

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1546

THREEMILE CANYON WIND I, LLC)
)
 Complainant,) MOTION FOR RELIEF FROM STAY
) AND FOR SUMMARY JUDGMENT
 vs.) AND LEGAL MEMORANDUM IN
) SUPPORT
)
 PACIFICORP, dba PACIFIC POWER,) [REDACTED VERSION]
)
 Defendant.)

I. MOTION FOR SUMMARY JUDGMENT.¹

Threemile Canyon Wind I, LLC (“Threemile Canyon”) respectfully moves for summary judgment in the above-captioned proceeding to fully and finally resolve the complaint it filed against PacifiCorp nearly three years ago. Threemile Canyon files this Motion for Relief from Stay and for Summary Judgment and Legal Memorandum (“Motion”) in order to enforce the terms of a letter agreement that the parties entered into on June 19, 2009 (“Letter Agreement”),² in which PacifiCorp expressly agreed to

[BEGIN CONFIDENTIAL INFORMATION] [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] [END CONFIDENTIAL INFORMATION]

II. EXECUTIVE SUMMARY.

The focus of this case is narrow. It does not concern any policy judgment or prospective rulemaking. It involves only the application of Commission-approved standard contract rates for small Qualifying Facilities (“QF”) to a 9.9 MW wind generation project (“Project”) that went online in 2009. [BEGIN CONFIDENTIAL

¹ Below, Threemile Canyon requests that the stay of the proceedings in this docket “pending the outcome of the first phase of docket UE 235” issued by ruling of October 6, 2011 be lifted.

² Attached hereto as Confidential Exhibit A.

INFORMATION] [REDACTED]

[REDACTED] [END CONFIDENTIAL INFORMATION] The small QF standard rates applicable in 2009 were adopted by the Commission in 2005, through Order No. 05-584. The Commission determined in that Order that purchasing utilities, including PacifiCorp, must pay a standard avoided cost rate consistent with the rate methodology and standard contract terms approved by the Commission for purchases of output from eligible QFs of 10 MW or less. Over PacifiCorp's objections, the Commission expressly ruled that utilities could not deviate from the standard avoided cost rate to take into account project-specific characteristics of eligible QFs. The Commission also approved in 2005 PacifiCorp's standard contract for QFs of this class, Schedule 37 of PacifiCorp's Oregon tariff, as consistent with the standard rate methodology of Order No. 05-584.³ As explained in greater detail below, each of the parties and the Commission and its Staff all agree that the Schedule 37 rates approved in Order 05-584 do not allow PacifiCorp to recover third-party transmission costs from eligible QFs.

PacifiCorp and Threemile Canyon entered into a Letter Agreement on June 19, 2009. The Letter Agreement is critical because in it PacifiCorp expressly agreed to [BEGIN CONFIDENTIAL INFORMATION] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

³ The Commission accepted PacifiCorp's Schedule 37 as in compliance with Order 05-584's standard rate rules in Order 05-899.

⁴ The Threemile Canyon QF is interconnected to PacifiCorp's system on the 34.5 kV Simtag Feeder out of the Dalreed substation in Oregon (the "Dalreed zone."). The Dalreed zone is connected to the rest of

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[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] [END CONFIDENTIAL INFORMATION]

In its Answer to the Complaint and elsewhere, PacifiCorp has asserted that the Commission's Order No. 05-584 is unlawful. PacifiCorp argues that the third-party transmission costs that it incurs at times to move some power from Threemile Canyon to elsewhere on PacifiCorp's system forces PacifiCorp to pay above avoided costs with respect to this Project. [BEGIN CONFIDENTIAL INFORMATION]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] [END CONFIDENTIAL

INFORMATION]

PacifiCorp's collateral attack on the Commission's Order 05-584 lacks merit. To the contrary, the Commission's approval of standard rates for small QFs is perfectly consistent with regulations adopted by the Federal Energy Regulatory Commission ("FERC") to implement PURPA. FERC's regulations specifically authorize, in fact require, states to establish standard rates for QFs with a capacity of 100 KW or less and expressly authorized states to make those standard rates applicable to projects with a capacity larger than 100 KW. FERC acknowledges that standard rates reflect average

PacifiCorp's system only by transmission facilities owned by the Bonneville Power Administration ("BPA"). According to PacifiCorp, load in the Dalreed zone is highly variable throughout the year, fluctuating from a high of 40 MW to a low of 2 MW, due to the seasonal use of irrigation systems in the area. See PacifiCorp's Answer, Defenses, and Counterclaims, at 19 (filed July 25, 2011) ("PacifiCorp Answer").

avoided costs for a class. To establish that a standard rate exceeds avoided costs, PacifiCorp cannot merely allege that one QF in the eligible class will receive a rate that exceeds avoided costs; it must show that the Schedule 37 rates developed pursuant to Order No. 05-584 systematically overcompensate QFs of this size as a class in order for the standard rate to be preempted by PURPA. PacifiCorp has not even attempted to make this argument.

A party cannot be allowed to claim that a standard rate violates PURPA because the rate does not take into account a specific attribute of a particular QF,⁵ otherwise standard rates contemplated by FERC in its PURPA regulations cannot exist. It is axiomatic that every project will have different characteristics. The result of that is that every “standard” contract would become an individually negotiated contract, a result that FERC expressly rejected. For these reasons, described in further detail below, the standard rate required to be paid by Order No. 05-584, and embodied in PacifiCorp’s Rate Schedule 37, is consistent with and not preempted by PURPA.

Even if PacifiCorp’s preemption argument could be squared with PURPA and FERC’s implementing regulations, the fact remains that PacifiCorp’s argument is in effect an untimely appeal of Order No. 05-584. PacifiCorp’s belated preemption argument is time-barred as a matter of law and equity. It is also barred by principles

⁵ While irrelevant to the lawfulness of the standard rate applicable to Threemile Canyon and other eligible QFs, the Commission should not be misled by PacifiCorp’s claim that the payment to Threemile Canyon exceeds PacifiCorp’s avoided costs for that Project. PacifiCorp isolates one specific cost – transmission costs – from the savings that result from PacifiCorp’s purchases from Threemile Canyon without considering other Project-specific savings. Thus, PacifiCorp has not even shown that the standard rate exceeds its avoided costs with respect to this particular facility. Nor has PacifiCorp pointed to any authority that suggests the transmission costs incurred by the purchasing utility once a QF has interconnected to the purchasing utility’s system are appropriately considered in avoided cost calculations. Nonetheless, the Commission does not need to consider the specific avoided costs associated with PacifiCorp’s purchase of Threemile Canyon’s output in order to grant summary judgment here. [BEGIN CONFIDENTIAL INFORMATION]

[REDACTED] [END CONFIDENTIAL INFORMATION]

established by FERC under PURPA. Notably, *Connecticut Light & Power Co.*,⁶ the FERC case on which PacifiCorp exclusively and mistakenly relies in support of its PURPA claim,⁷ held that the appropriate time for a party to challenge a rate under PURPA is once the rate becomes applicable to that party. In this case, that was way back in 2005 when the Commission ordered PacifiCorp to enter into the standard contract for all projects like Threemile Canyon with a capacity of 10 MW or less at rates consistent with the terms set forth in Order No. 05-584.

PacifiCorp did not appeal Order No. 05-584 in 2005, or ever. Indeed, PacifiCorp did not raise this preemption issue until 2011,⁸ over six years after Order No. 05-584 went into effect and approximately two years after the Letter Agreement with Threemile Canyon was signed. PacifiCorp's egregiously late challenge has prejudiced Threemile Canyon, which relied in good faith on the rules established in Order No. 05-584 and the terms of the tariff in effect when it entered into the Letter Agreement and short-term PPA. PacifiCorp's behavior has forced Threemile Canyon to bear the costs of years of litigation and deprived it of the rate certainty that standard rates were meant to achieve.

III. MOTION FOR RELIEF FROM STAY.

Along with its Motion, Threemile Canyon hereby formally requests that the Commission lift the stay of this proceeding. Threemile Canyon initially filed the complaint at issue in this docket on July 1, 2011. By ruling dated October 6, 2011, this docket was stayed pending the outcome of docket UE 235. The last activity that occurred in UE 235 was an order by the Commission dated February 1, 2012. On September 18, 2012, Threemile Canyon therefore filed a motion seeking to lift the stay. For the reasons explained below, the administrative law judge ("ALJ") declined to lift the stay pending

⁶ 70 FERC ¶ 61,012 (1995), *reconsideration denied*, 71 FERC ¶ 61,035 (1995), *appeal denied sub nom. Niagara Mohawk Power Corp. v. FERC*, 117 F.3d 1485 (D.C. Cir. 1997) ("*Connecticut Light*").

⁷ PacifiCorp Answer at 27, 32, and 33.

⁸ Advice No. 11-011, Docket No. UE 235 (issued June 27, 2011).

the outcome of yet another docket, UM 1610. Over Threemile Canyon's objections, the Commission certified the ALJ's decision through Order 12-475.

In Order No. 12-475, the Commission declined to lift the stay because the question of third-party transmission costs had also been raised in docket UM 1610, which is a general QF contracting investigation. In doing so, however, the Commission expressly stated that the overlapping legal issues would be addressed in Phase I of docket UM 1610:

Because the third-party transmission cost issue affects other utilities and QFs, we affirm the decision to address the issue in docket UM 1610 with input from all affected parties. To help address the desire of both complainant and Pacific Power for an expeditious resolution, we direct the ALJ to adopt a procedural schedule that includes this issue in the initial phase of the case.⁹

As directed by the Commission in Order No. 12-475, the issue of third-party transmission costs was addressed by interested parties in Phase I of docket UM 1610.

The Commission has now issued a final order for Phase I of docket UM 1610. In Order No. 14-058, the Commission recited the arguments raised by Threemile Canyon and PacifiCorp. The Commission then held that "we decline to address any issue about an existing contract that would more properly be addressed in another docket, such as UM 1546. We also reiterate that the sole purpose of these proceedings is to consider prospective revisions to the policies and rules for QF standard contracts."¹⁰ The time for requesting rehearing or reconsideration of Order No. 14-058 has now run. Thus, the sole reason for continuing the stay of this docket as articulated by the Commission in Order No. 12-475 – to allow other affected QFs and utilities to weigh in on third-party transmission costs in Phase I of docket UM 1610 – has now run its course.

⁹ Order No. 12-475 at 3.

¹⁰ Order No. 14-058 at 21.

No issue left to be addressed in Phase II of docket UM 1610 is relevant to the resolution of Threemile Canyon's complaint in this docket. As explained herein, Threemile Canyon seeks only to enforce the terms of the Letter Agreement executed with PacifiCorp on June 19, 2009. [BEGIN CONFIDENTIAL INFORMATION] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[END CONFIDENTIAL INFORMATION] According to Order No. 14-058, however, Phase II of docket UM 1610 will only address the means for implementing "prospective" changes to Schedule 37. Thus, none of the prospective changes to Schedule 37 that may or may not be adopted by the Commission in Phase II of docket UM 1610 will alter Threemile Canyon's rights, or PacifiCorp's obligations, under the express terms of the Letter Agreement.

In light of the fact that the Commission has now issued a final order for Phase I of docket UM 1610, and that no issues remaining in Phase II of docket UM 1610 are directly applicable to this proceeding, Threemile Canyon respectfully requests that the Commission lift the stay of this UM 1546 docket and enforce the terms of the Letter Agreement.

IV. BACKGROUND FACTS.

Threemile Canyon developed, owns and operates a 9.9 MW wind generating facility located in Threemile Canyon, Oregon. The Project is located in PacifiCorp's service territory and is directly interconnected with PacifiCorp.¹¹ The Project was completed and reached commercial operation in 2009. Although PacifiCorp admits that

¹¹ PacifiCorp Answer at 1.

the Project is certified as a QF,¹² and does not dispute that the Project is eligible for a standard long-term PPA under state and federal law, for more than five years PacifiCorp has refused to offer Threemile Canyon a standard long-term PPA.

PacifiCorp refuses to offer Threemile Canyon its standard long-term PPA because the Project is located in PacifiCorp's Dalreed zone, which it characterizes as a "load pocket" within PacifiCorp's service territory. PacifiCorp alleges that it must acquire transmission from BPA to move some of the Threemile Canyon output from its Dalreed zone to the rest of its system when that output exceeds the load in the Dalreed zone. PacifiCorp refers to this as "excess generation," and contends that it occurs 11 to 15% of the time.¹³ PacifiCorp took the position that it would purchase the Project output only if Threemile Canyon agreed to allow PacifiCorp to curtail the Project when there is excess generation, or pay for the cost of third-party transmission as needed by PacifiCorp to export excess generation out of the Dalreed zone. Threemile Canyon refused PacifiCorp's demands because neither of these options was allowed in the standard PPA approved by the Commission in Order No. 05-584. Instead, Threemile Canyon offered to sell its energy and capacity on a long-term basis by entering into the standard long-term PPA at the rates contained in the Commission-approved Rate Schedule 37.

On June 19, 2009, PacifiCorp and Threemile Canyon executed a short-term PPA ("Short-Term PPA") to allow time to resolve the dispute concerning "excess generation." Aside from this item, the Short-Term PPA is identical to PacifiCorp's then-current standard long-term PPA for small QFs. The Short-Term PPA specifically includes an Addendum R that sets forth fixed purchase prices for Project output through 2024 ("Contract Price"). The Contract Price specified in Addendum R is the same as PacifiCorp's Schedule 37 avoided cost rates in effect as of June 19, 2009.

¹² Statement of Stipulated Facts at P 6.

¹³ PacifiCorp Answer at 20.

[REDACTED]

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V. PROCEDURAL HISTORY.

On July 1, 2011, Threemile Canyon filed a complaint against PacifiCorp in this docket. Threemile Canyon asserted in its complaint that PacifiCorp was required by state and federal law to offer Threemile Canyon a standard long-term PPA. Threemile Canyon also asserted that PacifiCorp acted unlawfully in proposing to either curtail Project output or require Threemile Canyon to pay for PacifiCorp’s transmission costs. In light of the terms of the Letter Agreement, the core legal question raised by Threemile Canyon in its complaint is *not* whether the Commission can allow PacifiCorp to charge transmission costs to QFs that enter into negotiations for a PPA when and if the Commission revises standard contract rates.¹⁴ [BEGIN CONFIDENTIAL INFORMATION] [REDACTED]

[REDACTED]

On September 6, 2011, Threemile Canyon and PacifiCorp filed in this docket a “Statement of Stipulated Facts.” The Statement of Stipulated Facts confirms the parties’

¹⁴ Threemile Canyon takes no position in this proceeding as to the Commission’s findings and resolutions in Order No. 14-058, all of which are to be applied prospectively. [BEGIN CONFIDENTIAL INFORMATION] [REDACTED]

[END CONFIDENTIAL INFORMATION]

mutual agreement that Threemile Canyon is certified as a QF and has fully complied with all applicable requirements to interconnect the Project and to sell power to PacifiCorp.¹⁵ The Statement of Stipulated Facts further demonstrates that Threemile Canyon initially requested a standard long-term PPA on December 19, 2008 – more than five and half years ago.¹⁶ On January 23, 2009, PacifiCorp responded to Threemile Canyon’s request for a standard PPA by notifying Threemile Canyon that PacifiCorp must be allowed to curtail the Project whenever point-to-point transmission service from BPA is not available to move excess power out of the load pocket.¹⁷ The Statement of Stipulated Facts further acknowledges the parties’ mutual understanding that the then-current version Schedule 37 did not expressly authorize PacifiCorp to either curtail the Project or to charge Threemile Canyon for third-party transmission costs.¹⁸ As the Commission stated in Order No. 14-058, the present docket is the appropriate venue to consider the 2009 Letter Agreement entered into between PacifiCorp and Threemile Canyon [BEGIN CONFIDENTIAL INFORMATION] 

[END CONFIDENTIAL INFORMATION]

VI. LEGAL STANDARD FOR SUMMARY JUDGMENT.

Threemile Canyon filed this Motion because it is entitled to enforce its rights under the Letter Agreement and PURPA as a matter of law. Threemile Canyon has already waited more than five years for a long-term PPA, and almost three years for a resolution of this complaint proceeding. There is no need for further delay or litigation of this issue. The purpose of summary judgment is to “cut off litigation at an early stage, without subjecting the parties to months or years of extensive and expensive litigation,

¹⁵ Statement of Stipulated Facts at P 6.

¹⁶ Statement of Stipulated Facts at P 18.

¹⁷ Statement of Stipulated Facts at P 20.

¹⁸ Statement of Stipulated Facts at P 21.

where it appears that one of the parties has no case or defense.”¹⁹

The Commission applies the same standard for summary judgment as do Oregon courts. According to the Commission’s rules, the “Oregon Rules of Civil Procedure (ORCP) . . . apply in contested cases and declaratory ruling proceedings unless inconsistent with these rules, a Commission order, or an Administrative Law Judge (ALJ) ruling.”²⁰ Motions for summary judgment are governed by ORCP 47.²¹ The Commission therefore applies ORCP 47 in reviewing motions for summary judgment.²²

In applying ORCP 47, the Commission should grant summary judgment where, as here, there is no genuine issue of material fact and the moving party is entitled to a judgment as a matter of law.²³ ORCP 47C defines the absence of a genuine issue of material fact as follows:

No genuine issue as to a material fact exists if, based upon the record before the court viewed in a manner most favored to the adverse party, no objectively reasonable juror could return a verdict for the adverse party on the matter that is the subject for the motion for summary judgment.

As explained in greater detail below, there are no issues of material fact for the Commission to decide in this proceeding. The parties have entered the Statement of Stipulated Facts. The core legal issue presented requires no fact-finding. The only thing that the Commission must do here is interpret and apply the plain language of the Letter Agreement and the Commission’s orders implementing PURPA [BEGIN CONFIDENTIAL INFORMATION] [REDACTED]

¹⁹ *Tiedemann v. Radiation Therapy Consultants, P.C.*, 299 Or 238, 245 (1985).

²⁰ OAR 860-001-0000(1).

²¹ *City of Portland v. Portland Gen. Elec. Co.*, Order No. 06-636, (Or PUC Nov 17, 2006).

²² *Id.* (granting PGE’s motion for summary judgment and dismissing the complaint where terms of agreement were ambiguous and presented no genuine issue of material fact); *In re Metro One Telecomm’ns, Inc.*, Order No. 02-126, (Or PUC Feb. 28, 2002) (granting Quest’s partial motion for summary judgment because there was no genuine issue of material fact).

²³ ORCP 47; *Paschall v. Crisp*, 138 Or App 618, 621 (1996).

