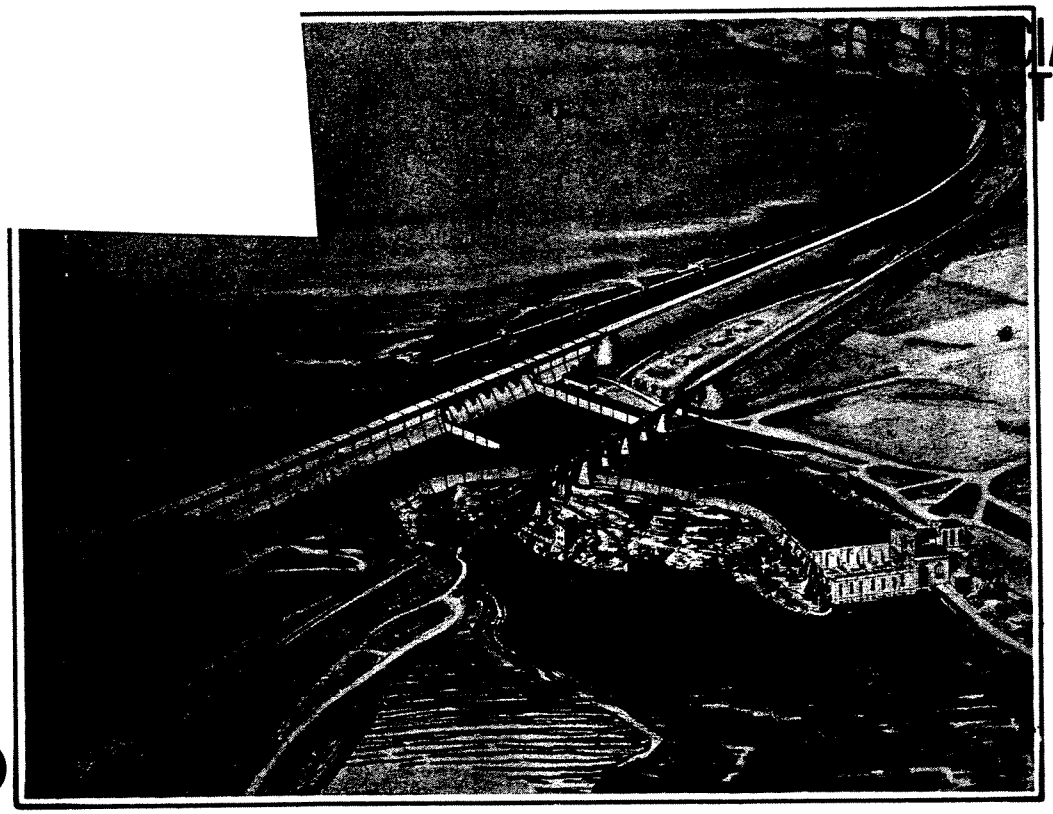
11-00-1972 Amer Falls Dam Replacement Feasibility

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AMERICAN FALLS DAM REPLACEMENT

UPPER SNAKE RIVER PROJECT
IDAHO - WYOMING

DEPARTMENT OF THE INTERIOR
Rogers C.B. Morton, Secretary

BUREAU OF RECLAMATION
Ellis L. Armstrong, Commissioner

FEASIBILITY REPORT
NOVEMBER 1972

United States Department of the Interior

BUREAU OF RECLAMATION

PACIFIC NORTHWEST REGIONAL OFFICE
FEDERAL BUILDING & U.S. COURTHOUSE
BOX 043-550 WEST FORT STREET
BOISE, IDAHO 83702

IN REPLY
REFER TO: 730
123.-

To: Commissioner, Bureau of Reclamation

From: Regional Director, Pacific Northwest Region, Boise, Idaho

Subject: Feasibility Report on American Falls Dam Replacement, Idaho--Upper Snake River Project, Idaho-Wyoming

This is my report proposing the multipurpose replacement of the Bureau of Reclamation's American Falls Dam and Reservoir; we propose that the reservoir be maintained at its existing size--1.7 million acre-feet. The reservoir would continue to provide water for about 900,000 acres of irrigated land in the upper Snake River basin. The proposed project would also provide flood control, fish and wildlife enhancement, and recreation; and a safe, improved highway crossing would be built on the new dam.

