this contract finalized well before its expiration.

III. INITIATION OF THE RENEWAL PROCESS

Q. WHEN DID YOU INITIATE THE PROCESS TO RENEW THE 2007 PPA?

A. On May 29, 2009, per the requirements of OPUC Schedule 38, which governs avoided cost purchases from QFs larger than 10 MW, IP formally requested an indicative pricing proposal via email for renewal of the 2007 PPA. We informed PacifiCorp that all pertinent QF information was virtually unchanged from the 2007 PPA.

Q. DID PACIFICORP RESPOND IN A TIMELY MANNER TO IP'S REQUEST FOR AN INDICATIVE PRICING PROPOSAL?

A. No. Although Schedule 38 states that PacifiCorp will provide an indicative pricing proposal within 30 days of a request, PacifiCorp's proposal was not submitted until July 1, 2009. On June 1, 2009, PacifiCorp had sent us a very preliminary statement of proposed terms by email, indicating that pricing would be according to on and off peak avoided costs currently in effect under Schedule 37. In an email response, we confirmed those proposed terms to be consistent with the 2007 PPA on June 5, 2009. However, IP did not receive a standard indicative pricing proposal, with actual proposed rates, until July 2009.

Q. WHEN IT WAS EVENTUALLY SENT, DID IP FIND THE TERMS OF THE INDICATIVE PRICING PROPOSAL AGREEABLE?

A. Yes. The indicative pricing proposal contained pricing terms that were consistent both with the 2007 PPA and the currently effective Schedule 37 rates.

Q. WHAT ACTION DID IP TAKE AFTER RECEIVING THE INDICATIVE PRICING PROPOSAL?

A. On July 10, 2009, I submitted a written request by email to PacifiCorp, signaling IP's desire to move forward in the negotiating process and requesting that PacifiCorp prepare a draft PPA pursuant to the provisions of Schedule 38.

IV. DRAFT PPA SUBMISSIONS

Q. DID PACIFICORP RESPOND TO YOUR REQUEST FOR A DRAFT PPA?

A. Yes. PacifiCorp sent us a draft PPA via email on August 10, 2009 ("Draft I").

Q. DID IP FIND THE TERMS AND CONDITIONS OF THE DRAFT I PPA ACCEPTABLE?

A. Yes. In fact, we indicated our assent to PacifiCorp's terms almost immediately. I verbally commented on the terms, and submitted written commentary and proposals by email on August 11, 2009. In essence, IP's proposals amounted to little more than various notice and contact updates to the 2007 PPA. Substantively, the pricing terms offered in Draft I were in accord with the 2007 PPA and the currently effective Schedule 37 avoided cost rates. By signaling our assent to PacifiCorp's proposals, IP was ready, willing, and able to provide power to PacifiCorp immediately under a renewed PPA consistent with the terms offered by PacifiCorp.

Q. DID THE PARTIES ATTEMPT TO EXECUTE A RENEWED PPA AT THIS TIME?

A. We fully expected a finalized, ready to execute PPA after we had assented to the terms of PacifiCorp's Draft I PPA on August 11, 2009. Two days later, however, PacifiCorp submitted a second draft PPA by email on August 13, 2009 ("Draft II").

Q. WHAT WAS IP'S RESPONSE TO THE DRAFT II PPA?

A. Draft II was almost identical to Draft I. The pricing terms were exactly the same, and still in accord with current Schedule 37 avoided cost rates and the pricing terms in the 2007 PPA. The modifications in Draft II were minor; for instance, a few changes were made to credit terms and conditions, but pricing terms were unaffected. IP reviewed Draft II and provided written email commentary on August 19, 2009. Basically, we confirmed PacifiCorp's terms and formally requested an executable final draft.

Q. DID PACIFICORP SEND YOU AN EXECUTABLE PPA AT THIS TIME?

A. No. In a complete reversal of its previous proposals, PacifiCorp submitted a third PPA draft by email on August 21, 2009 ("Draft III"). In Draft III, PacifiCorp excised all specific pricing terms and conditions. In the place of specific pricing terms, PacifiCorp offered to "finalize pricing per OPUC directions" resulting from the OPUC Public Meeting scheduled on August 25, 2009.

V. PRESENT STATE OF NEGOTIATIONS

Q. PLEASE DISCUSS WHAT HAS TRANSPIRED IN THE NEGOTIATION PROCESS SINCE PACIFICORP SUBMITTED THE DRAFT III PPA.

A. There is not a whole lot to tell, unfortunately. PacifiCorp flatly refuses to discuss any specific pricing terms for a renewed PPA while the OPUC investigates its proposed changes to the avoided cost pricing. In short, PacifiCorp has frozen the negotiation process. We did receive a voice message from PacifiCorp on September 1, 2009, asking IP for comments on the Draft III PPA. IP has not considered that to be an ingenuous offer for negotiation, however, as PacifiCorp has not altered its position that specific pricing terms are off the bargaining table.

Further, IP has already agreed to all non-price terms of the PPA. There is nothing left to do but execute the PPA.

Q. HAS IP ASKED PACIFICORP TO RECONSIDER ITS POSITION?

A. Yes. On September 3, 2009, I sent a letter to Jim Schroeder of PacifiCorp, who I have dealt with throughout this process. Mr. Schroeder works in PacifiCorp's Commercial & Trading Origination department. In that letter, I reminded Mr. Schroeder that IP has been ready, willing, and able to provide power to PacifiCorp under the terms of a renewed PPA since August 11, 2009. I explained our understanding of the relevant law, which requires PacifiCorp not only to purchase power from a QF as soon as a QF obligates itself to provide power, but also to purchase such power at actual avoided cost rates in effect on the date an obligation is incurred. I urged PacifiCorp to discontinue further unreasonable delay in the negotiating process, and informed the company that IP would have no choice but to file a complaint with the OPUC if PacifiCorp refused to honor its obligations. An executed agreement should have occurred in August 2009.

Q. WHAT IS YOUR VIEW OF THE AVOIDED COST RATES THAT PACIFICORP HAS FILED FOR APPROVAL WITH THE OPUC?

A. These rates are significantly lower. IP would lose money if it ran its QF with that type of pricing.

Q. DID PACIFICORP SEND IP AN EXECUTABLE PPA IN RESPONSE TO YOUR SEPTEMBER 3 LETTER?

A. No. PacifiCorp would not need any significant period of time to comply with IP's request, since the terms and conditions of the Draft II PPA were already agreed upon by the parties. Nevertheless, PacifiCorp still refuses to finalize an agreement. PacifiCorp simply responded by saying we could not file a complaint until October 10, 2009.

Q. IS THERE ANYTHING ELSE YOU WOULD LIKE TO DISCUSS?

A. Yes. IP has structured the future of its QF operational plan in the reliance that PacifiCorp would honor its legal mandate to purchase power from IP at currently effective avoided cost rates.

Q. IS IP READY, WILLING AND ABLE TO EXECUTE A PPA WITH PACIFICORP PURSUANT TO THE TERMS AND CONDITIONS OFFERED BY PACIFICORP IN DRAFT II AT THE AVOIDED COST RATES CURRENTLY IN EFFECT UNDER PACIFICORP'S SCHEDULE 37.

A. Yes.

Q. DO YOU HAVE ANYTHING ELSE TO ADD?

A. Yes, I have attached the PPA and the e-mail to PacifiCorp requesting indicative pricing as exhibits to my testimony.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.