[REDACTED]

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[BEGIN CONFIDENTIAL INFORMATION]

[REDACTED]

[END CONFIDENTIAL INFORMATION]

VIII. AT ALL RELEVANT TIMES, SCHEDULE 37 DID NOT ALLOW PACIFICORP TO RECOVER THIRD-PARTY TRANSMISSION COSTS.

As currently structured in Oregon, PacifiCorp's PURPA avoided cost calculation for standard contracts excludes transmission costs and benefits. Section 37 of PacifiCorp's tariff provides the rates, terms, and conditions governing sales from QFs 10 MW or less to PacifiCorp. On its face, the version of Schedule 37 approved by the Commission through Order 05-584 does not allow PacifiCorp to recover any third-party transmission charges.²⁶

Although PacifiCorp suggests in its Answer and elsewhere that Schedule 37 is merely "silent" with respect to third-party transmission costs, in fact Order 05-584 expressly rejected the recovery of such costs. In its opening brief in docket UM 1129,

²⁶ Nor do FERC or Oregon regulations allow recovery of these costs as interconnection costs. PacifiCorp argues in its first counterclaim that "the Commission concludes that QFs must pay for system upgrades required to mitigate any adverse system impacts resulting from QF interconnection," reflecting "a policy determination that (consistent with PURPA's ratepayer-neutrality principle) a QF must bear those costs that are directly associated with its interconnection." PacifiCorp Answer at P 104-105 (citing Order No. 10-132, Docket No. UM 1401 (April 7, 2010) and Order No. 09-196, at 5, Docket No. AR 521 (June 8, 2009)). Thus, according to PacifiCorp "[a]pplying" this policy "to the question of who must pay for third-party transmission required to move QF output to load, the Commission can and should conclude that QFs are required to bear such costs." *Id.* at P 107. But the third-party transmission costs at issue here are not required to interconnect a QF to PacifiCorp's system; and hence are not the type of costs that Oregon regulations allow a small power producer to be charged. OAR 860-029-0010. FERC also recently reiterated that the type of interconnection costs that state regulators are allowed to assign are those "directly related to installation and maintenance of physical facilities." *Pioneer Wind Park I, LLC*, 145 FERC ¶ 61,215, at n. 73 (2013) ("*Pioneer Wind*"). PacifiCorp does not and cannot allege that the third-party transmission costs at issue here fall within this definition.

Threemile Canyon has already interconnected directly to the PacifiCorp system, and PacifiCorp admits that Threemile Canyon has paid all interconnection costs identified by PacifiCorp in full. *See* PacifiCorp Answer at 12, P 27. PacifiCorp identified system upgrade costs in the interconnection costs for which Threemile Canyon was required to pay. The costs it now seeks to impose on Threemile Canyon were not (because they could not be) identified as interconnection or system upgrade costs in the parties' Distribution Generator Interconnection Agreement ("DGIA"). Threemile Canyon has fully performed its obligation to pay for interconnection and system upgrade costs as provided for in the DGIA. PacifiCorp did not include these costs in the agreement. PacifiCorp cannot be permitted at this late date after the agreement has been executed and all payments have been paid to depart from the terms of the interconnection agreement.

PacifiCorp urged that the Commission allow the very type of pricing adjustment for third-party transmission costs that it now seeks to impose on Threemile Canyon:

[U]tilities should be allowed to make adjustments for project-specific integration costs, where appropriate. For example, if a 10 MW project is developed in a 5 MW load pocket, there may be integration costs associated with moving the power to a useful location on the Company's system. Such costs should be borne by the project.²⁷

The Commission flatly rejected PacifiCorp's position. The Commission explained that "[i]n this order, we establish standard contract rates, terms and conditions that incorporate sufficient flexibility to address QF project-specific characteristics that we have deemed it appropriate to address . . . and therefore, deny the request by PacifiCorp for further flexibility."²⁸ The Commission did approve some adjustments (not including the transmission charges PacifiCorp seeks to impose here) but ultimately agreed with its Staff that "the characteristics of a specific QF may impose greater or lesser than costs captured by the standard contract rate, but [] that on balance the standard contract rate is deemed to provide a fair rate to QFs eligible to receive it."²⁹

PacifiCorp is fully aware that the reduction in Threemile Canyon's rate that it seeks to impose is contrary to Order No. 05-584. PacifiCorp's own witness upon cross examination in docket UM 1610 conceded that the Commission's Order No. 05-584 prohibition against "price adjustments" specifically applies to third-party transmission costs and precludes PacifiCorp from recovering these costs:

Q. My question was, it was your contemporaneous understanding that the Commission's prohibition against "price adjustments" found in Order No. 05-584 specifically applies to third party transmission costs?

²⁷ Opening Brief of PacifiCorp, docket UM 1129 at 11 (filed Dec. 22, 2004).

²⁸ Order No. 05-584 at 39, docket UM 1129 (May 13, 2005).

²⁹ Order No. 05-584 at 38.

A. Yes, that was my understanding.³⁰

In other words, PacifiCorp's own QF contracting manager agrees that the Schedule 37 rates in effect as of June 19, 2009 prohibit PacifiCorp from recovering third-party transmission costs from Threemile Canyon.

PacifiCorp's own understanding is buttressed by the Commission Staff's acknowledgment that Order No. 05-584 does not allow the purchasing utility to recover third-party transmission costs. In its briefing for docket UM 1610, Staff stated that its recommendation to allow utilities to recover third-party transmission costs going forward would be a departure from the prior policy established by the Commission in Order No. 05-584. In describing the state of the law under Order No. 05-584, Staff explained that "[a]lthough a utility has authority to negotiate an adder for costs of third-party transmission for non-standard rates, it does not have authority to compel a QF to negotiate non-standard avoided cost prices if that QF is eligible for standard avoided cost prices."³¹

Finally, the Commission's own February 24, 2014 Order No. 14-058 in docket UM 1610 made it abundantly clear that it would allow utilities to recover third-party transmission costs only on a *prospective* basis. As the Commission stated "[w]e also reiterate that the sole purpose of these proceedings is to consider *prospective* revisions to policies and rules for QF standard contracts,"³² again confirming that PacifiCorp did not

³⁰ Cross-Examination Hearing at 105, Docket UM 1610. Mr. Griswold's testimony concerning his understanding of Order No. 05-584 is consistent with an email he authored to a colleague on March 27, 2007. With respect to Threemile Canyon, Mr. Griswold wrote that "[a]s you know, there is a significant load pocket issue around these projects. *Oregon's standard contracts do not provide for any curtailment rights in the PPA or price adjustments for transmission constraints.*" Attached hereto as Exhibit B (emphasis added).

³¹ Staff Post-Hearing Memorandum, Docket UM 1610 (filed June 17, 2013).

³² Order No. 14-058 at 21.

have the right to recover any third-party transmission costs when it entered into the Letter Agreement with Threemile Canyon in 2009.

Again, the prospective application of Order No. 14-058 is not at issue here. The only thing that is at issue here is enforcing the Letter Agreement between the parties. [BEGIN CONFIDENTIAL INFORMATION] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] . [END

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IX. SCHEDULE 37, AS APPROVED BY THIS COMMISSION IN ORDER NO. 05-584, DID NOT VIOLATE PURPA.

[BEGIN CONFIDENTIAL INFORMATION] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [END

CONFIDENTIAL INFORMATION] PacifiCorp asserts it must pay BPA to transmit power to another portion of PacifiCorp's system during the hours that a portion of Threemile Canyon's output exceeds the load in the Dalreed zone. PacifiCorp concludes that the standard rate must account for this specific characteristic of the Threemile

³³ Letter Agreement at 2.

³⁴ Letter Agreement at 2.

Canyon Project, and the standard rate must be reduced to remain within PURPA's directive that the rate paid to a QF not exceed avoided cost.³⁵

While ostensibly a challenge to the specific rate to be paid Threemile Canyon, PacifiCorp is in fact challenging the standard rate methodology adopted by the Commission in Order No. 05-584. PacifiCorp argues that the Commission should declare that its own decision in Order No. 05-584 violates PURPA's prohibition against rates in excess of avoided costs because the approved rate was not a reasonable estimate at the time made of the avoided costs for the class of small QF projects to which the Order applied.³⁶ But PacifiCorp's overly-simplistic interpretation of PURPA is wrong as a matter of law.

³⁵ PacifiCorp has argued in the alternative that it can curtail deliveries of power from the Project in such hours. PacifiCorp states in its Answer that it "has sought to have Threemile Canyon agree to pay for the required 8 MW of BPA firm point-to-point transmission or agree that PacifiCorp can curtail Threemile Canyon output without payment when such output will exceed Dalreed load." PacifiCorp Answer at 2. As described below, Order No. 05-584 does not allow PacifiCorp to deviate from the standard rate and assess these charges. PacifiCorp also lacks the authority under PURPA to curtail QF output outside limited circumstances that have not been alleged to exist. FERC recently made clear in *Pioneer Wind*, an order also involving PacifiCorp's "refusal to execute a Power Purchase Agreement (PPA) with [Pioneer Wind Park I, LLC] unless Pioneer Wind agree[d] to allow PacifiCorp to curtail [the project] ahead of other generators." 145 FERC ¶ 61,215, at P 1. FERC found that this "[i]n addition to the fact that proposed curtailment provision is broader than the purchasing utility's right to curtail purchases in system emergencies under section 292.307(b) of [FERC's] PURPA regulations, and unduly discriminatory, the proposed curtailment provision, in effect, treats Pioneer Wind as if it were a non-firm transmission customer." *Id.* at P 38. This Commission granted Threemile Canyon's Motion to Take Notice of the Pioneer Wind ruling in Docket No. UM 1610. As with the QF in *Pioneer Wind*, PacifiCorp cannot curtail Threemile Canyon output simply because it would otherwise have to move the output elsewhere and incur transmission costs.

³⁶ PacifiCorp cannot argue that the Commission may allow PacifiCorp to charge Threemile Canyon for third-party transmission costs outside of PURPA. PURPA is the exclusive and limited grant of state jurisdiction over QF sales of power at wholesale in interstate commerce. Outside of PURPA, states are preempted from regulating wholesale power sales in interstate commerce by the Federal Power Act. *See Consolidated Edison Co. of New York v. Pub. Serv. Comm'n of State of New York*, 472 N.E. 2d 981 (N.Y. Ct. App. 1984), *appeal dismissed*, 470 U.S. 1075 (1985) ("The FPA would also preempt State regulation of the Federal qualifying facilities in New York except that they are exempted from the FPA under subdivision (e) of section 210 of PURPA."); *see also Cal. Pub. Util. Comm'n*, 132 FERC ¶61,047, at P 64 (2010) ("The Commission's authority under the FPA includes the exclusive jurisdiction to regulate the rates, terms and conditions of sales for resale of electric energy in interstate commerce by public utilities. While Congress has authorized a role for States in setting wholesale rates under PURPA, Congress has not authorized other opportunities for States to set rates for wholesale sales in interstate commerce by public utilities, or indicated that the Commission's actions or inactions can give States this authority.");

The Commission's Order No. 05-584 is entirely consistent with PURPA and FERC's PURPA rules. FERC required states to adopt standard rates for QFs with a capacity of 100 KW or less and authorized states to apply the rates to larger projects.³⁷ The Commission exercised its discretion under PURPA to make the standard rate applicable to projects with a capacity of 10 MW or less, which includes Threemile Canyon. FERC required states to adopt standard rates because "standard rates for purchases can significantly encourage cogeneration and small power production."³⁸ In so doing, FERC recognized that standard rates are based on estimates of avoided costs for all members of the eligible class. As such, it explicitly acknowledged that the standard rate may depart from the avoided cost value provided by any specific project within the class of QFs eligible to receive the standard rate: "[T]he supply characteristics of a particular facility may vary in value from the average rates set forth in the utility's standard rate required by this paragraph."³⁹ Nonetheless, FERC specifically recognized and approved average, rather than individualized rates, to apply to this class of QF generation:

If [FERC] were to require individualized rates, however, the transaction costs with administration of the program would likely render the program uneconomic for this size of qualifying facility. As a result the Commission will require standardized tariffs be implemented. . . .⁴⁰

Notwithstanding PacifiCorp's claims, there is simply no requirement in PURPA that a standard QF rate for small projects must exactly match the actual avoided costs for

Connecticut Light, 70 FERC ¶61,012, at 61,030 ("Prior to the enactment of PURPA, states were preempted from setting public utility wholesale rates in interstate commerce. Likewise, subsequent to the enactment of PURPA, states had no greater ability to set public utility wholesale rates in interstate commerce.").

³⁷ 18 C.F.R. 292.304(c)(2014).

³⁸ Order No. 69, *FERC Statutes and Regulations, Regulations Preambles 1977-1981*, ¶30,128 (1980), 45 Fed. Reg. 12,214 (1980) ("Order No. 69").

³⁹ Order No. 69 at 30,878.

⁴⁰ Order No. 69 at 30,878.

each and every individual project eligible for such rate. In fact, FERC has rejected claims that estimated rates are unlawful because they are higher than actual avoided costs in many contexts. For example, FERC explicitly allows QFs to opt for estimated avoided costs determined at the time that the QF enters into a binding contract with a utility or otherwise establishes a legally enforceable obligation.⁴¹ FERC also has repeatedly rejected attempts to overturn contracts if the utility later argues the estimated rate exceeds actual avoided costs. FERC's regulations permitting contract rates are meant to "reconcile the requirement that rates for purchases equal the utilities' avoided costs with the need for [QFs] to be able to enter into contractual commitments based, by necessity, on estimates of future avoided costs."⁴²

Similarly, FERC provided in the preamble to the rules it adopted under PURPA that state commissions can assess interconnection costs to small QFs "on a class basis." It also held that "[s]tate regulatory authorities . . . may also determine interconnection costs for qualifying facilities with a design capacity of more than 100 kW on either a class average or individual basis."⁴³ These examples show that PURPA does not preempt state-set rates because a particular project may obtain a class-based rate that departs from its actual costs. Thus it is illogical, and inconsistent with PURPA, to claim that a small

⁴¹ 18 C.F.R. § 292.304(b)(5) ("In the cases in which rates for purchases are based upon estimates of avoided costs over the specified term of the contract or other legally enforceable obligation, the rates for such purchases do not violate this subpart if the rates for such purchases differ from avoided costs at the time of delivery.").

⁴² *N.Y. State Elec. & Gas Corp.*, 71 FERC ¶ 61,027 (1995); *see also West Penn Power Co.*, 71 FERC ¶ 61,153 (1995) (reiterating FERC's "long-standing rule, as set forth in section 292.304 of our PURPA regulations, that rates for a long-term QF contracts based on avoided costs calculated as of the time the legal obligation to sell power was incurred continue to comply with statutory and regulatory requirements – including the requirement that QF rates be just and reasonable – even if the rates differ from avoided costs at the time the power is delivered."); *Am. REF-FUEL Co. of Lehigh Valley*, 47 FERC ¶ 61,208 (1989) ("[W]e do allow states to set rates for the long range, to reflect the reality that parties enter into long-term contracts and need certainty as to price and then we define avoided cost in terms of the price for substitute power.").

⁴³ Order No. 69 at 30,890.

QF that is otherwise eligible for a standard avoided cost rate is somehow rendered ineligible for that rate because its avoided costs are different than the average avoided cost of the class because of some project-specific characteristic.⁴⁴ PacifiCorp must show that the standard rate itself is contrary to PURPA, which it has not remotely alleged or justified.

Consistent with FERC's directive and with the discretion granted to state commissions by PURPA and FERC's regulations thereunder, Order No. 05-584 properly embraced standard rates to encourage development of small power production, finding that "[s]tandard contracts are designed to eliminate negotiations and to thereby remove transaction costs."⁴⁵ This Commission adopted the standard rates at issue here over utilities' arguments that "standard rates may overcompensate and subsidize QFs due to avoided cost calculations not being customized for particular projects."⁴⁶ Like FERC, this Commission in Order No. 05-584 held that with "standard contracts, project characteristics that cause the utility's cost savings to differ from its actual avoided cost are *ignored*."⁴⁷ As shown above, the Commission's actions were firmly grounded in and supported by PURPA.

Yet PacifiCorp now argues that the standard rate as applied to Threemile Canyon would be higher than avoided costs because it says one project specific cost has been

⁴⁴ Indeed, an average rate for a class of QFs with different technologies, supply characteristics, and locations, by its very nature, can be expected to understate savings from some projects and overstate savings from other projects. This approach is analogous to this Commission's approval of retail rates found in utility tariffs that apply to a set of customers. Rather than recalculating rates to each customer's unique circumstances, this "Commission generally sets rates on a prospective basis using *estimates* of the utility's prudently incurred costs to provide service." *PacifiCorp*, Order No. 09-343, Docket UM 1002 (issued Sep. 2, 2009) (emphasis added). The fundamental ratemaking principles these situations illustrate are just as salient to this case: reasonable estimates applicable to a class are permissible in rate development.

⁴⁵ Order No. 05-584 at 16.

⁴⁶ Order No. 05-584 at 13.

⁴⁷ Order No. 05-584 at 16 (emphasis added).

omitted from the calculations. This is simply a claim that this “particular project has characteristics that cause the utility cost savings to differ from its actual avoided costs,”⁴⁸ a claim that this Commission has already rejected. Similarly, FERC dealt with and rejected this point in its initial rules under PURPA when it recognized that a standard rate, like any average rate, will not capture the characteristics of every particular project to which the rate applies. PacifiCorp’s position would allow it to turn the standard rate into an individually negotiated rate any time it disagrees with some aspect of the standard rate for any particular project. This would allow PacifiCorp to disregard the Commission’s requirements any time it disagreed with them. It would also give PacifiCorp the ability to discriminate in its treatment of QFs.⁴⁹ As noted above, both FERC and this Commission squarely rejected claims that small QFs be required to enter into individualized negotiations in lieu of standard rates. FERC’s rules make clear this in no way violates PURPA. Thus the Commission was clearly right when it held that such characteristics should be “ignored” in setting the standard rates to which Threemile Canyon and other small QFs are to receive.

The fact that the Threemile Canyon Project is located in PacifiCorp’s Dalreed zone and that PacifiCorp may at times require transmission to move some Project output to another part of the PacifiCorp system is the very type of project-specific characteristic that FERC recognized is consistent with the standard rate approach. Standard rates are not preempted by PURPA just because a project within the eligible class has a specific characteristic that may cause its avoided cost to the utility to differ from the class

⁴⁸ Order No. 05-584 at 16.