The existing American Falls Dam does not meet current Bureau of Reclamation safety standards. This conclusion has been corroborated by a distinguished board of private consultants. Concrete in parts of the dam is in a relatively advanced state of deterioration. In the 45 years since the dam was built, the concrete has deteriorated due to a chemical reaction between the alkalis in the cement and the aggregates used in the dam's concrete. The occurrence and effects of this alkali-aggregate reaction were unknown at the time the dam was built. In addition, there is a lack of bond at some of the construction liftlines. As a result, the dam may become unable to resist shearing or sliding downstream under the thrust of the reservoir.

Reservoir filling has been limited to 66 percent of reservoir capacity to avoid excessive pressures on the dam. Because the concrete deterioration is continuing, further filling restrictions will probably be required in future years. The present operating restrictions will have severe adverse effects on water users. More severe filling restrictions or the complete loss of American Falls Reservoir storage would spell financial failure for hundreds of farmers and severe economic hardship for others. Important flood control, fish and wildlife, recreation, and other benefits would also be lost.

Based on comparative cost estimates and an analysis of water supply and other factors, it was concluded that replacement of the existing dam is preferable to the extensive rehabilitation that would be required. The decision to replace the dam rather than repair it is supported by a nearly unanimous vote of American Falls Reservoir spaceholders.

The proposed plan would continue important flood control on the Snake River, and it would provide additional flood control on the lower Columbia River through a proposed change in reservoir operation.

The fish and wildlife resources of the area would be enhanced by developing trout hatchery ponds, goose nesting islands, and other features. The Idaho Fish and Game Department plans to administer and share in the costs of building these facilities. The plan also includes measures to preserve the fishery just downstream from the existing dam.

Replacement of the dam would maintain American Falls Reservoir as an important recreation area. Public non-Federal agencies are going ahead with plans to develop and improve recreation areas at the reservoir under nonproject programs. The proposed project would provide basic facilities for public health and safety near the new dam during and after construction.

The proposed plan includes a modern, two-lane highway to carry Idaho State Highway 39 across the new dam, replacing the narrow, dangerous crossing on the existing dam.

The possibility of enlarging the reservoir was studied. Although enlargement would provide needed storage, it was rejected because of the adverse environmental effects it would cause, mainly in the Fort Hall Indian Reservation at the upper end of the reservoir. A lack of support of a majority of interests was also instrumental in rejecting the enlargement plan.

The proposed multipurpose plan for replacement of American Falls Dam is economically justified. Total benefits would exceed associated costs by a ratio of 4.52 to 1, and direct benefits would exceed costs by a ratio of 3.21 to 1. Total costs for the project are $29,468,000. These costs provide for constructing a two-lane highway across the dam, but do not include $1,500,000 added costs to be funded by the State Highway Department to provide a four-lane highway. Total annual equivalent benefits to be derived from irrigation, flood control, fish and wildlife enhancement, and recreation would be $7,346,800; direct benefits would total $5,210,000. All irrigation costs except for associated investigation costs would be reimbursable without interest over a 40-year repayment period.

In summary, the proposed multipurpose project would enhance the area's environment, while causing only minimal adverse environmental impacts.

An environmental statement on the proposal is being circulated for review as required by the National Environmental Policy Act of 1969. In addition, the proposal represents a good economic value. Each $1 of costs would produce more than $3 of direct benefits, and about two-thirds of the project's construction costs would be repaid to the U.S. Government. For these reasons and because of the critical condition of the existing dam, the proposed multipurpose replacement plan should be given high priority.

Summary

AMERICAN FALLS DAM REPLACEMENT, IDAHO

This report presents a proposed plan for replacing American Falls Dam and developing related multipurpose features. American Falls Dam is located on the Snake River in southeastern Idaho west of the town of Pocatello, as shown on the map at the front of this report. Completed by the Bureau of Reclamation in 1927, the dam now needs to be replaced or extensively repaired.

The 1.7 million acre-foot reservoir would be maintained at its existing size. Thesstorage provided by this reservoir is the foundation of the existing irrigation development in the upper Snake River basin. The largest storage reservoir in the upper Snake River basin, American Falls Reservoir contributes almost half of the usable storage on the main stem of the upper Snake River. Nearly 900,000 acres of land now receive irrigation water from the reservoir. American Falls Reservoir and the other upper Snake River basin reservoirs are operated as a system to provide irrigation water to lands throughout the basin, as well as for flood control, recreation, fish and wildlife enhancement, and power production.

NEED FOR REPLACEMENT

The Bureau of Reclamation has concluded that American Falls Dam does not meet current safety standards and must therefore be replaced or extensively rehabilitated. This conclusion has been corroborated by a distinguished board of private consultants after a thorough study of the dam's condition.

Two conditions have made replacement or major rehabilitation mandatory:

(1) Concrete in portions of the dam is in a relatively advanced state of deterioration. In the 45 years since the dam was built, the concrete has gradually deteriorated due to a chemical reaction between the aggregate (sand and gravel) and the alkalis in the cement used in the dam's concrete. The occurrence and effects of this alkali-aggregate reaction were unknown at the time the dam was built. Freezing and thawing and wetting and drying have further aggravated the concrete deterioration.

(2) There is a lack of cohesion or bond at some of the construction liftlines. With this weakness at the joints, it is possible that the dam may become unable to resist shearing or sliding downstream under the thrust of the reservoir.

Summary

Winter reservoir filling was restricted for several years to avoid dangerous ice pressures on the thin upper part of the dam; this restriction caused losses of storage yield. Reservoir filling has now been further limited to only 66 percent of reservoir capacity at all times. This restriction will cause serious water shortages on many lands in dry years.

Because the concrete deterioration is continuing, further filling restrictions appear to be inevitable until little or no water can be stored in the reservoir. This situation would cause financial failure for hundreds of farm operators and severe economic hardship for others. These events would in turn cripple the upper Snake River basin's overall economy, which is heavily based on irrigation agriculture. In addition, important flood control, fish and wildlife, recreation, and other benefits would be lost.

For these reasons, the replacement or rehabilitation of American Falls Dam should be given high priority.

PROPOSED PLAN

Replacement of the dam and reservoir at their existing size is proposed. Based on comparative cost estimates and on an analysis of water supply and other factors, it was concluded that replacement of the existing dam is preferable to the extensive rehabilitation that would be required. The cost for a replacement dam was estimated to be slightly higher than either of the rehabilitation schemes investigated in detail. This cost difference was judged to be minor, however, when weighed against the fact that the replacement dam would be a completely new structure, while the life expectancy of a rehabilitated dam would be limited to the remaining life of the existing portions of the dam.

In addition, since rehabilitation would require evacuation and controlled filling of the reservoir during construction, serious water shortages could result. Replacement would not involve this chance of water shortages because the existing dam would remain in operation during the entire construction period. The decision to replace the dam rather than rehabilitate it was supported by a nearly unanimous vote of American Falls Reservoir spaceholders on March 28, 1969.

The proposed multipurpose plan would enhance several aspects of the area's environment and would have minimal adverse environmental impacts. A detailed statement on the environmental impacts of the proposal is being circulated for review as required by the National Environmental Policy Act of 1969.

Nearly the entire cost of the existing dam has been repaid by the irrigation water users, even though it has long been clear that other

interests were receiving major benefits from the reservoir. Under current water-resource planning criteria, the other functions such as flood control, fish and wildlife, and recreation can be identified and fully developed; and cost allocation, repayment, and other analyses can incorporate all the functions benefiting from American Falls Reservoir.

The proposed plan is attractive from an economic and financial standpoint. Direct benefits would exceed costs by a ratio of 3.21 to 1, and total benefits would exceed costs by a ratio of 4.52 to 1. About two-thirds of the cost of constructing the proposed project would be repaid to the U.S. Government.

The major feature of this proposal is the construction of a concrete and earthfill replacement dam just downstream from the existing American Falls Dam. Other proposed facilities include (1) flood forecasting facilities, (2) fish and wildlife enhancement and fishery mitigation features, (3) a two-lane highway crossing on the new dam, and (4) basic facilities for public health and safety near the new dam. Following construction of the replacement dam, the existing dam would be removed.

After Congress authorizes the proposed project and appropriates funds for its construction, major work on the replacement dam could be completed by the beginning of the fifth year. All other construction could be completed by the end of the sixth year.

The proposed American Falls Dam Replacement Project would serve the functions of irrigation, flood control, fish and wildlife enhancement, recreation, highway improvement, and future power production.