⁴⁹ One of the central purposes of PURPA is to prevent utilities from discriminating against QFs. *See* PURPA Section 210(b)(2), 16 U.S.C. §924a-3 (PURPA provides that a utility’s rates for such purchases “shall not discriminate against qualifying cogenerators or qualifying small power producers.”).

average. By the same token, applying the standard rate to other projects in the eligible class does not breach PURPA by failing to pay those projects full avoided costs merely because the standard may not capture all the costs avoided by those particular projects.⁵⁰

If PacifiCorp is allowed to require that the standard contract rate approved by the Commission be retroactively modified to account for the Project's specific characteristics here, there is no limit to the modifications that PacifiCorp and other utilities can seek to other standard contracts. By definition, every project will have project-specific characteristics that the utilities will want to mitigate. In effect, the standard contracts authorized by this Commission would cease to exist. The negotiations that standard contracts are meant to avoid would become inevitable as every project has different characteristics. Forcing these issues to be negotiated in the context of standard contracts would also raise transaction costs for QFs, including the need to hire transmission experts or rate experts to respond to whatever adjustments a utility may wish to raise. Requiring individual projects to prove project-specific avoided costs defeats the very purpose of standard rates: to provide rate certainty and lower transaction costs. As stated in Order No. 05-584: "Standard contracts are designed to minimize the need for parties to engage in contract negotiations. Consequently, any flexibility in the terms and conditions of a standard contract should be specifically delineated and bounded."⁵¹

In short, there is nothing radical, novel or unlawful about this Commission's decision in Order 05-584 to base standard avoided cost rates for small QFs on estimates of average rates or costs for the pertinent class. FERC has frequently established

⁵⁰ Threemile Canyon does not concede that standard rate it receives exceeds the avoided costs to PacifiCorp, as discussed below. That issue is, however, irrelevant to the legal question whether the standard rate was unlawful either at the time it was adopted or in 2009 when the parties executed the Letter Agreement and the Short-Term PPA.

⁵¹ Order No. 05-584 at 39.

pragmatic means of enforcing PURPA's requirements, and the Commission rightly exercised its discretion under FERC's rules in developing the standard rates under PURPA. PacifiCorp's strained attack on the applicability of the standard rates to a single member of the eligible class finds no support in PURPA and, in fact, is contrary to PURPA and FERC's regulations.

Under these circumstances, summary judgment is appropriate because even assuming for the sake of argument PacifiCorp is correct that payment to Threemile Canyon exceeds the avoided costs of that Project, it is unassailably wrong in asserting that this renders the standard rate unlawful. Standard rates and contracts are intended to reduce transaction costs and provide rate certainty to eligible QFs, yet it has been almost five years since Threemile Canyon signed a standard contract. Since then it has incurred substantial transaction costs in the form of years of costly litigation and remains uncertain what rate it will ultimately be paid. Threemile Canyon respectfully submits that the Commission end this war of attrition and grant Threemile Canyon the relief its requests.

X. EVEN IF ORDER NO. 05-584 DID VIOLATE PURPA WHEN ENACTED, PACIFICORP CANNOT LAWFULLY CHALLENGE THAT ORDER YEARS AFTER ISSUANCE.

There is a separate important legal basis for rejecting PacifiCorp's preemption argument. The argument is barred as a matter of law and equity because it is far too late to challenge Order No. 05-584 or Schedule 37 as it applies to projects that are entitled to standard contracts based on that order. PacifiCorp could have challenged the Commission's action by seeking rehearing or appealing in 2005. Well aware that Order No. 05-584 precluded utilities from tacking additional transmission costs onto the

standard avoided cost rates, as shown above, PacifiCorp nonetheless chose not to bring a timely challenge to the Commission's order.

Order No. 05-584 states that the parties had a right to seek rehearing of that order, but that a "request for rehearing or reconsideration must be filed with the Commission within 60 days of the service of this order."⁵² Oregon rules provide the right to seek rehearing or reconsideration of an agency decision on the grounds that the decision was an "error in law,"⁵³ and a claim that the decision was preempted by PURPA would fit squarely in this category. Neither PacifiCorp nor any other party, however, sought rehearing or reconsideration of Order No. 05-584. PacifiCorp also did not seek judicial review of Order No. 05-584 under ORS 756.610.⁵⁴ Oregon law precludes a collateral attack on an agency order outside either seeking rehearing or judicial review,⁵⁵ as ORS 183.420(3) provides that "No action or suit shall be maintained as to the validity of any agency order except a final order as provided in this section"

Having forgone its options to challenge Order No.05-584 available under Oregon law, PacifiCorp cannot bring a collateral attack here. PURPA does not provide an alternative path for a dilatory challenge to a state order under PURPA. Indeed, *Connecticut Light*,⁵⁶ which PacifiCorp cites in its answer,⁵⁷ actually forecloses PacifiCorp's collateral attack on the standard rates set forth by Order No. 05-584. In that

⁵² Order No. 05-584 at 60.

⁵³ OAR 860-001-0720(3)(c).

⁵⁴ ORS 183.480(1) states that a request for rehearing or reconsideration is not a prerequisite for judicial review of a final agency order. However, this is irrelevant here since PacifiCorp did not seek rehearing or judicial review of Order No. 05-584.

⁵⁵ ORS 183.420(2) creates two different tracks for appeals depending on whether they are contested cases or not. The contested cases are appealable to the court of appeals, whereas non-contested cases are appealable to the local circuit court for the county in which the Commission is located. In either case, however, the appellant has 60 days in which to file an appeal. PacifiCorp has missed these deadlines and has never sought judicial review of Order No. 05-584.

⁵⁶ 70 FERC ¶ 61,012 (1995).

⁵⁷ PacifiCorp Answer at 27, 32, and 33.

case, the utility, CL&P, directly appealed within the time specified for appeal by state law the state commission order that required CL&P to enter into a contract to purchase power from a small power production facility at a rate set by Connecticut law. The utility diligently pursued its claim in state and federal courts thereafter. Importantly, while FERC allowed CL&P to challenge the rate set by state law, FERC simultaneously barred other utilities from challenging orders issued pursuant to the same law. FERC specifically held that it “would not entertain requests as a consequence of this order asking us to invalidate on this basis, other pre-existing contracts where the avoided cost issue could have been raised.”⁵⁸

PacifiCorp’s behavior here is entirely different than CL&P and is squarely within the category that FERC said was barred from challenging a state set rate. Unlike CL&P, PacifiCorp did not and has not appealed the order, which is Order No. 05-584, that compelled it to enter into a standard contract with Threemile Canyon. It has missed that deadline by years. This order, therefore, is binding, final and unappealable. It provides Threemile Canyon with a right to the standard rate without adjustment. It is far too late for PacifiCorp to challenge this order. Like the other utilities in *Connecticut Light*, PacifiCorp has forgone its opportunity to challenge the rates promulgated under Order No. 05-584. The only PURPA authority on which PacifiCorp relies demonstrates that it has no PURPA claim.

PacifiCorp’s collateral efforts to overturn the Commission’s order now are time barred and unpardonably late. PacifiCorp may, of course, seek prospective changes to its

⁵⁸

Id.

tariff. And the Commission may, as it has said it would do in docket UM 1610,⁵⁹ prospectively modify the standard rate methodology so long as the change is consistent with the requirements of PURPA. But the iterative process state commissions use to refine avoided costs prospectively does not invalidate prior lawful avoided cost rate determinations.

It is particularly crucial to prevent parties from belatedly seeking retroactively to alter rates approved by the Commission given the statutory purpose of PURPA to encourage cogeneration and small power production.⁶⁰ The Commission implemented standard rates pursuant to PURPA to provide rate certainty to developers of small power projects and to reduce transaction costs in 2005 and required utilities to file standard rates within 60 days from that order. There must be finality to Commission orders. Projects, such as Threemile Canyon, had every basis to rely on Order No. 05-584 and the standard rates it prescribed. PacifiCorp's request to invalidate the standard rate retroactively years after the rates were adopted frustrates the very purpose for which standard rates were established. By forcing Threemile Canyon to engage in protracted litigation, PacifiCorp already has evaded the Commission's goal to achieve the rate certainty that standard rates were intended to provide.

Further, PacifiCorp's claim would allow it to deviate from its filed rate whenever it disagreed with its tariff, even where its position had already been rejected by the Commission. This it cannot do because it is bound by its tariffs, pursuant to the filed rate doctrine. The filed rate doctrine provides that any entity that is required to file tariffs

⁵⁹ Order No. 14-058 at 1 ("Our consideration of any proposal to revise the rates, terms, and conditions for QF standard contracts is done on a prospective basis only.").

⁶⁰ 16 U.S.C. § 824a-3(a) ("[T]he Commission shall prescribe...such rules as it determines necessary to encourage cogeneration and small power production.").

governing the rates, terms, and conditions of service must adhere strictly to those terms and forbids a regulated entity from charging a rate other than the one on file. “Providing the necessary predictability is the whole purpose of the well-established filed rate doctrine, which forbids a regulated entity to charge rates for its services other than those properly filed with the appropriate regulatory authority.”⁶¹ Utilities do not get to freelance about the rates that they pay or collect. In Oregon, the state has codified the filed rate doctrine,⁶² which “permits the Commission to change rates on a prospective basis, but neither the utility nor the Commission may undo rates charged in the past pursuant to Commission approved tariffs.”⁶³ This predictability principle similarly animates FERC Order No. 69, which provides:

[I]n order to be able to evaluate the financial feasibility of a cogeneration or small power production facility, an investor needs to be able to estimate, with reasonable certainty, the expected return on a potential investment before construction of a facility. This return will be determined in part by the price at which the qualifying facility can sell its electric output.⁶⁴

PacifiCorp is thus bound by the tariff rates in effect at the time it entered into its agreement with Threemile Canyon.⁶⁵

⁶¹ *City of Anaheim v. FERC*, 558 F.3d 521 (D.C. Cir. 2009); *W. Res., Inc. v. FERC*, 72 F.3d 147, 149 (D.C. Cir. 1995)

⁶² ORS 757.225 (2014).

⁶³ *Portland General Elec. Co.*, Order No. 02-227, at 6, docket UM 989 (issued March 25, 2002).

⁶⁴ Order No. 69 at 30,868.

⁶⁵ The Commission should reject PacifiCorp’s invitation to retroactively apply any policy decisions that the Commission reaches in this investigation. It is a generally accepted ratemaking principle that changes in any rates offered, paid, demanded or received by a utility may be made only on a prospective basis. In *Dreyer v. Portland General Elec., Co.*, 341 OR 262, 271 (2006), for example, the Oregon Supreme Court explained that the “rule against retroactivity” holds that approved utility rates may be modified only prospectively and that utilities cannot provide retrospective relief from such rates. The Court noted that this Commission has long applied the rule against retroactivity in Oregon, and that there are strong policy considerations underpinning this doctrine. *Id.* While the state filed rate rule applies to retail rates, it demonstrates a strong state policy to provide rate certainty by preventing retroactive changes in rates.

XI. CONCLUSION.

This case does not require consideration of policy issues involving the Commission's treatment of QFs going forward. [BEGIN CONFIDENTIAL

INFORMATION] [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] [END

CONFIDENTIAL INFORMATION]

The sole remaining basis for PacifiCorp's continuing refusal to offer Threemile Canyon a standard long-term PPA is its position is that the Commission's Order No. 05-584 is unlawful and preempted by PURPA. As shown above, however, Order No. 05-584 is not contrary to PURPA. It reflects a permissible exercise of the Commission's discretion under PURPA to establish standard rates for small QFs. The tariff was lawful, valid and binding on PacifiCorp at the time the Letter Agreement and the Short-Term PPA were executed. In any case, PacifiCorp is now barred from challenging the order by time-honored legal principles.

There are no genuine issues of material fact. The only thing left for the Commission to do is enforce the plain language of the Letter Agreement. As a matter of law, therefore, [BEGIN CONFIDENTIAL INFORMATION] [REDACTED]

[REDACTED]
[REDACTED]

[END CONFIDENTIAL INFORMATION]

DATED this 30th day of May, 2014.

/s/ Richard Lorenz

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CERTIFICATE OF SERVICE

I hereby certify that I caused to be served the foregoing **THREEMILE CANYON WIND I, LLC'S MOTION FOR SUMMARY JUDGMENT** via electronic mail and, where paper service is not waived, via postage-paid first class mail upon the following parties of record:

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**THE FIRST THREE PAGES OF THIS EXHIBIT A
CONTAIN CONFIDENTIAL INFORMATION
AND HAS BEEN OMITTED FROM THIS REDACTED VERSION**

POWER PURCHASE AGREEMENT

BETWEEN

THREEMILE CANYON WIND I, LLC

[a new Firm Qualifying Facility with 10,000 kW Facility Capacity Rating, or Less and an Intermittent Resource with Mechanical Availability Guarantee]

AND

PACIFICORP

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POWER PURCHASE AGREEMENT

THIS POWER PURCHASE AGREEMENT, entered into on **June 19, 2009** is between Threemile Canyon Wind I, LLC, "**Seller**" and PacifiCorp (d/b/a Pacific Power & Light Company), an Oregon corporation acting in its regulated utility capacity, "**PacifiCorp**." (Seller and PacifiCorp are referred to individually as a "**Party**" or collectively as the "**Parties**").

RECITALS

A. Seller intends to construct, own, operate and maintain a wind facility for the generation of electric power, including interconnection facilities, located in Morrow County, Oregon with a Facility Capacity Rating of 9,900-kilowatts (kW) as further described in **Exhibit A** and **Exhibit B ("Facility")**; and

B. Seller intends to commence delivery of Net Output under this Agreement, for the purpose of Start-up Testing, on **June 19, 2009 ("Scheduled Initial Delivery Date")**; and

C. Seller intends to operate the Facility as a Qualifying Facility, commencing commercial operations on **September 1, 2009 ("Scheduled Commercial Operation Date")**; and

D. Seller estimates that the average annual Net Energy to be delivered by the Facility to PacifiCorp is 21,008,000 kilowatt-hours (kWh), which amount of energy PacifiCorp will include in its resource planning; and

E. Seller shall (choose one) sell all Net Output to PacifiCorp and purchase its full electric requirements from PacifiCorp sell Net Output surplus to its needs at the Facility site to PacifiCorp and purchase partial electric requirements service from PacifiCorp, in accordance with the terms and conditions of this Agreement; and

F. This Agreement is a "New QF Contract" under the PacifiCorp Inter-Jurisdictional Cost Allocation Revised Protocol.

AGREEMENT

NOW, THEREFORE, the Parties mutually agree as follows:

SECTION 1: DEFINITIONS

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

1.1 "**As-built Supplement**" shall be a supplement to **Exhibit A** and **Exhibit B**, provided by Seller following completion of construction of the Facility, describing the Facility as actually built.

1.2 "**Availability**" means the percentage of time that the Facility is capable of producing Net Energy during a Contract Year. The percentage of time during a Contract Year that the Facility is available to produce power is calculated as follows:

$$\% \text{ Availability} = \{[(H \times N) - (\text{Sum of Downtime Hrs for } N \text{ Turbines})] / (H \times N)\} \times 100\%$$

where H is the number of hours in the Contract Year and N is the number of turbines comprising the Facility. Downtime Hours (calculated in 10 minute increments), for each individual unit includes minutes in which the unit is not in "run" status, or is in "run" status but faulted (including any delay in resetting a fault). Notwithstanding the previous sentence, Downtime Hours does not include minutes that a unit is unavailable due to (i) an event of Force Majeure; (ii) a default by PacifiCorp under this Agreement; (iii) Lack of Motive Force at times when the Facility would otherwise be available (including the normal amount of time required by the generating equipment to resume operations following a Lack of Motive Force); or (iv) outages scheduled at least 90 days in advance with PacifiCorp's written consent, up to 240 hours per unit per year.

1.3 "**Average Annual Generation**" shall have the meaning set forth in Section 4.2.

1.4 "**Billing Period**" means, unless otherwise agreed to, the time period between PacifiCorp's consecutive readings of its power purchase billing meter at the Facility in the normal course of PacifiCorp's business. Such periods typically range between twenty-seven (27) and thirty-four (34) days and may not coincide with calendar months.

1.5 "**Commercial Operation Date**" means the date that the Facility is deemed by PacifiCorp to be fully operational and reliable, which shall require, among other things, that all of the following events have occurred:

- 1.5.1 PacifiCorp has received a certificate addressed to PacifiCorp from a Licensed Professional Engineer stating (a) the Facility Capacity Rating of the Facility at the anticipated Commercial Operation Date; and (b) that the Facility is able to generate electric power reliably in amounts required by this Agreement and in accordance with all other terms and conditions of this Agreement;
- 1.5.2 The Facility has completed Start-Up Testing;
- 1.5.3 PacifiCorp has received a certificate addressed to PacifiCorp from a Licensed Professional Engineer stating that, (a), in accordance with the Generation Interconnection Agreement, all required interconnection facilities and metering have been constructed, all required interconnection tests have been completed and the Facility is physically interconnected with PacifiCorp's electric system, and (b) if the Facility consists of multiple wind generation facilities on a common transmission line, the required metering equipment has been completed and tested in conformance with Section 8 of this Agreement (or if the Facility is interconnected with another electric utility that will wheel Net Output to PacifiCorp, all required interconnection facilities have been completed and tested and are in place to allow for such wheeling);
- 1.5.4 PacifiCorp has received a certificate addressed to PacifiCorp from an attorney in good standing in the State of Oregon stating that Seller has obtained all Required Facility Documents and if requested by PacifiCorp, in writing, has provided copies of any or all such requested Required Facility Documents. (Facilities over 200 kW only).
- 1.5.5 Seller has complied with the security requirements of Section 10.
- 1.5.6 PacifiCorp has received an executed copy of **Exhibit F**--Seller's Authorization to Release Generation Data to PacifiCorp.
- 1.6 "**Commission**" means the Oregon Public Utilities Commission.
- 1.7 "**Contract Price**" means the applicable price for capacity or energy, or both capacity and energy, stated in Sections 5.1 and 5.2.

1.8 "Contract Year" means a twelve (12) month period commencing at 00:00 hours Pacific Prevailing Time ("PPT") on January 1 and ending on 24:00 hours PPT on December 31; *provided, however*, that the first Contract Year shall commence on the Commercial Operation Date and end on the next succeeding December 31, and the last Contract Year shall end on the Termination Date.

1.9 "Credit Requirements" means a long-term credit rating (corporate or long-term senior unsecured debt) of (1) "Baa3" or greater by Moody's, or (2) "BBB-" or greater by S&P, or such other indicia of creditworthiness acceptable to PacifiCorp in its reasonable judgment.

1.10 "Cut-in Speed" means the wind speed at which a stationary wind turbine begins producing Net Energy, as specified by the turbine manufacturer, and set forth in **Exhibit A**.

1.11 "Default Security", unless otherwise agreed to by the Parties in writing, means the amount of either a Letter of Credit or cash placed in an escrow account sufficient to replace twelve (12) average months of replacement power costs over the term of this Agreement, and shall be calculated by taking the average, over the term of this Agreement, of the positive difference between (a) the monthly forward power prices at Mid-Columbia (Mid-C) (as determined by PacifiCorp in good faith using information from a commercially reasonable independent source), multiplied by 110%, minus (b) the average of the Fixed Avoided Cost Prices specified in Schedule 37, and multiplying such difference by (c) 25% of the Average Annual Generation provided, however, the amount of Default Security shall in no event be less than the amount equal to the payments PacifiCorp would make for three (3) average months based on Seller's average monthly volume over the term of this Agreement and utilizing the average Fixed Avoided Cost Prices specified in Schedule 37. Such amount shall be fixed at the Effective Date of this Agreement.

1.12 "Effective Date" shall have the meaning set forth in Section 2.1.

1.13 "Energy Delivery Schedule" shall have the meaning set forth in Section 4.4.

1.14 "Environmental Attributes" shall have the meaning set forth in Section 5.5.

1.15 "Excess Output" shall mean any increment of Net Output delivered at a rate, on an hourly basis, exceeding the Facility Capacity Rating.

1.16 "Facility" shall have the meaning set forth in Recital A.

1.17 "Facility Capacity Rating" means the sum of the Nameplate Capacity Ratings for all generators comprising the Facility.

1.18 "FERC" means the Federal Energy Regulatory Commission, or its successor.

1.19 "Guaranteed Availability" shall have the meaning set forth in Section 4.3.1.

1.20 "Generation Interconnection Agreement" means the generation interconnection agreement to be entered into separately between Seller and PacifiCorp's transmission or distribution department, as applicable, providing for the construction, operation, and maintenance of PacifiCorp's interconnection facilities required to accommodate deliveries of Seller's Net Output if the Facility is to be interconnected directly with PacifiCorp rather than another electric utility.

1.21 "Lack of Motive Force" means temporary lack, due to natural causes, of sunlight (for a solar powered facility), water (for a hydropower facility), current or wave amplitude (for a wave energy facility), or Sufficient Wind (for a wind turbine facility). Lack of Motive Force does not include lack of any motive force due to voluntary actions taken by Seller (e.g. lease or sale of water rights).

1.22 "Letter of Credit" means an irrevocable standby letter of credit, from an institution that has a long-term senior unsecured debt rating of "A" or greater from S&P or "A2" or greater from Moody's, in a form reasonably acceptable to PacifiCorp, naming PacifiCorp as the party entitled to demand payment and present draw requests thereunder.

1.23 "Licensed Professional Engineer" means a person acceptable to PacifiCorp in its reasonable judgment who is licensed to practice engineering in the state of Oregon, who has no economic relationship, association, or nexus with the Seller, and who is not a representative of a consulting engineer, contractor, designer or other individual involved in the development of the Facility, or of a manufacturer or supplier of any equipment installed in the Facility. Such Licensed Professional Engineer shall be licensed in an appropriate engineering discipline for the required certification being made.

1.24 "Material Adverse Change" means the occurrence of any event of default under any material agreement to which Seller is a party and of any other development, financial or otherwise, which would have a material adverse effect on Seller, the Facility or Seller's ability to develop, construct, operate, maintain or own the Facility as provided in this Agreement

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

- 1.26 "Net Energy" means the energy component, in kWh, of Net Output.
- 1.27 "Net Output" means all energy and capacity produced by the Facility, less station use and less transformation and transmission losses and other adjustments (e.g., Seller's load other than station use), if any. For purposes of calculating payment under this Agreement, Net Output of energy shall be the amount of energy flowing through the Point of Delivery.
- 1.28 "Net Replacement Power Costs" shall have the meaning set forth in Section 11.4.1.
- 1.29 "Off-Peak Hours" means all hours of the week that are not On-Peak Hours.
- 1.30 "On-Peak Hours" means the hours between 6 a.m. Pacific Prevailing Time ("PPT") and 10 p.m. PPT, Mondays through Saturdays, excluding all hours occurring on holidays as provided in Schedule 37.
- 1.31 "Output Shortfall" shall have the meaning set forth in Section 4.3.2.
- 1.32 "Point of Delivery" means the high side of the Seller's step-up transformer(s) located at the point of interconnection between the Facility and PacifiCorp's distribution/transmission system, as specified in the Generation Interconnection Agreement, or, if the Facility is not interconnected directly with PacifiCorp, the point at which another utility will deliver the Net Output to PacifiCorp as specified in **Exhibit B**.
- 1.33 "Prime Rate" means the publicly announced prime rate for commercial loans to large businesses with the highest credit rating in the United States in effect from time to time quoted by Citibank, N.A. If a Citibank, N.A. prime rate is not available, the applicable Prime Rate shall be the announced prime 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, New York, selected by the Party to whom interest based on the Prime Rate is being paid.
- 1.34 "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.

1.35 "QF" means "Qualifying Facility," as that term is defined in the FERC regulations (codified at 18 CFR Part 292) in effect on the Effective Date.

1.36 "Replacement Price" means the price at which PacifiCorp, acting in a commercially reasonable manner, purchases for delivery at the Point of Delivery a replacement for any Net Output that Seller is required to deliver under this Agreement plus (i) costs reasonably incurred by PacifiCorp in purchasing such replacement Net Output, and (ii) additional transmission charges, if any, reasonably incurred by PacifiCorp in causing replacement energy to be delivered to the Point of Delivery. If PacifiCorp elects not to make such a purchase, the Replacement Price shall be the market price at the Mid-Columbia trading hub for such energy not delivered, plus any additional cost or expense incurred as a result of Seller's failure to deliver, as determined by PacifiCorp in a commercially reasonable manner (but not including any penalties, ratcheted demand or similar charges).

1.37 "Required Facility Documents" means all licenses, permits, authorizations, and agreements, including a Generation Interconnection Agreement or equivalent, necessary for construction, operation, and maintenance of the Facility consistent with the terms of this Agreement, including without limitation those set forth in **Exhibit C**.

1.38 "Schedule 37" means the Schedule 37 of Pacific Power & Light Company's Commission-approved tariffs, providing pricing options for Qualifying Facilities of 10,000 kW or less, which is in effect on the Effective Date of this Agreement. A copy of that Schedule 37 is attached as **Exhibit G**.

1.39 "Scheduled Commercial Operation Date" shall have the meaning set forth in Recital C.

1.40 "Scheduled Initial Delivery Date" shall have the meaning set forth in Recital B.

1.41 "Start-Up Testing" means the completion of required factory and start-up tests as set forth in **Exhibit E** hereto.

1.42 "Sufficient Wind" means any hour during which the average wind speed is equal to or greater than the manufacturer's rated Cut-in Speed for the wind turbines comprising the Facility.

1.43 "Termination Date" shall have the meaning set forth in Section 2.4.

SECTION 2: TERM; COMMERCIAL OPERATION DATE

2.1 This Agreement shall become effective after execution by both Parties ("**Effective Date**").

2.2 **Time is of the essence for this Agreement**, and Seller's ability to meet certain requirements prior to the Commercial Operation Date and to deliver Net Output by the Scheduled Commercial Operation Date is critically important. Therefore,

2.2.1 By **December 30, 2008**, Seller shall provide PacifiCorp with a copy of an executed Generation Interconnection Agreement, or wheeling agreement, as applicable, which shall be consistent with all material terms and requirements of this Agreement.

2.2.2 Upon completion of construction, Seller, in accordance with Section 6.1, shall provide PacifiCorp with an As-built Supplement acceptable to PacifiCorp;

2.2.3 By the date thirty (30) days after the Effective Date, Seller shall provide Default Security required under Sections 10.1 or 10.2, as applicable.

2.3 Seller shall cause the Facility to achieve Commercial Operation on or before the Scheduled Commercial Operation Date. If Commercial Operation occurs after the Scheduled Commercial Operation Date, Seller shall be in default, and liable for delay damages specified in Section 11.

2.4 Except as otherwise provided herein, this Agreement shall terminate on **September 30, 2009** ("**Termination Date**").

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 Limited Liability Company duly organized and validly existing under the laws of Oregon.

3.2.2 Seller has the requisite power and authority to enter into this Agreement and to perform according to the terms hereof, including all required regulatory authority to make wholesale sales from the Facility.

3.2.3 Seller has 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 QF, and Seller will operate the Facility in a manner consistent with its FERC QF certification. Seller has provided to PacifiCorp the appropriate QF certification (which may include a FERC self-certification) prior to PacifiCorp's execution of this Agreement. At any time during the term of this Agreement, PacifiCorp may require Seller to provide PacifiCorp with evidence satisfactory to PacifiCorp in its reasonable discretion that the Facility continues to qualify as a QF under all applicable requirements and, if PacifiCorp is not satisfied that the Facility qualifies for such status, a written legal opinion from an attorney who is (a) in good standing in the state of Oregon, and (b) who has no economic relationship, association or nexus with the Seller or the Facility, stating that the Facility is a QF and providing sufficient proof (including copies of all documents and data as PacifiCorp may request) demonstrating that Seller has maintained and will continue to maintain the Facility as a QF.

3.2.7 Compliance with Partial Stipulation in Commission Proceeding No. UM-1129. Seller will not make any changes in its ownership, control, or management during the term of this Agreement that would cause it to not be in compliance with the definition of a Small Cogeneration Facility or Small Power Production Facility provided in PacifiCorp's Schedule 37 tariff approved by the Commission at the time this Agreement is executed. Seller will provide, upon request by PacifiCorp not more frequently than every 36 months, such documentation and information as reasonably may be required to establish Seller's continued compliance with such Definition. PacifiCorp agrees to take reasonable steps to maintain the confidentiality of any portion of the above-described documentation and information that the Seller identifies as confidential except PacifiCorp will provide all such confidential information the Public Utility Commission of Oregon upon the Commission's request.

3.2.8 Additional Seller Creditworthiness Warranties. Seller need not post security under Section 10 for PacifiCorp's benefit in the event of Seller default, provided that Seller warrants all of the following:

- (a) Neither the Seller nor any of its principal equity owners is or has within the past two (2) years been the debtor in any bankruptcy proceeding, is unable to pay its bills in the ordinary course of its business, or is the subject of any legal or regulatory action, the result of which could reasonably be expected to impair Seller's ability to own and operate the Facility in accordance with the terms of this Agreement.
- (b) Seller has not at any time defaulted in any of its payment obligations for electricity purchased from PacifiCorp.
- (c) Seller is not in default under any of its other agreements and is current on all of its financial obligations, including construction related financial obligations.
- (d) Seller owns, and will continue to own for the term of this Agreement, all right, title and interest in and to the Facility, free and clear of all liens and encumbrances other than liens and encumbrances related to third-party financing of the Facility.
- (e) **[Applicable only to Seller's with a Facility having a Facility Capacity Rating greater than 3,000 kW]** Seller meets the Credit Requirements.

Seller hereby declares (Seller initial one only):

Seller affirms and adopts all warranties of this Section 3.2.8, and therefore is not required to post security under Section 10; or

- Seller does not affirm and adopt all warranties of this Section 3.2.8, and therefore Seller elects to post the security specified in Section 10.

3.3 Notice. If at any time during this Agreement, any Party obtains actual knowledge of any event or information which would have caused any of the representations and warranties in this Section 3 to have been materially untrue or misleading when made, such Party shall provide the other Party with written notice of the event or information, the representations and warranties affected, and the action, if any, which such Party intends to take to make the representations and warranties true and correct. The notice required pursuant to this Section shall be given as soon as practicable after the occurrence of each such event.

SECTION 4: DELIVERY OF POWER AND PERFORMANCE GUARANTEE

4.1 Commencing on the Commercial Operation Date, unless otherwise provided herein, Seller will sell and PacifiCorp will purchase all Net Output from the Facility delivered to the Point of Delivery.

4.2 Average Annual Generation. Seller estimates that the Facility will generate, on average, 21,008,000 kWh per Contract Year ("**Average Annual Generation**"). Seller may, upon at least six months prior written notice, modify the Average Annual Generation every other Contract Year.

4.3 Performance Guaranty.

4.3.1 Guaranteed Availability. Seller guarantees that the annual Availability of the Facility (the "**Guaranteed Availability**") for (i) the first Contract Year shall be no less than 0.80, and (ii) for the second Contract Year shall be no less than 0.85. Beginning with the third Contract Year and for each Contract Year thereafter, the Guaranteed Availability for each Contract Year shall be 0.875, with such annual Availability to be calculated for purposes of this Section 4.3.1 for each Contract Year.

4.3.2 Liquidated Damages for Output Shortfall. If the Availability in any given Contract Year falls below the Guaranteed Availability for that Contract Year, the resulting shortfall shall be expressed in kWh as the "**Output Shortfall**." The Output Shortfall shall be calculated in accordance with the following formula:

$$\text{Output Shortfall} = (\text{Guaranteed Availability} - \text{Availability}) \times \text{Average Annual Generation}$$

If an Output Shortfall occurs in any given Contract Year, Seller may owe PacifiCorp liquidated damages in accordance with Section 11. Each Party agrees and acknowledges that (a) the damages that PacifiCorp would incur due to the Facility's failure to achieve the Guaranteed Availability would be difficult or impossible to predict with certainty, and (b) the liquidated damages contemplated by Section 11 are a fair and reasonable calculation of such damages.

4.4 Energy Delivery Schedule. Seller has provided a monthly schedule of Net Energy expected to be delivered by the Facility ("**Energy Delivery Schedule**"), incorporated into **Exhibit D-1**.

SECTION 5: PURCHASE PRICES

5.1 Seller shall have the option to select one of four pricing options: Fixed Avoided Cost Prices ("**Fixed Price**"), Firm Market Indexed Avoided Cost Prices ("**Firm Electric Market**"), Gas Market Indexed Avoided Cost Prices ("**Gas Market**"), or Banded Gas Market Indexed Avoided Cost Prices ("**Banded Gas Market**"), as published in Schedule 37. Once an option is selected the option will remain in effect for the duration of the Facility's contract. Seller has selected the following (Seller to initial one):

- Fixed Price
- Firm Electric Market
- Gas Market
- Banded Gas Market

A copy of Schedule 37, and a table summarizing the purchase prices under the pricing option selected by Seller, is attached as **Exhibit G**.

5.2 (Fixed Price Sellers Only). In the event Seller elects the Fixed Price payment method, PacifiCorp shall pay Seller the applicable On-Peak and Off-Peak rates specified in **Schedule 37** during the first fifteen (15) years after the Scheduled Initial Delivery Date. Thereafter, PacifiCorp shall pay Seller market-based rates, using the following pricing option (Seller to initial one):

- Firm Electric Market
- Gas Market
- Banded Gas Market

5.3 If the Seller elects a gas market indexed price option, the index shall be the Opal Gas Market Index as provided in Schedule 37. In the event that Platt ceases to publish the Opal Gas Market Index, the Company shall replace the index with a similar gas index.

5.4 For all Excess Output and for all Net Output delivered prior to the Commercial Operation Date, PacifiCorp shall pay Seller a blended market index price for day-ahead non-firm energy at Mid-Columbia, California Oregon Border (COB), Four Corners and Palo Verde market indices as reported by Dow Jones, for the On-Peak and Off-Peak periods. PacifiCorp shall document its calculation of the blended rate, upon request, to Seller. Such payment will be accomplished by adjustments pursuant to Section 9.2.

5.5 Environmental Attributes. PacifiCorp waives any claim to Seller's ownership of Environmental Attributes under this Agreement. Environmental Attributes include, but are not limited to, Green Tags, Green Certificates, Renewable Energy Credits (RECs) and Tradable Renewable Certificates (TRCs) (as those terms are commonly used in the regional electric utility industry) directly associated with the production of energy from the Seller's Facility.

SECTION 6: OPERATION AND CONTROL

6.1 As-Built Supplement. Upon completion of initial (and any subsequent) construction of the Facility, Seller shall provide PacifiCorp an As-built Supplement to specify the actual Facility as built. The As-built Supplement must be reviewed and approved by PacifiCorp, which approval shall not unreasonably be withheld, conditioned or delayed.

6.2 Incremental Utility Upgrades. At start-up (and at any other time upon at least six month's prior written notice), Seller may increase Net Output, if such increase is due to normal variances in estimated versus actual performance, changed Facility operations, or improvements in Facility efficiency. Seller may not increase Net Output under this Agreement by installing additional generating units. In the case of substantial upgrades, PacifiCorp may require Seller to comply with Section 3.2.8(e) (in the event that the Facility upgrade causes the Facility Capacity Rating to exceed 3,000 kW) and increase its Average Annual Generation in Section 4.2 (if appropriate). PacifiCorp may also update Seller's security obligation (if applicable). So long as the Facility Capacity Rating after the upgrade is 10,000 kW or less, Seller will continue to receive the Contract Price for the Net Output, as set forth in Sections 5.1 and 5.2 of this Agreement. If Seller increases the Facility Capacity Rating above 10,000 kW, then (on a going forward basis) PacifiCorp shall pay Seller the Contract Price for the fraction of total Net Output equal to 10,000 kW divided by the Facility Capacity Rating of the upgraded Facility. For the remaining fraction of Net Output, PacifiCorp and Seller shall agree to a new negotiated rate. Seller shall be responsible for ensuring that any planned increase in the Facility Capacity Rating or the maximum instantaneous capacity of the Facility complies with Seller's Generation Interconnection Agreement and any other agreements with PacifiCorp.

6.3 Seller shall operate and maintain the Facility in a safe manner in accordance with the Generation Interconnection Agreement (if applicable), 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 Output 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.

6.4 Scheduled Outages. Seller may cease operation of the entire Facility or individual units, if applicable, for maintenance or other purposes. Seller shall exercise its best efforts to notify PacifiCorp of planned outages at least ninety (90) days prior, and shall reasonably accommodate PacifiCorp's request, if any, to reschedule such planned outage in order to accommodate PacifiCorp's need for Facility operation.

6.5 Unplanned Outages. In the event of an unscheduled outage or curtailment exceeding twenty-five (25) percent of the Facility Capacity Rating (other than curtailments due to lack of motive force), Seller immediately shall notify PacifiCorp of the necessity of such unscheduled outage or curtailment, the time when such has occurred or will occur and the anticipated duration. Seller shall take all reasonable measures and exercise its best efforts to avoid unscheduled outage or curtailment, to limit the duration of such, and to perform unscheduled maintenance during Off-Peak hours.