Irrigation

The replacement of American Falls Dam would guarantee uninterrupted irrigation water service to an 892,650-acre area which has for many years been the foundation of the economy of southeastern Idaho. These lands make up half of the entire acreage irrigated from surface water in the upper Snake River basin. The 34 irrigation organizations which now own 1,655,000 acre-feet of space in American Falls Reservoir would continue this arrangement; no change in existing irrigation rights or entitlements is proposed.

The remaining 45,000 acre-feet of reservoir space is now used for private power production. For convenience of analysis in this report, it was assumed that this space would be used to meet irrigation needs in unspecified areas. Alternative uses of this space will be considered during preconstruction planning.

All construction costs allocated to irrigation would be repaid to the U.S. Government, except for investigation costs which would be

nonreimbursable in accordance with recent legislation. Payment capacity studies show that water users could repay all reimbursable irrigation costs in a 40-year period as set forth in Sec. 3 of the Reclamation Act of 1939, after meeting annual operating costs allocated to irrigation.

Flood Control

Under the proposed plan, the reservoir would create major flood control benefits in three categories:

(1) Along the Snake River upstream from American Falls Reservoir to the existing Palisades Reservoir by permitting controlled releases from Palisades.

(2) Along the Snake River from American Falls Dam downstream to the Idaho-Oregon border where the river enters the Hells Canyon reach.

(3) Downstream on the lower Columbia River.

The first two benefits would be created by the operation of the reservoir for its other purposes. The third benefit would be achieved by operating up to 600,000 acre-feet of reservoir space to partially control the largest floods. The reservoir would be operated to insure the filling of this space for the irrigators who have contracted for its use. The proposed plan includes flood forecasting facilities representing the American Falls Reservoir share of the proposed multi-agency Columbia River Hydromet (hydrologic-meteorological) System.

Fish and Wildlife Enhancement

The proposed plan would enhance both the fish and the wildlife resources of the area; all enhancement measures upon which the Idaho Fish and Game Department has agreed to share costs have been included in the plan. The Fish and Game Department would administer these enhancement features. The plan also includes the measures recommended by the U.S. Bureau of Sport Fisheries and Wildlife to preserve the important fishery just downstream from the existing dam; the replacement project would not damage wildlife.

Proposed enhancement measures include new hatchery ponds, a trout incubation channel, goose nesting islands, fisherman access areas, control of water temperatures in the reservoir and in downstream releases through coordinated operation of the outlet works and spillway gates, and a fishing bridge across the Snake River below the American Falls.

Recreation

Enough lands are available to insure future public access to the reservoir for recreation; included are several hundred acres of Federal land recently leased by non-Federal public agencies for long-term recreational use. Existing and planned recreational areas being developed at the reservoir under nonproject programs eliminate the need to fund recreational developments under the proposed plan. To recognize the recreational value of the reservoir, net recreational benefits are credited to the proposed plan.

Highway Improvement

The replacement of the American Falls Dam would permit construction of a new river crossing for State Highway 39 to replace the narrow and dangerous crossing on the existing dam. Studies have shown that a modern highway crossing on the new dam would be more economical than a crossing at any other location. The proposed plans therefore include a wide, two-lane highway crossing on the crest of the replacement dam. This crossing would be twice as wide as the existing highway; it would meet the current traffic standards of the Idaho Department of Highways. The difference in cost between a direct replacement of the existing highway crossing and the construction of the wider crossing to meet current traffic standards would be assigned to the highway improvement function and would be nonreimbursable.

The Idaho Department of Highways has stated that it intends to fund the difference in cost between the two-lane highway included in the proposed plan and a wider, four-lane highway; the four-lane highway is desired because of projected future traffic loads. The four-lane highway crossing would be built on the new dam if the Department of Highways provides the required funds ($1,500,000) prior to construction.

Future Power Production

The proposed replacement dam would include four capped power penstocks in order to avoid precluding the future construction of a powerplant just downstream from the dam. These penstocks are included in line with current planning guidelines. The need for the penstocks will be reevaluated during preconstruction planning.