SECTION 7: FUEL/MOTIVE FORCE

Prior to the Effective Date of this Agreement, Seller provided to PacifiCorp a fuel or motive force plan acceptable to PacifiCorp in its reasonable discretion and attached hereto as **Exhibit D-1**, together with a certification from a Licensed Professional Engineer to PacifiCorp attached hereto as **Exhibit D-2**, certifying that the implementation of the fuel or motive force plan can reasonably be expected to provide fuel or motive force to the Facility for the duration of this Agreement adequate to generate power and energy in quantities necessary to deliver the Average Annual Generation set forth by Seller in Section 4.

SECTION 8: METERING

8.1 Seller shall pay for, and PacifiCorp shall design, furnish, install, own, inspect, test, maintain and replace all metering equipment required pursuant to the Generation Interconnection Agreement, if applicable.

8.2 Seller shall pay for and design, furnish, install, own, inspect, test, maintain and replace all metering equipment required in order to calculate Availability of the Facility. Data required to calculate Availability include, but are not limited to: hourly average wind velocity measured at turbine hub height; and ambient air temperature. Seller shall make available all such data to PacifiCorp in electronic format per Section 8.5.

8.3 Metering shall be performed at the location and in a manner consistent with this Agreement and as specified in the Generation Interconnection Agreement, or, if the Facility is one of multiple wind generation facilities sharing a common transmission line, the required metering equipment has been completed and tested and is in place to correctly and accurately measure the amount of Net Output generated by the Facility and flowing into PacifiCorp's system at the Point of Delivery, or, if the Net Output is to be wheeled to PacifiCorp by another utility, metering will be performed in accordance with the terms of PacifiCorp's interconnection agreement with such other utility. 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 energy flowing into PacifiCorp's system at the Point of Delivery.

8.4 PacifiCorp shall periodically inspect, test, repair and replace the metering equipment as provided in the Generation Interconnection Agreement, if applicable. If the Net Output is to be wheeled to PacifiCorp by another utility, meter inspection, testing, repair and replacement will be performed in accordance with the terms of PacifiCorp's interconnection agreement with such utility. 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.

8.5 Telemetering. In support of PacifiCorp's calculation of Availability, Seller shall pay for and PacifiCorp shall design, furnish, install, own, inspect, test, maintain and replace telemetering equipment capable of transmitting all data required pursuant to Section 8.1 regardless of whether the Facility is directly interconnected to PacifiCorp's system, one of multiple wind generation facilities on a common transmission line, or the Net Output is to be wheeled to PacifiCorp by another utility. Seller shall provide PacifiCorp a location at its Facility for such telemetering equipment, and shall provide PacifiCorp reasonable access thereto.

SECTION 9: BILLINGS, COMPUTATIONS, AND PAYMENTS

9.1 On or before the thirtieth (30th) day following the end of each Billing Period, PacifiCorp shall send to Seller payment for Seller's deliveries of Net Output to PacifiCorp, together with computations supporting such payment. PacifiCorp may offset any such payment to reflect amounts owing from Seller to PacifiCorp pursuant to this Agreement, the Generation Interconnection Agreement, or any other agreement between the Parties.

9.2 Corrections. PacifiCorp shall have up to eighteen months to adjust any payment made pursuant to Section 9.1. In the event PacifiCorp determines it has overpaid Seller (for Excess Output or otherwise), PacifiCorp may adjust Seller's future payment accordingly in order to recapture any overpayment in a reasonable time.

9.3 Annual Invoicing for Output Shortfall. Beginning on the first January 31 occurring after the Commercial Operation Date, and continuing on January 31 of each Contract Year thereafter, PacifiCorp shall deliver to Seller an invoice showing PacifiCorp's computation of Net Output and Output Shortfall, if any, for the prior Contract Year and any resulting amount due PacifiCorp as liquidated damages. In preparing such invoices, PacifiCorp shall utilize the meter data provided to PacifiCorp for the Contract Year in question, but may also rely on historical averages and such other information as may be available to PacifiCorp at the time of invoice preparation, if the meter data for such Contract Year is then incomplete or otherwise not available. To the extent required, PacifiCorp shall true up any such invoice as promptly as practicable following its receipt of actual results for the relevant Contract Year. Seller shall pay to PacifiCorp, by wire transfer or by any other means agreed to by the Parties in writing, the amount set forth as due in such invoice.

9.4 Any amounts owing after the due date thereof shall bear interest at the Prime Rate plus two percent (2%) from the date due until paid; *provided, however,* that the interest rate shall at no time exceed the maximum rate allowed by applicable law.

SECTION 10: SECURITY

Unless Seller has adopted the creditworthiness warranties contained in Section 3.2.8, Seller must provide security (if requested by PacifiCorp) in the form of a cash escrow, letter of credit, senior lien, or step-in rights. Seller hereby elects to provide, in accordance with the applicable terms of this Section 10, the following security (Seller to initial one selection only):

- Cash Escrow
- Letter of Credit ()
- Senior Lien
- Step in Rights

Seller has adopted the Creditworthiness Warranties of Section 3.2.8.

In the event Seller's obligation to post default security (under Section 10 or Section 11.1.4) arises solely from Seller's delinquent performance of construction-related financial obligations, upon Seller's request, PacifiCorp will excuse Seller from such obligation in the event Seller has negotiated financial arrangements with its construction lenders that mitigate Seller's financial risks to PacifiCorp's reasonable satisfaction.

[SKIP THIS SECTION 10.1 UNLESS SELLER SELECTED CASH ESCROW ALTERNATIVE]

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

[SKIP THIS SECTION 10.2 UNLESS SELLER SELECTED LETTER OF CREDIT ALTERNATIVE]

10.2 Letter of Credit Security. Seller shall post and maintain in an amount equal to the Default Security: (a) a guaranty from a party that satisfies the Credit Requirements, in a form acceptable to PacifiCorp in its discretion, or (b) a Letter of Credit in favor of PacifiCorp. To the extent PacifiCorp receives payment from the Default Security, Seller shall, within fifteen (15) days, restore the Default Security as if no such deduction had occurred.

[SKIP THIS SECTION 10.3 UNLESS SELLER SELECTED SENIOR LIEN ALTERNATIVE]

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

[SKIP THIS SECTION 10.4 UNLESS SELLER SELECTED STEP-IN RIGHTS ALTERNATIVE]

10.4 Step-in Rights (Operation by PacifiCorp Following Event of Default of Seller).

10.4.1 Prior to any termination of this Agreement due to an Event of Default of Seller, as identified in Section 11, PacifiCorp shall have the right, but not the obligation, to possess, assume control of, and operate the Facility as agent for Seller (in accordance with Seller's rights, obligations, and interest under this Agreement) during the period provided for herein. Seller shall not grant any person, other than the lending institution providing financing to the Seller for construction of the Facility ("Facility Lender"), a right to possess, assume control of, and operate the Facility that is equal to or superior to PacifiCorp's right under this Section 10.4.

10.4.2 PacifiCorp shall give Seller ten (10) calendar days notice in advance of the contemplated exercise of PacifiCorp's rights under this Section 10.4. Upon such notice, Seller shall collect and have available at a convenient, central location at the Facility all documents, contracts, books, manuals, reports, and records required to construct, operate, and maintain the Facility in accordance with Prudent Electrical Practices. Upon such notice, PacifiCorp, its employees, contractors, or designated third parties shall have the unrestricted right to enter the Facility for the purpose of constructing and/or operating the Facility. Seller hereby irrevocably appoints PacifiCorp as Seller's attorney-in-fact for the exclusive purpose of executing such documents and taking such other actions as PacifiCorp may reasonably deem necessary or appropriate to exercise PacifiCorp's step-in rights under this Section 10.4.

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

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

(a) In the event PacifiCorp is in possession and control of the Facility for an interim period, Seller shall resume operation and PacifiCorp shall relinquish its right to operate when Seller demonstrates to PacifiCorp's reasonable satisfaction that it will remove those grounds that originally gave rise to PacifiCorp's right to operate the Facility, as provided above, in that Seller (i) will resume operation of the Facility in accordance with the provisions of this Agreement, and (ii) has cured any Events of Default of Seller which allowed PacifiCorp to exercise its rights under this Section 10.4.

(b) In the event that PacifiCorp is in possession and control of the Facility for an interim period, the Facility Lender, or any nominee or transferee thereof, may foreclose and take possession of and operate the Facility and PacifiCorp shall relinquish its right to operate when the Facility Lender or any nominee or transferee thereof, requests such relinquishment.

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

SECTION 11: DEFAULTS AND REMEDIES

11.1 Events of Default. The following events shall constitute defaults under this Agreement:

11.1.1 Breach of Material Term. Failure of a Party to perform any material obligation imposed upon that Party by this Agreement (including but not limited to failure by Seller to meet any deadline set forth in Section 2) or breach by a Party of a representation or warranty set forth in this Agreement.

11.1.2 Default on Other Agreements. Seller's failure to cure any default under any commercial or financing agreements or instrument (including the Generation Interconnection Agreement) within the time allowed for a cure under such agreement or instrument.

11.1.3 Insolvency. A Party (a) makes an assignment for the benefit of its creditors; (b) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy or similar law for the protection of creditors, or has such a petition filed against it and such petition is not withdrawn or dismissed within sixty (60) days after such filing; (c) becomes insolvent; or (d) is unable to pay its debts when due.

11.1.4 Material Adverse Change. A Material Adverse Change has occurred with respect to Seller and Seller 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;

11.1.5 Delayed Commercial Operations. Seller's failure to achieve the Commercial Operation Date by the Scheduled Commercial Operation Date.

11.1.6 Underdelivery. If Seller's Facility has a Facility Capacity Rating of 100 kW or less, Seller's failure to satisfy an Availability of fifty percent (50%) or more for two (2) consecutive years; else Seller's failure to satisfy an Availability of fifty percent (50%) or more for one year.

11.2 Notice; Opportunity to Cure.

11.2.1 Notice. In the event of any default hereunder, the non-defaulting Party must notify the defaulting Party in writing of the circumstances indicating the default and outlining the requirements to cure the default.

11.2.2 Opportunity to Cure. A Party defaulting under Section 11.1.1 or 11.1.5 shall have thirty (30) days to cure after receipt of proper notice from the non-defaulting Party. This thirty (30) day period shall be extended by an additional ninety (90) days if (a) the failure cannot reasonably be cured within the thirty (30) day period despite diligent efforts, (b) the default is capable of being cured within the additional ninety (90) day period, and (c) the defaulting Party commences the cure within the original thirty (30) day period and is at all times thereafter diligently and continuously proceeding to cure the failure.

11.2.3 Seller Default Under Other Agreements. Seller shall cause any notices of default under any of its commercial or financing agreements or instruments to be sent by the other party to such agreements or instruments, or immediately forwarded, to PacifiCorp as a notice in accordance with Section 23.

11.2.4 Seller Delinquent on Construction-related Financial Obligations. Seller promptly shall notify PacifiCorp (or cause PacifiCorp to be notified) anytime it becomes delinquent under any construction related financing agreement or instrument related to the Facility. Such delinquency may constitute a Material Adverse Change, subject to Section 11.1.4.

11.3 Termination.

11.3.1 Notice of Termination. If a default described herein has not been cured within the prescribed time, above, 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; *provided, however* that PacifiCorp shall not terminate: (a) for a default under Section 11.1.5 unless PacifiCorp is in a resource deficient state during the period Commercial Operation is delayed; or (b) for a default under Section 11.1.6, unless such default is material. The rights provided in Section 10 and this Section 11 are cumulative such that the exercise of one or more rights shall not constitute a waiver of any other rights. Further, the Parties may by mutual written agreement amend this Agreement in lieu of a Party's exercise of its right to terminate.

11.3.2 In the event this Agreement is terminated because of Seller's default and Seller wishes to again sell Net Output to PacifiCorp following such termination, PacifiCorp in its sole discretion may require that Seller shall do so subject to the terms of this Agreement, including but not limited to the Contract Price, until the Termination Date (as set forth in Section 2.4). At such time Seller and PacifiCorp agree to execute a written document ratifying the terms of this Agreement.

11.3.3 Damages. If this Agreement is terminated as a result of Seller's default, Seller shall pay PacifiCorp the positive difference, if any, obtained by subtracting the Contract Price from the Replacement Price for the Average Annual Generation that Seller was otherwise obligated to provide at the Guaranteed Availability for a period of twenty-four (24) months from the date of termination, plus any cost incurred for transmission purchased to deliver the replacement power to the Point of Delivery, plus the estimated administrative cost to the utility to acquire replacement power. Amounts owed by Seller pursuant to this paragraph shall be due within five (5) business days after any invoice from PacifiCorp for the same.

11.3.4 If this Agreement is terminated because of Seller's default, PacifiCorp may foreclose upon any security provided pursuant to Section 10 to satisfy any amounts that Seller owes PacifiCorp arising from such default.

11.4 Damages.

11.4.1 Failure to Deliver Net Output. In the event of Seller default under Subsection 11.1.5 or Subsection 11.1.6, then Seller shall pay PacifiCorp the positive difference, if any, obtained by subtracting the Contract Price from the Replacement Price for any Output Shortfall (under Section 4.3) during the period of default ("**Net Replacement Power Costs**"); *provided, however,* that the positive difference obtained by subtracting the Contract Price from the Replacement Price shall not exceed the Contract Price, and the period of default under this Section 11.4.1 shall not exceed one Contract Year.

11.4.2 Recoupment of Damages.

(a) Default Security Available. If Seller has posted Default Security, PacifiCorp may draw upon that security to satisfy any damages, above.

(b) Default Security Unavailable. If Seller has not posted Default Security, or if PacifiCorp has exhausted the Default Security, PacifiCorp may collect any remaining amount owing by partially withholding future payments to Seller over a reasonable period of time, which period shall not be less than the period over which the default occurred. PacifiCorp and Seller shall work together in good faith to establish the period, and monthly amounts, of such withholding so as to avoid Seller's default on its commercial or financing agreements necessary for its continued operation of the Facility.

SECTION 12: INDEMNIFICATION AND LIABILITY

12.1 Indemnities.

12.1.1 Indemnity by Seller. Seller shall release, indemnify and hold harmless PacifiCorp, its directors, officers, agents, and representatives against and from any and all loss, fines, penalties, 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 (a) the energy delivered by Seller under this Agreement to and at the Point of Delivery, (b) any facilities on Seller's side of the Point of Delivery, (c) Seller's operation and/or maintenance of the Facility, or (d) arising from this Agreement, 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.

12.1.2 Indemnity by PacifiCorp. PacifiCorp shall release, indemnify and hold harmless Seller, its directors, officers, agents, Lenders and representatives against and from any and all loss, fines, penalties, 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 under this Agreement after 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, Lenders or representatives.

12.2 No Dedication. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any person not a Party to this Agreement. No undertaking by one Party to the other under any provision of this Agreement shall constitute the dedication of that Party's system or any portion thereof to the other Party or to the public, nor affect the status of PacifiCorp as an independent public utility corporation or Seller as an independent individual or entity.

12.3 No Consequential Damages. EXCEPT TO THE EXTENT SUCH DAMAGES ARE INCLUDED IN THE LIQUIDATED DAMAGES, DELAY DAMAGES, COST TO COVER DAMAGES OR OTHER SPECIFIED MEASURE OF DAMAGES EXPRESSLY PROVIDED FOR IN THIS AGREEMENT, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR SPECIAL, PUNITIVE, INDIRECT, EXEMPLARY OR CONSEQUENTIAL DAMAGES, WHETHER SUCH DAMAGES ARE ALLOWED OR PROVIDED BY CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, STATUTE OR OTHERWISE.

SECTION 13: INSURANCE (FACILITIES OVER 200KW ONLY)

13.1 Certificates. Prior to connection of the Facility to PacifiCorp's electric system, or another utility's electric system if delivery to PacifiCorp is to be accomplished by wheeling, Seller shall secure and continuously carry insurance in compliance with the requirements of this Section. Seller shall provide PacifiCorp insurance certificate(s) (of "ACORD Form" or the equivalent) certifying Seller's compliance with the insurance requirements hereunder. 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.

13.2 Required Policies and Coverages. Without limiting any liabilities or any other obligations of Seller under this Agreement, Seller shall secure and continuously carry with an insurance company or companies rated not lower than "B+" by the A.M. Best Company the insurance coverage specified below:

13.2.1 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.

13.2.2 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.

13.3 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.

13.4 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.

13.5 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 and for such other length of time necessary to cover liabilities arising out of the activities under this Agreement.

SECTION 14: FORCE MAJEURE

14.1 As used in this Agreement, "Force Majeure" or "an event of Force Majeure" means any cause beyond the reasonable control of the Seller or of PacifiCorp which, despite the exercise of due diligence, such Party is unable to prevent or overcome. By way of example, Force Majeure may include but is not limited to acts of God, fire, flood, storms, wars, hostilities, civil strife, strikes, and other labor disturbances, earthquakes, fires, lightning, epidemics, sabotage, restraint by court order or other delay or failure in the performance as a result of any action or inaction on behalf of a public authority which by the exercise of reasonable foresight such Party could not reasonably have been expected to avoid and by the exercise of due diligence, it shall be unable to overcome, subject, in each case, to the requirements of the first sentence of this paragraph. Force Majeure, however, specifically excludes the cost or availability of fuel or motive force resources to operate the Facility or changes in market conditions that affect the price of energy or transmission. If either Party is rendered wholly or in part unable to perform its obligation under this Agreement because of an event of Force Majeure, that Party shall be excused from whatever performance is affected by the event of Force Majeure to the extent and for the duration of the event of Force Majeure, after which such Party shall recommence performance of such obligation, provided that:

14.1.1 the non-performing Party, shall, within two (2) weeks after the occurrence of the Force Majeure, give the other Party written notice describing the particulars of the occurrence; and

14.1.2 the suspension of performance shall be of no greater scope and of no longer duration than is required by the event of Force Majeure; and

14.1.3 the non-performing Party uses its best efforts to remedy its inability to perform.

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

14.3 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.

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

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 a 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 JURISDICTIONS AND AUTHORIZATIONS

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

SECTION 20: REPEAL OF PURPA

This Agreement shall not terminate upon the repeal of the PURPA, unless such termination is mandated by federal or state law.