POSSIBLE RESERVOIR ENLARGEMENT

The possibilities of enlarging American Falls Reservoir were also evaluated. A December 1966 information report outlining the results of studies on replacement and on possible reservoir enlargement was widely circulated. The comments on that report showed that while support for

replacement is virtually unanimous, many interests oppose enlargement. Opposition has centered on the inundation and other adverse environmental effects which enlargement would cause, particularly in the Fort Hall Indian Reservation. For these reasons, this report proposes the replacement of American Falls Dam at its existing size.

POSSIBLE FEDERAL POWERPLANT

The current investigation included reconnaissance studies on the potential for constructing a Federal powerplant at the American Falls site to serve summer powerloads. Under current economic criteria, a powerplant is unjustified. The future potential for a powerplant will be reevaluated during preconstruction planning on the dam.

Reconnaissance studies also showed that a reregulating dam and a powerplant at the Eagle Rock site downstream from American Falls are unjustified at this time.

STUDY AUTHORITY

This report is authorized to be made by the Federal Reclamation laws (Act of June 17, 1902, 32 Stat. 388, and acts amendatory thereof or supplementary thereto). This feasibility investigation on American Falls Dam Replacement was specifically authorized by Public Law 89-561 (Act of September 7, 1966, 80 Stat. 707).

ACKNOWLEDGMENTS

The following agencies, organizations, and individuals made important input to this multipurpose investigation: the U.S. Bureaus of Indian Affairs, Land Management, Outdoor Recreation, Public Roads, Mines, and Sport Fisheries and Wildlife; the U.S. Bonneville Power Administration, Corps of Engineers, Environmental Protection Agency, Geological Survey, National Park Service, and Public Health Service; the Idaho Water Resource Board; the Idaho Departments of Environmental Protection and Health, Fish and Game, Highways, Parks and Recreation, and Water Administration; the Idaho Historical Society; Idaho State University; Bannock, Bingham, and Power Counties; City of American Falls; the watermaster of Snake River Water District Number 1; the Committee of Nine; and water users and their representatives throughout the upper Snake River basin. Their valuable contributions are gratefully acknowledged.

Data Sheets

AMERICAN FALLS DAM REPLACEMENT, IDAHO

LOCATION

American Falls Dam is located on the Snake River in Power County in southeastern Idaho; the 1,700,000 acre-foot American Falls Reservoir also extends into Bingham and Bannock Counties.

NEED FOR REPLACEMENT

American Falls Dam has deteriorated badly in the 45 years since it was built. The dam must be replaced because it no longer meets Bureau of Reclamation safety standards. Rehabilitation was rejected because it would be nearly as costly as replacement, would not last as long as replacement, and could cause severe water shortages during construction.

FUNCTIONS SERVED

The current analysis assumes that the storage capacity in American Falls Reservoir would be used to maintain existing irrigation development. The proposed plan also provides for flood control, fish and wildlife enhancement, recreation, highway improvement, and future power production.

Irrigation

Existing irrigation uses would continue unaltered under the proposed replacement plan. The reservoir now stores an essential component of water supply for 892,650 acres of land in 34 irrigation organizations.

Flood Control

The reservoir would provide flood control (1) on the Snake River from Palisades Dam downstream to Weiser, Idaho, and (2) on the lower Columbia River. No storage space would be assigned exclusively to flood control. The lower Columbia River flood control would be provided by using up to 600,000 acre-feet of reservoir capacity for flood control during the largest floods. Refill of this space for irrigation use would be assured. Flood forecasting facilities would be provided.

Fish and Wildlife

The plan includes the fish and wildlife enhancement features recommended by the U.S. Bureau of Sport Fisheries and Wildlife on which the Idaho Fish and Game Department intends to share costs. The plan also includes fishery mitigation measures to conserve the area's fishery.

Recreation

The reservoir would provide enough water surface to accommodate all lake recreation use expected to develop in this area. Public non-Federal agencies plan to develop and improve recreation areas at the reservoir under nonproject programs.

Highway Improvement

The proposed plan includes a wide, two-lane highway across the new American Falls Dam to replace the narrow crossing for State Highway 39 on the existing dam. This new two-lane crossing would meet the current traffic standards of the Idaho Department of Highways. If the Idaho Department of Highways provides the additional funds for its desired four-lane crossing, the wider four-lane highway would be built. The Department of Highways has stated that it intends to provide these funds.

Future Power Production

The proposed plan includes four capped power penstocks to permit the future construction of a powerplant at the dam. The need for these penstocks will be reevaluated during preconstruction planning.