SECTION 21: 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 the written consent of the other Party being first obtained and such consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding 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 (a) a sale of all or substantially all of the assigning Party's assets, or (b) a merger, consolidation or other reorganization of the assigning Party.

SECTION 22: ENTIRE AGREEMENT

22.1 This Agreement supersedes all prior agreements, proposals, representations, negotiations, discussions or letters, whether oral or in writing, regarding PacifiCorp's purchase of Net Output from the Facility. No modification of this Agreement shall be effective unless it is in writing and signed by both Parties.

22.2 By executing this Agreement, Seller releases PacifiCorp from any claims, known or unknown, that may have arisen prior to the Effective Date.

SECTION 23: NOTICES

23.1 All notices except as otherwise provided in this Agreement shall be in writing, 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.

Notices	PacifiCorp	Seller
All Notices:	PacifiCorp 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	John Deere Renewables, LLC 6400 NW 86th Street Johnston, IA 50131 Phone: 877-539-4631 Facsimile: 515-267-4235 Email: jdrops@johndeere.com
All Invoices:	(same as street address above) Attn: Back Office, Suite 700 Phone: (503) 813 - 5578 Facsimile: (503) 813 - 5580	John Deere Renewables, LLC 6400 NW 86th Street Johnston, IA 50131 Phone: 515-267-4653 Facsimile: 515-267-4235 Email: jdracctg@johndeere.com
Scheduling:	(same as street address above) Attn: Resource Planning, Suite 600 Phone: (503) 813 - 6090 Facsimile: (503) 813 - 6265	John Deere Renewables, LLC 6400 NW 86th Street Johnston, IA 50131 Phone: 877-539-4631 Facsimile: 515-267-4235 Email: jdrops@johndeere.com
Payments:	(same as street address above) Attn: Back Office, Suite 700 Phone: (503) 813 - 5578 Facsimile: (503) 813 - 5580	John Deere Renewables, LLC 6400 NW 86th Street Johnston, IA 50131 Phone: 515-267-4653 Facsimile: 515-267-4235 Email: jdracctg@johndeere.com
Wire Transfer:	Bank One N.A. ABA: ACCT: NAME: PacifiCorp Wholesale	Information to be provided in separate letter and treated as confidential.

Credit and Collections:	(same as street address above) Attn: Credit Manager, Suite 1900 Phone: (503) 813 - 5684 Facsimile: (503) 813 - 5609	John Deere Renewables, LLC 6400 NW 86th Street Johnston, IA 50131 Phone: 515-267-4653 Facsimile: 515-267-4235 Email: jdracctg@johndeere.com
With Additional Notices of an Event of Default or Potential Event of Default to:	(same as street address above) Attn: PacifiCorp General Counsel Phone: (503) 813-5029 Facsimile: (503) 813-7252	John Deere Renewables, LLC 6400 NW 86th Street Johnston, IA 50131 Phone: 515-267-3065 Facsimile: 515-267-4235 Email: jdrlegal@johndeere.com

23.2 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 23.

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

By: [Signature]

Name: Bruce W Griswold

Title: Director, Short Term Origination and G/F Contracts

Seller

By: [Signature]

Name: Rick Free

Title: Manager

EXHIBIT A-1

DESCRIPTION OF SELLER'S FACILITY

[Seller to Complete]

Seller's Facility consists of 6 generator(s).

Manufacturer's Guaranteed Cut-in Wind Speed [if applicable]: 8.95 MPH

Facility Capacity Rating: 9,900 kW

Assumed ambient conditions at Facility Capacity Rating: Reaches rated capacity at wind speed of 13 MPS or 29.1 MPH

Identify the maximum output of the generator(s) and describe any differences between that output and the Nameplate Capacity Rating. Maximum: 9,900 kW Explanation: None

Station service requirements, and other loads served by the Facility, if any, are described as follows: 256,000 Kwh per year

Location of the Facility: The Facility is to be constructed in the vicinity of Boardman in Morrow County, Oregon. The location is more particularly described as follows:

T2N R23E
SE Qtr S4, NE Qtr S9, NW Qtr S10

Power factor requirements:

Rated Power Factor (PF) or reactive load (kVAR): 740

Unit Specification Notes:

EXHIBIT A-2

UNIT SPECIFICATIONS

Unit	Manufacturer & Model	Synchronous	Number of Phases	Rated Output (kVA)	Rated Output (kW)	Rated Voltage (line to line)	Rated Current (A)		Max kVA Output	Max kW Output	Min kW Output
		or Induction					Stator	Rotor			
1.	Vestas V-82	Induction	3	1808	1650	3 X 600	1740	1740	1808	1815	0
2.	Vestas V-82	Induction	3	1808	1650	3 X 600	1740	1740	1808	1815	0
3.	Vestas V-82	Induction	3	1808	1650	3 X 600	1740	1740	1808	1815	0
4.	Vestas V-82	Induction	3	1808	1650	3 X 600	1740	1740	1808	1815	0
5.	Vestas V-82	Induction	3	1808	1650	3 X 600	1740	1740	1808	1815	0
6.	Vestas V-82	Induction	3	1808	1650	3 X 600	1740	1740	1808	1815	0

EXHIBIT B

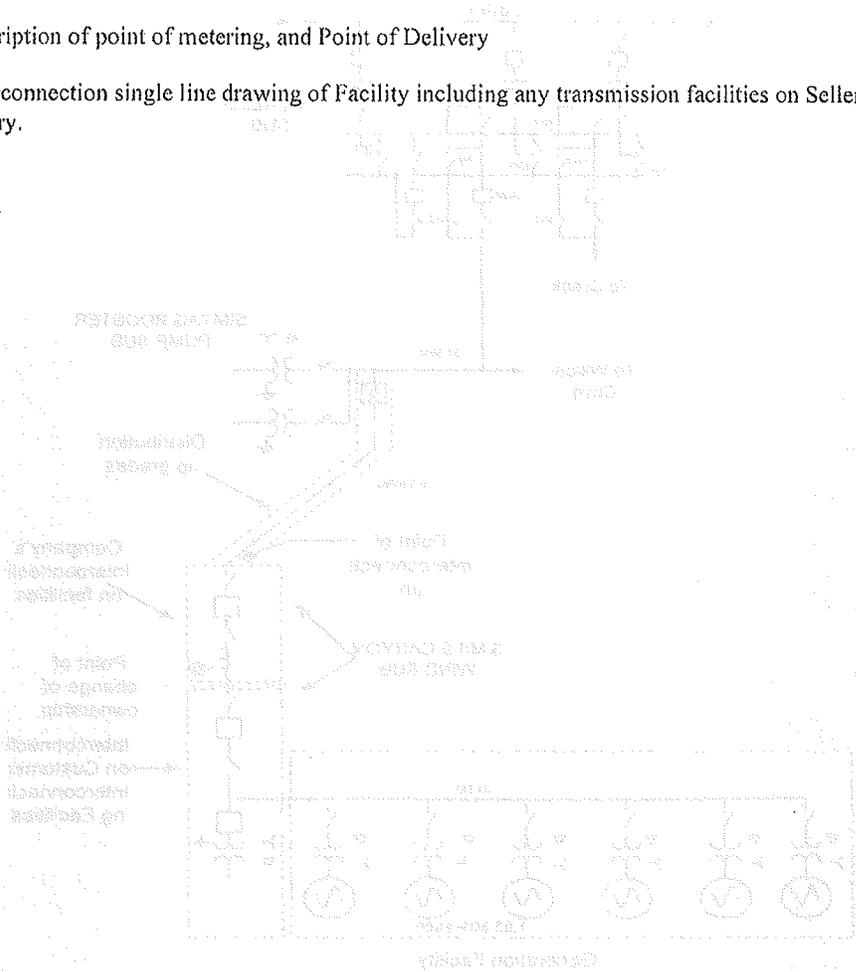
SELLER'S INTERCONNECTION FACILITIES

[Seller to provide its own diagram and description]

POINT OF DELIVERY / SELLER'S INTERCONNECTION FACILITIES

Instructions to Seller:

1. Include description of point of metering, and Point of Delivery
2. Provide interconnection single line drawing of Facility including any transmission facilities on Seller's side of the Point of Delivery.



Page Number 27

Attachment 3 to DGIA

One-line Diagram Depicting the Generating Facility, Interconnection Facilities, Metering Equipment, and Upgrades

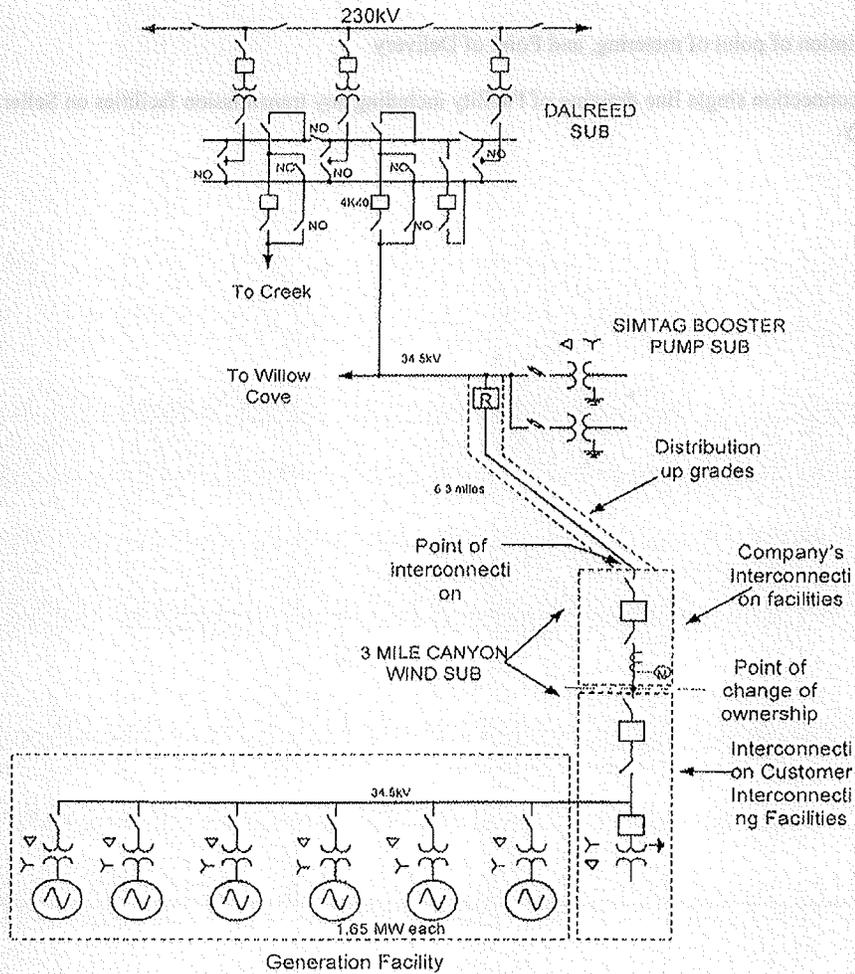


EXHIBIT C

REQUIRED FACILITY DOCUMENTS

REQUIRED OF ALL FACILITIES

- QF Certification
- Interconnection Agreement
- Fuel Supply Agreement, if applicable

REQUIRED IF SELLER ELECTS TO GRANT SENIOR LIEN OR STEP-IN RIGHTS:

- Deed or Lease to Facility Premises
- Preliminary Title Report of Premises
- Proof of ownership of Facility
- Off-take sale agreements, e.g. surplus heat sale contract, if applicable

Depending upon the type of Facility and its specific characteristics, additional Required Facility Documents may be requested.

OTHER (if any)

- Generation Interconnection Agreement
- QF Number: QF09-142-000
- Addendum R - Clarification of Contract Prices

ADDENDUM R
(Clarification of Contract Price)

This Addendum R is hereby made a part of, and clarifies certain terms in, the Oregon Standard Firm Qualifying Facility Power Purchase Agreement for Intermittent Resources 10 MW or Less (the "**Agreement**") entered into the 19th day of June, 2009, by and between Threemile Canyon Wind I, LLC, a Oregon limited liability company ("**Seller**") and PacifiCorp (d/b/a Pacific Power & Light Company), an Oregon corporation, acting in its regulated utility capacity ("**PacifiCorp**"). Seller and PacifiCorp are at times referred to herein individually as a "Party" or collectively as the "Parties".

Whereas, the Agreement provides that PacifiCorp shall pay Seller the Fixed Avoided Cost Price from PacifiCorp's Oregon Schedule 37 Tariff ("**Schedule 37**", attached to the Agreement as Exhibit G) for fifteen years commencing on the Scheduled Initial Delivery Date, and thereafter PacifiCorp shall pay Seller the Firm Market Index Avoided Cost Price; and

Whereas, the Fixed Avoided Cost Prices set forth in Schedule 37 (in "Pricing Option 1", page 5) inadvertently omitted pricing for calendar years after year 2023; and

Whereas, Seller is entitled under the Agreement to be paid the Fixed Avoided Cost Price until June 18, 2024 (such day being exactly fifteen years after the 2009 Scheduled Initial Delivery Date) ("**Changeover Date**"); and

Whereas, the filed and approved Fixed Avoided Cost Prices for years 2012 through 2028 are set forth in columns "f" and "g" of Pricing Option 2, on page 6 of Schedule 37; and

Whereas, the Parties wish to memorialize and document their agreement on the Contract Prices throughout the term of the Agreement.

NOW, THEREFORE, the Parties do hereby declare and agree as follows:

1. Capitalized Terms. Except as otherwise specified herein, all capitalized terms in this Addendum R shall have the meaning set forth in the Agreement.

2. Contract Price during period omitted from Pricing Option 1 in Schedule 37. Commencing at 12:01 a.m. on January 1, 2024, until the Changeover Date, the Contract Price shall be as follows:

On-Peak Contract Price:	9.04 cents/kwh
Off-Peak Contract Price:	6.76 cents/kwh

From the Changeover Date until the Termination Date, the Contract Price shall be the price specified by Section 5.2 of the Agreement.

3. **Contract Price.** The Parties hereby agree that the Contract Price during term of the Agreement shall be the corresponding Contract Price, below.

Year	On-Peak ¢/kWh	Off-Peak ¢/kWh
2009	7.11	5.62
2010	7.21	5.59
2011	7.16	5.42
2012	7.68	5.86
2013	7.72	5.86
2014	7.95	6.06
2015	8.25	6.32
2016	8.40	6.44
2017	8.55	6.55
2018	8.69	6.66
2019	8.86	6.78
2020	9.03	6.91
2021	9.01	6.86
2022	9.03	6.83
2023	9.06	6.82
2024, until Changeover		
Date:	9.04	6.76
2024, from Changeover	Price specified by	
Date until Termination	Section 5.2 of the	
Date:	Agreement	

AGREED TO BY:

PacifiCorp

By: _____

Name: Bruce Griswold

Title: Director, Short-Term Origination
and QF Contracts

Threemile Canyon Wind I, LLC

By: _____

Name: Rick Free

Title: Manager

EXHIBIT D-1

SELLER'S MOTIVE FORCE PLAN

A. MONTHLY DELIVERY SCHEDULES AND SCHEDULED MAINTENANCE

Seller provide an estimate of the average monthly Net Output of the Facility, and explain the basis for the estimate.

Month	Average Energy (kWh)
January	1,734,000 kWh
February	1,449,000 kWh
March	1,783,000 kWh
April	1,898,000 kWh
May	2,011,000 kWh
June	1,797,000 kWh
July	1,703,000 kWh
August	1,703,000 kWh
September	1,589,000 kWh
October	1,808,000 kWh
November	1,750,000 kWh
December	1,783,000 kWh

Explanation: Wind speed data has not been collected at the Project location. In the absence of on-site information, data from a 50 meter meteorological tower located in central Morrow County, approximately 22 miles southeast of the Project was used to determine the wind resource at the Project. A regression analysis was performed between wind speed data from the Morrow County meteorological tower and the long-term reference station at the Eastern Oregon Regional airport near Pendleton, resulting in an R2 statistical correlation coefficient of 0.69, indicating a fair correlation between the two datasets. Terrain modeling was performed to estimate the long-term mean wind speeds at hub height for each wind turbine location.

EXHIBIT D-2

ENGINEER'S CERTIFICATION
OF
MOTIVE FORCE PLAN

Seller provide a written declaration from a Licensed Professional Engineer to PacifiCorp that the Facility is likely capable under average conditions foreseeable during the term of this Agreement of meeting Seller's estimated average, maximum, and minimum Net Output.

Wind Resource

The wind speed data has not been collected at the project location. In the absence of on-site information, data from a 25 m meteorological (met) tower located in central Morrow County approximately 25 miles southeast of the project was used to determine the wind resource at the project. A regression analysis was performed between wind speed data from the Morrow County met tower and the long-term meteorological station at the Eastern Oregon Regional Airport near Madras, Oregon in an attempt to establish a correlation coefficient of 0.92, indicating a low correlation between the two datasets. Terrain modeling was performed to estimate the long-term mean wind speeds at hub height for each turbine location.

Due to the distance or relative complexity of differences in the terrain between the two locations, RMT analysis an uncertainty for the horizontal extrapolation of the long-term average wind speed at the met tower to the project site.

Turbine Energy Estimates

The wind speed data and the power curve for the Vestas V82 were used to calculate the long-term mean gross energy production for each turbine in the project. Loss factors were then applied to produce net energy estimates for each turbine. A ray and topographic losses were calculated, and long losses were estimated based on local climatology. Other loss factors were removed based on RMT's industry experience. The annual average net energy production was calculated to be 24,256 MWh/year.

The uncertainty of project output was evaluated, with higher than usual uncertainty due to the lack of on-site met tower data. The project energy production over the project lifetime (20 years) is estimated to be 21,027 MWh/year at 1.50 level.

Certification of the Three Mile Canyon Wind Farm
Morrow County, Oregon

Diane Reinebach, Senior Energy Specialist

DR

DF Dave Fox, CCM
RMT, Inc.

May 5, 2009

Project Description

The Three Mile Canyon Wind Farm is an operational 9.9 MW wind energy facility owned by John Deere Renewables, LLC ("Project"). It is comprised of 6 Vestas V82 wind turbines, each having a rated power of 1.65 MW and a hub height of 80 meters above grade level.

Wind Resource

Wind speed data has not been collected at the Project location. In the absence of on-site information, data from a 50 m meteorological (Met) tower located in central Morrow County, approximately 22 miles southeast of the Project, was used to determine the wind resource at the Project. A regression analysis was performed between wind speed data from the Morrow County Met tower and the long-term reference station at the Eastern Oregon Regional airport near Pendleton, resulting in an R^2 statistical correlation coefficient of 0.69, indicating a fair correlation between the two datasets. Terrain modeling was performed to estimate the long-term mean wind speeds at hub height for each wind turbine location.