PROJECT FEATURES

American Falls Dam Replacement
Type: Concrete and earthfill
Height above streambed: 90 feet
Crest length: 4,210 feet (plus 1,000 feet of existing embankment)
Spillway: Concrete overflow weir; controlled by six 48' x 17' radial gates
Capacity at elevation 4354.5--75,200 c.f.s.
Outlet works: Nine conduits through base of dam; each controlled by 7' x 7' slide gates
Capacity at elevation 4354.5--22,000 c.f.s.
Penstocks: Four 11.5'-diameter penstocks for future powerplant

American Falls Reservoir
Total capacity: 1,700,000 acre-feet
Active capacity: 1,700,000 acre-feet
Water-surface elevation at total capacity: 4354.5 feet
Area at total capacity: 87.5 square miles (56,000 acres)
Length at total capacity: 22 miles

Permanent Operating Facilities and General Service Equipment
Warehouse-workshop building and radio equipment

Basic Public Health and Safety Facilities
Parking areas and related facilities near new dam

Fishery Mitigation Facilities
Relocation of part of Idaho Power Company forebay dam
Control valve in penstock of new American Falls Dam

Fish and Wildlife Enhancement Facilities
Hatchery ponds and trout incubation channel
Fishing bridge across Snake River downstream from dam
Eight fisherman accessways with parking and other facilities
Fifty goose nesting islands

Flood Forecasting Facilities
Weather stations and related facilities

COSTS
(July 1972 prices)

	Construction costs	Annual OM&R 2/
American Falls Dam and Reservoir Replacement	$28,321,000	$48,400
Dam and reservoir	(22,906,000)	-
Penstocks for future powerplant	(1,454,000)	-
Highway improvement	(1,861,000)	-
Removal of existing dam	(2,100,000)	-
Permanent operating facilities	143,000	2,400
General service equipment	43,000	
Basic public health and safety facilities	88,000	12,600
Fishery mitigation	546,000	600
Fish and wildlife enhancement	196,000	20,000
Flood forecasting facilities	131,000	10,000
Total costs	$29,468,000 1/	$94,000

1/ Includes the cost of constructing a two-lane highway, but does not include the $1,500,000 in added costs to be funded by the State Highway Department to provide a four-lane highway across the dam.
2/ Annual operation, maintenance, and replacement costs.

COST AND REPAYMENT SUMMARY

Total Project Costs	$29,468,000
Nonreimbursable Costs	
Recreation	1,226,000
Fish and Wildlife Enhancement	1,422,000
Flood Control	4,348,000
Highway Improvement	1,861,000
Health and Safety	88,000
Investigation Costs	
Reimbursable functions	337,500 1/
Nonreimbursable functions	(142,500) 2/
Subtotal	(480,000)
Total Nonreimbursable	$ 9,282,500
Reimbursable Costs	
Irrigation	$18,659,000
Fish and Wildlife Enhancement	96,500
Power (deferred)	1,430,0000
Total Reimbursable	$20,185,500
Reimbursable Interest During Construction	
Fish and Wildlife Enhancement (3.649%)	$ 5,000
Power (deferred - 5.5%)	113,000
Total	$ 118,000
Repayment	
Reimbursable irrigation	$18,659,000
Repaid by waterusers	18,659,000
Percent payout	(100)
Reimbursable fish and wildlife enhancement	$ 101,500 3/
Repaid by non-Federal public body	101,500
Reimbursable power (deferred)	$ 1,543,000 3/
Total Reimbursable	$20,303,500

1/ Includes cost of investigation for irrigation, $312,000; fish and wildlife enhancement, $1,500; and power, $24,000.

2/ Investigation costs amounting to $142,500 are included in the nonreimbursable costs, apportioned to each function.

3/ Includes interest during construction at 3.649 percent.

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CHAPTER 4

I R R I G A T I O N

Storage in American Falls Reservoir provides part of the irrigation water supply for nearly 900,000 acres of land. Irrigation benefits from American Falls Reservoir storage have been estimated at more than $6.6 million annually. Intensive cash-crop farming and livestock production are the principal land uses.

The chapter presents information on (1) lands served by the project, (2) water requirements, and (3) agricultural economy. Chapter 12, Economic and Financial Analysis, presents information on the status of repayment on the existing dam.