Due to the distance and relative complexity of/difference in the terrain between the two locations, RMT assigned an uncertainty for the horizontal extrapolation of the long-term average wind speed at the Met tower to the Project site.

Turbine Energy Estimates

The wind speed data and the power curve for the Vestas V82 were used to calculate the long-term mean gross energy production for each turbine in the Project. Loss factors were then applied to produce net energy estimates for each turbine. Array and topographic losses were calculated, and icing losses were estimated based on local climatology. Other loss factors were assumed, based on RMT's industry experience. The annual average net energy production was calculated to be 24,256 MWh/year.

The uncertainty in project output was evaluated, with higher than usual uncertainty due to the lack of on-site Met tower data. The Project energy production over the Project lifetime (20 years) is anticipated to be 21,007 MWh/year at the P90 level.

Threemile Canyon Wind I, LLC
Forecast to PacifiCorp
Model: Vestas V-82 - 1.65MW

		P90							
		Losses	Availability	Gross Capacity Factor	Days/mo.	Hrs/mo	Nameplate Capacity	Forecast	
<u>Test Energy</u>	May-09	4.7%	30.0%	30.2%	31	744	9.9	635	
	Jun-09	4.7%	60.0%	27.8%	31	744	9.9	1173	
								1808	Total

		P90							
		Losses	Availability	Gross Capacity Factor	Days/mo.	Hrs/mo	Nameplate Capacity	Forecast	
<u>First Contract Year</u>	July-09	4.7%	70.0%	25.5%	30	720	9.9	1215	
	August-09	4.7%	70.0%	25.5%	31	744	9.9	1255	
	September-09	4.7%	80.0%	24.6%	30	720	9.9	1338	
	October-09	4.7%	90.0%	27.1%	31	744	9.9	1713	
	November-09	7.2%	95.0%	27.8%	30	720	9.9	1750	
	December-09	8.5%	95.0%	27.8%	31	744	9.9	1783	
								5520	Total

		P90							
		Losses	Availability	Gross Capacity Factor	Days/mo.	Hrs/mo	Nameplate Capacity	Forecast	
<u>Second Contract Year</u>	January-10	8.6%	95.0%	27.1%	31	744	9.9	1734	
	February-10	8.6%	95.0%	25.1%	28	672	9.9	1449	
	March-10	8.6%	95.0%	27.8%	31	744	9.9	1783	
	April-10	4.7%	95.0%	29.4%	30	720	9.9	1898	
	May-10	4.7%	95.0%	30.2%	31	744	9.9	2011	
	June-10	4.7%	95.0%	27.8%	30	720	9.9	1797	
	July-10	4.7%	95.0%	25.5%	31	744	9.9	1703	
	August-10	4.7%	95.0%	25.5%	31	744	9.9	1703	
	September-10	4.7%	95.0%	24.6%	30	720	9.9	1589	
	October-10	4.7%	95.0%	27.1%	31	744	9.9	1808	
	November-10	7.2%	95.0%	27.8%	30	720	9.9	1750	
	December-10	8.5%	95.0%	27.8%	31	744	9.9	1783	
								21007	Total

Average Annual Generation	
Test Energy	1808
First Contract Year	5520
Second Contract Year	21007

EXHIBIT E

START-UP TESTING

Required factory testing includes such checks and tests necessary to determine that the equipment systems and subsystems have been properly manufactured and installed, function properly, and are in a condition to permit safe and efficient start-up of the Facility, which may include but are not limited to (as applicable): **[Seller identify appropriate tests]**

1. Pressure tests of all steam system equipment;
2. Calibration of all pressure, level, flow, temperature and monitoring instruments;
3. Operating tests of all valves, operators, motor starters and motor;
4. Alarms, signals, and fail-safe or system shutdown control tests;
5. Insulation resistance and point-to-point continuity tests;
6. Bench tests of all protective devices;
7. Tests required by manufacturer of equipment; and
8. Complete pre-parallel checks with PacifiCorp.

Required start-up tests are those checks and tests necessary to determine that all features and equipment, systems, and subsystems have been properly designed, manufactured, installed and adjusted, function properly, and are capable of operating simultaneously in such condition that the Facility is capable of continuous delivery into PacifiCorp's electrical system, which may include but are not limited to (as applicable):

1. Turbine/generator mechanical runs including shaft, vibration, and bearing temperature measurements;
2. Running tests to establish tolerances and inspections for final adjustment of bearings, shaft run-outs;
3. Brake tests;
4. Energization of transformers;
5. Synchronizing tests (manual and auto);
6. Stator windings dielectric test;
7. Armature and field windings resistance tests;
8. Load rejection tests in incremental stages from 5, 25, 50, 75 and 100 percent load;
9. Heat runs;
10. Tests required by manufacturer of equipment;
11. Excitation and voltage regulation operation tests;
12. Open circuit and short circuit; saturation tests;
13. Governor system steady state stability test;
14. Phase angle and magnitude of all PT and CT secondary voltages and currents to protective relays, indicating instruments and metering;
15. Auto stop/start sequence;
16. Level control system tests; and
17. Completion of all state and federal environmental testing requirements.



JOHN DEERE

WIND ENERGY

John Deere Wind Energy
6400 NW 86th Street
Johnston, IA 50131

DATE	SIGNATURE	TITLE
3/24/09	[Signature]	Manager

EXHIBIT F
Seller Authorization to Release Generation Data to PacifiCorp

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

RE: Q0071 Interconnection Request

Dear Sir:

Threemile Canyon Wind, LLC hereby voluntarily authorizes PacifiCorp's Transmission business unit to share Threemile Canyon Wind, LLC'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. Threemile Canyon Wind, LLC acknowledges that PacifiCorp did not provide it any preferences, either operational or rate-related, in exchange for this voluntary consent.

[Signature]
Name *confirmed RST 6-19-09*

Manager
Title

3/24/09
Date

EXHIBIT G

Summary of Applicable Schedule 37 Prices

Year	On-Peak ¢/kWh	Off-Peak ¢/kWh
2009	7.11	5.62

PACIFIC POWER & LIGHT COMPANY **OREGON**
AVOIDED COST PURCHASES FROM QUALIFYING FACILITIES OF 10,000 KW OR LESS **SCHEDULE 37**
 Page 1

Available

To owners of Qualifying Facilities making sales of electricity to the Company in the State of Oregon.

Applicable

For power purchased from Qualifying Facilities with a nameplate capacity of 10,000 kW or less or that, together with any other electric generating facility using the same motive force, owned or controlled by the same person(s) or affiliated person(s), and located at the same site, has a nameplate capacity of 10,000 kW or less. Owners of these Qualifying Facilities will be required to enter into a written power sales contract with the Company.

Definitions

Cogeneration Facility

A facility which produces electric energy together with steam or other form of useful energy (such as heat) which are used for industrial, commercial, heating or cooling purposes through the sequential use of energy.

Qualifying Facilities

Qualifying cogeneration facilities or qualifying small power production facilities within the meaning of section 201 and 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA), 16 U.S.C. 796 and 824a-3.

Small Power Production Facility

A facility which produces electric energy using as a primary energy source biomass, waste, renewable resources or any combination thereof and has a power production capacity which, together with other facilities located at the same site, is not greater than 80 megawatts.

On-Peak Hours or Peak Hours

On-peak hours are defined as 6:00 a.m. to 10:00 p.m. Pacific Prevailing Time Monday through Saturday, excluding NERC holidays.

Due to the expansions of Daylight Saving Time (DST) as adopted under Section 110 of the U.S. Energy Policy Act of 2005, the time periods shown above will begin and end one hour later for the period between the second Sunday in March and the first Sunday in April and for the period between the last Sunday in October and the first Sunday in November.

Off-Peak Hours

All hours other than On-Peak.

West Side Gas Market Index

The monthly indexed gas price shall be the average of the price indexes published by Platts in "Inside FERC's Gas Market Report" monthly price report for Northwest Pipeline Corp. Rock Mountains, Northwest Pipeline Corp. Canadian Border, and Rockies/Northwest Stanfield, OR.

Excess Output

Excess output shall mean any increment of Net Output delivered at a rate, on an hourly basis, exceeding the Facility Nameplate Capacity. PacifiCorp shall pay Seller the Off-peak Price as described and calculated under pricing option 5 for all Excess Output.

(Continued)

Issued:	October 20, 2008	P.U.C. OR No. 35
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Andrea L. Kelly, Vice President, Regulation

TF1 37-1.E

Advice No. 07-021

Exhibit A

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Same Site

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

Person(s) or Affiliated Person(s):

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

Shared Interconnection and Infrastructure:

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

Dispute Resolution:

Upon request, the QF will provide the purchasing utility with documentation verifying the ownership, management and financial structure of the QF in reasonably sufficient detail to allow the utility to make an initial determination of whether or not the QF meets the above-described criteria for entitlement to the standard rates and standard contract. Any dispute concerning a QF's entitlement to the standard rates and standard contract shall be presented to the Commission for resolution.

(Continued)

Issued:	April 12, 2007	P.U.C. OR No. 35
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TF1 37-2.E

Advice No. 06-019

Exhibit A

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Self Supply Option

Owner shall elect to sell all Net Output to PacifiCorp and purchase its full electric requirements from PacifiCorp or sell Net Output surplus to its needs at the Facility site to PacifiCorp and purchase partial electric requirements service from PacifiCorp, in accordance with the terms and conditions of the power purchase agreement and the appropriate retail service.

Pricing Options

1. Fixed Avoided Cost Prices

Prices are fixed at the time that the contract is signed by both the Qualifying Facility and the Company and will not change during the term of the contract. Fixed Avoided Cost Prices are available for a contract term of up to 15 years and prices under a longer term contract (up to 20 years) will thereafter be under either the Firm Electric Index, the Banded Gas Market Indexed Avoided Cost Prices or the Gas Market Indexed Avoided Cost Prices.

2. Gas Market Indexed Avoided Cost Prices

Fixed prices apply during the resource sufficiency period (2007 through 2011), thereafter a portion of avoided cost prices are indexed to actual monthly West Side Gas Market Index prices. The remaining portion of avoided cost prices will be fixed at the time that the contract is signed by both the Qualifying Facility and the Company and will not change during the term of the contract. Prices are available for a term of up to 20 years.

3. Banded Gas Market Indexed Avoided Cost Prices

Fixed prices apply during the resource sufficiency period (2007 through 2011), thereafter a portion of avoided cost prices are indexed to actual monthly West Side Gas Market Index prices. The remaining portion of avoided cost prices will be fixed at the time that the contract is signed by both the Qualifying Facility and the Company and will not change during the term of the contract. The gas indexed portion of the avoided cost prices are banded to limit the amount that prices can vary with changes in gas prices. Prices are available for a term of up to 20 years.

4. Firm Market Indexed Avoided Cost Prices

Firm market index avoided cost prices are available to Qualifying Facilities that contract to deliver firm power. Monthly on-peak / off-peak prices paid are a blending of Dow Jones Index Firm day-ahead Mid-Columbia, California Oregon Border (COB), Four Corners and Palo Verde on-peak and off-peak prices. The monthly blending matrix is available upon request.

5. Non-firm Market Index Avoided Cost Prices

Non-Firm market index avoided cost prices are available to Qualifying Facilities that do not elect to provide firm power. Qualifying Facilities taking this option will have contracts that do not include minimum delivery requirements, default damages for construction delay, for under delivery or early termination, or default security for these purposes. Monthly On-Peak / Off-Peak prices paid are a blending of Dow Jones Index Non-firm day-ahead Mid-Columbia, California Oregon Border (COB), Four Corners and Palo Verde on-peak and off-peak prices. The monthly blending matrix is available upon request.

(Continued)

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Monthly Payments

A Qualifying Facility shall select the option of payment at the time of signing the contract under one of three Pricing Options as specified above. Once an option is selected the option will remain in effect for the duration of the Facility's contract.

Fixed Avoided Cost Prices

In accordance with the terms of a contract with a Qualifying Facility, the Company shall pay for all separately metered kilowatt-hours of On-Peak and Off-Peak generation at the fixed prices as provided in this tariff. The definition of On-Peak and Off-Peak is as defined in the definitions section of this tariff.

Gas Market Indexed Avoided Cost Prices

In accordance with the terms of a contract with a Qualifying Facility, the Company shall pay for all separately metered kilowatt-hours of On-Peak and Off-Peak generation at On-Peak and Off-Peak prices calculated each month.

To calculate the Off-Peak price, multiply the West Side Gas Market Index price in \$/MMBtu by 0.727 to get actual gas price in cents/kWh. The Off-Peak Energy Adder is added to the actual gas price to get the Off-Peak Price.

The On-Peak price is the Off-Peak price plus the On-Peak Capacity Adder.

Banded Gas Indexed Avoided Cost Prices

In accordance with the terms of a contract with a Qualifying Facility, the Company shall pay for all separately metered kilowatt-hours of On-Peak and Off-Peak generation at On-Peak and Off-Peak prices calculated each month.

To calculate the Off-Peak price, multiply the West Side Gas Market Index price in \$/MMBtu by 0.727 to get actual gas price in cents/kWh. This price is banded such that the actual gas price shall be no lower than the Gas Market Index Floor nor greater than the Gas Market Index Ceiling as listed in the price section of this tariff. The Off-Peak Energy Adder is added to the actual gas price to get the Off-Peak Price.

The On-Peak price is the Off-Peak price plus the On-Peak Capacity Adder.

Firm Market Indexed and Non-firm Market Index Avoided Cost Prices

In accordance with the terms of a contract with a Qualifying Facility, the Company shall pay for all separately metered kilowatt-hours of On-Peak and Off-Peak generation at the market prices calculated at the time of delivery. The definition of On-Peak and Off-Peak is as defined in the definitions section of this tariff.

(Continued)

Issued:	October 20, 2008	P.U.C. OR No. 35
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	November 5, 2007	Canceling Third Revision of Sheet No. 37-4

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TF1 37-4.E

Advice No. 07-021

PACIFIC POWER & LIGHT COMPANY OREGON
 AVOIDED COST PURCHASES FROM QUALIFYING SCHEDULE 37
 FACILITIES OF 10,000 KW OR LESS Page 5

Avoided Cost Prices
Pricing Option 1 – Fixed Avoided cost Prices \$/kWh

Deliveries During Calendar Year	On-Peak Energy Price	Off-Peak Energy Price
	(a)	(b)
2007	6.65	5.56
2008	7.06	5.70
2009	7.11	5.62
2010	7.21	5.59
2011	7.16	5.42
2012	7.68	5.86
2013	7.72	5.86
2014	7.95	6.06
2015	8.25	6.32
2016	8.40	6.44
2017	8.55	6.55
2018	8.69	6.66
2019	8.86	6.78
2020	9.03	6.91
2021	9.01	6.86
2022	9.03	6.83
2023	9.06	6.82

(Continued)

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PACIFIC POWER & LIGHT COMPANY OREGON
 AVOIDED COST PURCHASES FROM QUALIFYING FACILITIES OF 10,000 KW OR LESS SCHEDULE 37
 Page 6

Avoided Cost Prices (Continued)

Pricing Option 2 – Gas Market Indexed Avoided Cost Prices \$/kWh

Deliveries During Calendar Year	Fixed Prices		Gas Market Index		Forecast West Side Gas Market Index Price (2)	Estimated Prices (3)	
	On-Peak Energy Price	Off-Peak Energy Price	On-Peak Capacity Adder (1)	Off-Peak Energy Adder		On-Peak Energy Price	Off-Peak Energy Price
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
			Avoided Firm Capacity Costs / (0.876 * 85.4% * 57%)	Total Avoided Energy Costs - ((e) * 0.727)		(g) + (c)	((e) * 0.727) + (d)
2007	6.65	5.56					
2008	7.06	5.70					
2009	7.11	5.62					
2010	7.21	5.59					
2011	7.16	5.42					
2012			1.82	0.50	\$7.37	7.68	5.86
2013			1.85	0.51	\$7.36	7.72	5.86
2014			1.89	0.52	\$7.62	7.95	6.06
2015			1.93	0.54	\$7.96	8.25	6.32
2016			1.96	0.55	\$8.10	8.40	6.44
2017			2.00	0.56	\$8.24	8.55	6.55
2018			2.04	0.56	\$8.38	8.69	6.66
2019			2.08	0.57	\$8.54	8.86	6.78
2020			2.12	0.59	\$8.70	9.03	6.91
2021			2.16	0.59	\$8.62	9.01	6.86
2022			2.20	0.61	\$8.56	9.03	6.83
2023			2.24	0.61	\$8.54	9.06	6.82
2024			2.28	0.62	\$8.45	9.04	6.76
2025			2.32	0.63	\$8.38	9.04	6.72
2026			2.37	0.64	\$8.30	9.04	6.67
2027			2.41	0.65	\$8.32	9.11	6.70
2028			2.46	0.66	\$8.38	9.21	6.75

- (1) Avoided Firm Capacity Costs are equal to the fixed costs of a SCCT as identified in the Company's 2007 IRP.
- (2) A heat rate of 0.727 is used to adjust gas prices from \$/MMBtu to \$/kWh
- (3) Estimated avoided cost prices based upon forecast West Side Gas Market Index prices.
Actual prices will be calculated each month using actual index gas prices.

(Continued)

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 Canceling Third Revision of Sheet No. 37-6

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PACIFIC POWER & LIGHT COMPANY
 AVOIDED COST PURCHASES FROM QUALIFYING FACILITIES OF 10,000 KW OR LESS
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 Page 7

Avoided Cost Prices (Continued)
Pricing Option 3 – Banded Gas Market Indexed Avoided Cost Prices \$/kWh

Deliveries During Calendar Year	Fixed Prices		Banded Gas Market Index				Forecast	Estimated Prices (3)	
	On-Peak	Off-Peak	On-Peak	Off-Peak	Gas Market Index		West Side Gas Market Index Price (2)	On-Peak	Off-Peak
	Energy	Energy	Capacity	Energy	Floor	Ceiling		Energy	Energy
	Price	Price	Adder (1)	Adder	90%	110%	\$/MMBtu	Price	Price
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
			Avoided Firm Capacity Costs / (0.876 * 85.4% * 57%)	Total Avoided Energy Costs - ((e) * 0.727)	(g) * 0.727 * 90%	(g) * 0.727 * 110%		(i) + (c)	MIN(MAX(((g) * 0.727), (e)), (f)) + (d)
2007	6.65	5.56							
2008	7.06	5.70							
2009	7.11	5.62							
2010	7.21	5.59							
2011	7.16	5.42							
2012			1.82	0.50	4.82	5.89	\$7.37	7.68	5.86
2013			1.85	0.51	4.82	5.89	\$7.36	7.72	5.86
2014			1.89	0.52	4.99	6.09	\$7.62	7.95	6.06
2015			1.93	0.54	5.21	6.37	\$7.96	8.25	6.32
2016			1.96	0.55	5.30	6.48	\$8.10	8.40	6.44
2017			2.00	0.56	5.39	6.59	\$8.24	8.55	6.55
2018			2.04	0.56	5.48	6.70	\$8.38	8.69	6.66
2019			2.08	0.57	5.59	6.83	\$8.54	8.86	6.78
2020			2.12	0.59	5.69	6.96	\$8.70	9.03	6.91
2021			2.16	0.59	5.64	6.89	\$8.62	9.01	6.86
2022			2.20	0.61	5.60	6.85	\$8.56	9.03	6.83
2023			2.24	0.61	5.59	6.83	\$8.54	9.06	6.82
2024			2.28	0.62	5.53	6.76	\$8.45	9.04	6.76
2025			2.32	0.63	5.48	6.70	\$8.38	9.04	6.72
2026			2.37	0.64	5.43	6.64	\$8.30	9.04	6.67
2027			2.41	0.65	5.44	6.65	\$8.32	9.11	6.69
2028			2.46	0.66	5.48	6.70	\$8.38	9.21	6.75

- (1) Avoided Firm Capacity Costs are equal to the fixed costs of a SCCT as identified in the Company's 2007 IRP.
- (2) A heat rate of 0.727 is used to adjust gas prices from \$/MMBtu to \$/kWh
- (3) Estimated avoided cost prices based upon forecast West Side Gas Market Index prices.
 Actual prices will be calculated each month using actual index gas prices.

(Continued)

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 Canceling Third Revision of Sheet No. 37-7

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TF1 37-7.E

Advice No. 07-021

Example of Gas Pricing Options available to the Qualifying Facility

An example of the two gas pricing options using different assumed gas prices is provided at the end of this tariff.

Qualifying Facilities Contracting Procedure

Interconnection and power purchase agreements are handled by different functions within the Company. Interconnection agreements (both transmission and distribution level voltages) are handled by the Company's transmission function (PacifiCorp Transmission Services) while power purchase agreements are handled by the Company's merchant function (PacifiCorp Commercial and Trading).

It is recommended that the owner initiate its request for interconnection 18 months ahead of the anticipated in-service date to allow time for studies, negotiation of agreements, engineering, procurement, and construction of the required interconnection facilities. Early application for interconnection will help ensure that necessary interconnection arrangements proceed in a timely manner on a parallel track with negotiation of the power purchase agreement.

1. Qualifying Facilities up to 10,000 kW

APPLICATION: To owners of existing or proposed QFs with a design capacity less than or equal to 10,000 kW who desire to make sales to the Company in the state of Oregon. Such owners will be required to enter into a written power purchase agreement with the Company pursuant to the procedures set forth below.

I. Process for Completing a Power Purchase Agreement

A. Communications

Unless otherwise directed by the Company, all communications to the Company regarding QF power purchase agreements should be directed in writing as follows:

Pacific Power & Light Company
Manager-QF Contracts
825 NE Multnomah St, Suite 600
Portland, Oregon 97232

The Company will respond to all such communications in a timely manner. If the Company is unable to respond on the basis of incomplete or missing information from the QF owner, the Company shall indicate what additional information is required. Thereafter, the Company will respond in a timely manner following receipt of all required information.

B. Procedures

1. The Company's approved generic or standard form power purchase agreements may be obtained from the Company's website at www.pacificcorp.com, or if the owner is unable to obtain it from the website, the Company will send a copy within seven days of a written request.
2. In order to obtain a project specific draft power purchase agreement the owner must provide in writing to the Company, general project information required for the completion of a power purchase agreement, including, but not limited to:
 - (a) demonstration of ability to obtain QF status;

(Continued)

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PACIFIC POWER & LIGHT COMPANY
AVOIDED COST PURCHASES FROM QUALIFYING
FACILITIES OF 10,000 KW OR LESS

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B. Procedures (Continued)

- b) design capacity (MW), station service requirements, and net amount of power to be delivered to the Company's electric system;
- c) generation technology and other related technology applicable to the site;
- d) proposed site location;
- e) schedule of monthly power deliveries;
- f) calculation or determination of minimum and maximum annual deliveries;
- g) motive force or fuel plan;
- h) proposed on-line date and other significant dates required to complete the milestones;
- i) proposed contract term and pricing provisions (i.e., fixed, deadband, gas indexed);
- j) status of interconnection or transmission arrangements;
- k) point of delivery or interconnection;

3. The Company shall provide a draft power purchase agreement when all information described in Paragraph 2 above has been received in writing from the QF owner. Within 15 business days following receipt of all information required in Paragraph 2, the Company will provide the owner with a draft power purchase agreement including current standard avoided cost prices and/or other optional pricing mechanisms as approved by the Oregon Public Utilities Commission in this Schedule 37.

4. If the owner desires to proceed with the power purchase agreement after reviewing the Company's draft power purchase agreement, it may request in writing that the Company prepare a final draft power purchase agreement. In connection with such request, the owner must provide the Company with any additional or clarified project information that the Company reasonably determines to be necessary for the preparation of a final draft power purchase agreement. Within 15 business days following receipt of all information requested by the Company in this paragraph 4, the Company will provide the owner with a final draft power purchase agreement.

5. After reviewing the final draft power purchase agreement, the owner may either prepare another set of written comments and proposals or approve the final draft power purchase agreement. If the owner prepares written comments and proposals the Company will respond in 15 business days to those comments and proposals.

6. When both parties are in full agreement as to all terms and conditions of the draft power purchase agreement, the Company will prepare and forward to the owner within 15 business days, a final executable version of the agreement. Following the Company's execution a completely executed copy will be returned to the owner. Prices and other terms and conditions in the power purchase agreement will not be final and binding until the power purchase agreement has been executed by both parties.

(Continued)

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Andrea L. Kelly, Vice President, Regulation

TF1 37-9.E

Advice No. 07-021

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II. Process for Negotiating Interconnection Agreements

[NOTE: Section II applies only to QFs connecting directly to PacifiCorp's electrical system. An off-system QF should contact its local utility or transmission provider to determine the interconnection requirements and wheeling arrangement necessary to move the power to PacifiCorp's system.]

In addition to negotiating a power purchase agreement, QFs intending to make sales to the Company are also required to enter into an interconnection agreement that governs the physical interconnection of the project to the Company's transmission or distribution system. The Company's obligation to make purchases from a QF is conditioned upon the QF completing all necessary interconnection arrangements. It is recommended that the owner initiate its request for interconnection 18 months ahead of the anticipated in-service date to help ensure that necessary interconnection arrangements proceed in a timely manner on a parallel track with negotiation of the power purchase agreement.

Because of functional separation requirements mandated by the Federal Energy Regulatory Commission, interconnection and power purchase agreements are handled by different functions within the Company. Interconnection agreements (both transmission and distribution level voltages) are handled by the Company's transmission function (including but not limited to PacifiCorp Transmission Services) while power purchase agreements are handled by the Company's merchant function (including but not limited to PacifiCorp's Commercial and Trading Group).

A. Communications

Initial communications regarding interconnection agreements should be directed to the Company in writing as follows:

PacifiCorp
Director – Transmission Services
825 NE Multnomah St, Suite 1600
Portland, Oregon 97232

Based on the project size and other characteristics, the Company will direct the QF owner to the appropriate individual within the Company's transmission function who will be responsible for negotiating the interconnection agreement with the QF owner. Thereafter, the QF owner should direct all communications regarding interconnection agreements to the designated individual, with a copy of any written communications to the address set forth above.

B. Procedures

Generally, the interconnection process involves (1) initiating a request for interconnection, (2) undertaking studies to determine the system impacts associated with the interconnection and the design, cost, and schedules for constructing any necessary interconnection facilities, and (3) executing an interconnection agreement to address facility construction, testing, acceptance, ownership, operation and maintenance issues. Consistent with PURPA and Oregon Public Utility Commission regulations, the owner is responsible for all interconnection costs assessed by the Company on a nondiscriminatory basis. For interconnections impacting the Company's Transmission and Distribution System, the Company will process the interconnection application through PacifiCorp Transmission Services.

(Continued)

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TF1 37-10.E

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Exhibit A

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PACIFIC POWER & LIGHT COMPANY
 AVOIDED COST PURCHASES FROM QUALIFYING
 FACILITIES OF 10,000 KW OR LESS

OREGON
 SCHEDULE 37
 Page 11

Example of Gas Pricing Options given Assumed Gas Prices c/kWh

Banded Gas Market Index													
Year	Prices Listed in the Tariff				Example using assumed Gas Prices						Compared to Fixed Prices		
	On-Peak Capacity Adder	Off-Peak Energy Adder	Gas Market Index		Assumed Gas Price \$/MMBtu	Actual Energy Price	Fuel Index		Price Paid to QF		Off-Peak Price	On-Peak Price	
(a)	(b)	Floor 90%	Ceiling 110%	(e)			(f)	Floor	Ceiling	Type of Component			Off-Peak Price
						(f) x (g)				(h) - (i)	(j) - (k)		
2012	1.82	0.50	4.82	5.89	\$5.00	3.64	4.82	Floor	5.32	7.14			
					\$6.00	4.36	4.82	Floor	5.32	7.14			
					\$7.00	5.09	5.09	Actual	5.59	7.41	5.86	7.68	
					\$10.00	7.27	5.89	Ceiling	6.39	8.21			
					\$12.00	8.72	5.89	Ceiling	6.39	8.21			

Gas Market Method													
Year	Prices Listed in the Tariff				Example using assumed Gas Prices						Compared to Fixed Prices		
	On-Peak Capacity Adder	Off-Peak Energy Adder	Fuel Index		Assumed Gas Price \$/MMBtu	Actual Energy Price	Fuel Index		Price Paid to QF		Off-Peak Price	On-Peak Price	
(a)	(b)	Floor 90%	Ceiling 110%	(e)			(f)	Floor	Ceiling	Type of Component			Off-Peak Price
						(f) x (g)				(h) - (i)	(j) - (k)		
2012	1.82	0.50	Not Relevant		\$5.00	3.64				4.14	5.96		
					\$6.00	4.36				4.86	6.68		
					\$7.00	5.09	Not Relevant			5.59	7.41	5.86	7.72
					\$10.00	7.27				7.77	9.59		
					\$12.00	8.72				9.22	11.04		

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 Canceling Original Sheet No. 37-11

Issued By
 Andrea L. Kelly, Vice President, Regulation

TF1 37-11.E

Advice No. 07-021

Example of Gas Pricing Options Given Assumed Gas Prices (\$/MWh)

Year	Contract	Gas Price (\$/MWh)				Total Gas Cost (\$)	Total Gas Cost (\$/MWh)	Total Gas Cost (\$/MWh)	Total Gas Cost (\$/MWh)
		Year 1	Year 2	Year 3	Year 4				
2001	100	1.10	1.10	1.10	1.10	1.10	1.10	1.10	
2002	100	1.10	1.10	1.10	1.10	1.10	1.10	1.10	

Year	Contract	Gas Price (\$/MWh)				Total Gas Cost (\$)	Total Gas Cost (\$/MWh)	Total Gas Cost (\$/MWh)	Total Gas Cost (\$/MWh)
		Year 1	Year 2	Year 3	Year 4				
2001	100	1.10	1.10	1.10	1.10	1.10	1.10	1.10	
2002	100	1.10	1.10	1.10	1.10	1.10	1.10	1.10	

From: Peter Solomon <peter@momentumre.com>
Sent: Friday, July 14, 2006 8:38 AM
To: Griswold, Bruce
Cc: bxgr@dealinc.com; jessica@momentumre.com
Subject: re: Load Pocket Issue

Bruce,

Thanks for the info.

Peter C Solomon
Momentum Renewable Energy
2100 SW River Parkway
Portland, OR 97201
office (503) 499-0386
mobile (503) 201-8258
peter@momentumre.com

From: "Griswold, Bruce" <Bruce.Griswold@PacifiCorp.com>
Sent: Thursday, July 13, 2006 4:42 PM
To: peter@momentumre.com
Subject: Load Pocket Issue

Peter

I talked briefly with Lisa Schwartz at the OPUC. She was at a conference and would get back to me early next week with a more detailed answer but her general view was that the prices for the standard QF could not be adjusted but the prices in the non-standard QF could be adjusted to reflect the impact of transmission constraints. What she wanted to investigate Monday when she returned was how transmission costs are treated for the standard QF when there is a constraint like this. She thought there was three options:

- o Curtailment of the generation if generation exceeds load
- o QF pays for incremental transmission to move power to another location on PacifiCorp system
- o Price adjustment when PacifiCorp has to back down a lower cost resource and accept the QF power.

I should hear some more first of the week. She was also willing to have a bigger discussion once she had researched the issue.

Regards, Bruce

Bruce Griswold
PacifiCorp C&T
503.813.5218
503.813.6260 FAX
503.702.1445 CELL

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PacifiCorp C&T
503.813.5218
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503.702.1445 CELL

From: Portouw, Jim {Mkt Affiliate}
Sent: Friday, March 09, 2007 1:45 PM
To: Griswold, Bruce {Mkt Affiliate}
Cc: Kusters, Stacey {Mkt Affiliate}; Elzeh, Edison {Mkt Affiliate}
Subject: RE: Three Mile Canyon Wind QF Power Purchase Agreements

Bruce,

To make the BPA request I will need a start date - what do you want to use? I will then request 13 MW of PTP transmission from Dalreed to Troutdale for one year. My expectation is that this will go into study and we will not know much until at least three months from now.

Jim

From: Griswold, Bruce {Mkt Affiliate}
Sent: Friday, March 09, 2007 10:00 AM
To: Portouw, Jim {Mkt Affiliate}
Cc: Kusters, Stacey {Mkt Affiliate}; Elzeh, Edison {Mkt Affiliate}
Subject: FW: Three Mile Canyon Wind QF Power Purchase Agreements
Importance: High

Jim

The Threemile Canyon Wind Projects are continuing to progress. They have finalized their project size. They have indicated that they are getting close to finalizing their interconnection agreements with Pac Trans for the two projects. As you know there is a significant load pocket issue around these projects. Oregon standard contracts do not provide for any curtailment rights in the PPA or price adjustments for transmission constraints so merchant will need to request transmission from BPA for the projects export in excess of load. Below is a revised description of the projects prepared by Threemile. Please put in a request to BPA for transmission so we will know if PTP transmission is even available, the financial impact, and schedule. Thanks.

The Threemile Canyon Wind Farm ("Wind Farm") consist of two separate community wind projects Threemile Canyon Wind I, LLC (TMCI) with 8.25 megawatts (MW) and Threemile Canyon Wind II, LLC ("TMCI" with 6.6 MWs. Both will be referred to collectively as (The Projects). The Projects are located on the property of Threemile Canyon Farms ("Farm") about 8 miles west of Boardman, Oregon. TMCI and TMCI will consist of 5 and 4 large-scale wind turbines respectively. They will share a small collector substation, and a short transmission line to an existing distribution line within the Farm boundary for interconnection to the regional electricity grid. of these facilities will be at the western edge of Morrow County, in Sections 4, 9 and 10 of T2N R23E WM. Electric power will be carried about 4 miles from the collector station to a location near PacifiCorp's Simtag substation via an overhead (above ground) three-phase distribution line at 34.5 kilovolts. The Threemile Canyon site has an extensive electric transmission and distribution system. The property is traversed by the multiple-line transmission corridor from the Columbia River and Lower Snake generation facilities to west of the Cascades, and the Boardman Generating Station adjacent to the project location. Existing facilities enable electricity to be delivered to PacifiCorp or the Bonneville Power Administration at PacifiCorp's Dalreed Substation.

Bruce Griswold
PacifiCorp C&T
503.813.5218
503.813.6260 FAX
503.702.1445 CELL

From: Portouw, Jim
Sent: Thursday, November 16, 2006 7:36 AM
To: Griswold, Bruce; _C&T PreTransaction Approval
Cc: Erb, Jeff
Subject: RE: Three Mile Canyon Wind QF Power Purchase Agreements

Transmission:

Major issue with these projects. Load pocket they are connecting to can not integrate this amount of energy. They need to acquire transmission service to Portland area (similar to Middlefork QF) or some other PacifiCorp load area that can integrate the resource. If they connect to PacifiCorp system at Dalreed they would need PacifiCorp Transmission service to BPA at Dalreed 230 kV, then BPA transmission service to Troutdale 230 KV. Alternatively they could interconnect directly with BPA in the Dalreed area and avoid the PacifiCorp Transmission service. As proposed we would need to acquire BPA transmission out of the Dalreed area for the surplus.

From: Griswold, Bruce
Sent: Tuesday, November 14, 2006 11:59 AM
To: _C&T PreTransaction Approval
Cc: Erb, Jeff
Subject: Three Mile Canyon Wind QF Power Purchase Agreements

PacifiCorp is considering the following two standard Oregon QF wind transactions with Three Mile Canyon, LLC. Projects are physically located adjacent to each other.

10MW Project

- **Buyer:** PacifiCorp
- **Seller:** Three Mile Canyon, LLC
- **POD:** Dalread Substation in eastern Oregon - Project will construct a 5 mile distribution line from PacifiCorp's Simtag line to the project.
- **Term:** December 1, 2007 through November 30, 2027
- **Product:** Wind QF energy
- **Quantity:** Nameplate capacity of 10 MW. Expected annual capacity factor of 32.4% and annual energy deliveries of 28,400 MWh
- **Price:** Price is the Oregon Schedule 37 fixed price by year for on and off-peak. Levelized price over the 20 year term is approximately \$63/MWh.
- **RECs:** Contract will explicitly state that QF will retain ownership of the RECs per Oregon Commission Order.
- **Performance:** Mechanical Availability Guarantee (MAG)
- **Agreement:** Oregon Standard QF PPA modified to include MAG
- **Credit:** Project development and default security to be calculated by credit. Momentum Renewable Energy, Inc. ("Momentum") is the developer. John Deere Credit - Wind Energy ("Deere") will be a financial and equity partner in projects developed on the Farm. Deere will participate in both projects as the lender. Deere will also participate in both projects as a tax-motivated equity partner. The current plan is for Deere to sell its equity interest to the general partners of the respective projects after: 1) the