LANDS

The lands served from American Falls storage presently total 892,650 acres. The productivity of the lands served from American Falls Reservoir has been demonstrated by many years of successful irrigation agriculture.

For study purposes the lands were divided into two geographic areas: The "lower area" (569,470 acres) is located downstream from American Falls Dam. This area contains the lands of eight irrigation organizations. The "upper area" (323,180 acres) is located above American Falls Dam and contains the lands of 26 irrigation organizations. The general location of the lands in these two areas is shown on the upper Snake River basin map at the front of this report.

Climatic differences between the two areas, although not significant, are identifiable. Crop yields are higher, and more of the land is adapted to intensive cropping in the lower area. Burley, elevation 4200, was selected as representative of the lower area. The Burley area averages 133 days between killing frosts, and average April through October temperatures range from 49 to 74 degrees. Idaho Falls, elevation 4700, is representative of the upper area. The Idaho Falls area averages 126 days between killing frosts, and the average April through October temperatures range from 45 to 69 degrees.

Soils, Topography, and Drainage

The soils of the area have formed under semiarid conditions. Most of the soils are light colored, relatively low in organic matter, and have good water-holding capacities. Harmful concentrations of soluble salts affect only small areas.

The irrigated lands occupy low-lying terraces of recent alluvium, more prominent terraces of older gravelly alluvium, old lake sediments,

or areas of basalt mantled by loess (wind-laid silt). The well established gravity irrigation practices have resulted, in part, because of the favorable soils and topography. However, topographic breaks, bluffs, or other irregularities along different levels of stream terraces and bottom lands affect irrigation patterns.

The lands are generally well drained because of their favorable soils and topography and because the underlying basaltic and lakebed materials generally transmit water well. Where drainage problems have developed in some local areas, they have generally been easily corrected.

Land Classification

The lands served from American Falls Reservoir storage were placed in classes 1 through 4 according to their suitability for irrigated agriculture. Class 1 lands are of the highest quality for irrigation. Class 2 and 3 lands are somewhat less productive or more expensive to farm, while class 4 lands have more severe deficiencies. As the following summary shows, the lands to be served from the replaced American Falls Reservoir storage are generally of high quality; two-thirds of the lands are in classes 1 and 2.

Irrigable Acreage Summary

Land Class	Upper Area		Lower Area		Total	
	Acres	Percent	Acres	Percent	Acres	Percent
1	38,090	12	175,640	31	213,730	24
2	154,780	48	222,370	39	377,150	42
3	115,640	36	121,840	21	237,480	27
4	14,670	4	49,620	9	64,290	7
Total	323,180	100	569,470	100	892,650	100

The total of 892,650 acres is the amount reported as irrigated in 1964 by subscribers to American Falls Reservoir storage. The distribution by land classes was derived primarily from the Bureau of Reclamation reconnaissance land classification made for the Palisades Project in 1953.



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Though rowcrops such as potatoes and sugar beets are important, much of the land served from American Falls Reservoir is used to grow alfalfa (above) and other forage crops. Beef-feeding operations (below) use a large share of the production from these lands.

Cropping patterns vary between the upper and lower areas, mostly because of climatic differences--the lower area has a longer growing season. Current land use is not expected to change as a result of dam replacement because the water users would have the same water rights and supplies after replacement as they have now.

Land Ownership

The lands served by the American Falls Reservoir space are for the most part held in relatively small individual ownerships. An analysis of the ownership data for 840,000 acres out of the total of 892,650 acres served by the project disclosed that the average amount of irrigable land per ownership amounted to less than 63 acres. This illustrates that small family-type farms are the dominant characteristic of the area served by the project. The 160-acre limitation provisions of Reclamation Law are currently applicable to much of the land area, and the replacement of American Falls Dam will not affect the size of these holdings. However, some of the lands served by the project are exempt from the 160-acre limitation because spaceholders have paid the obligation for American Falls storage and do not have any other Reclamation contractual obligations requiring conformance with the 160-acre limitation. Application of the 160-acre limitation to these lands will necessitate some adjustment on the size of holdings.

Analysis of the records discloses that nearly 1.4 million acre-feet of the space in American Falls Reservoir, which is used as an irrigation supply for about 650,000 acres, is held by contractors now covered by the acreage limitation provisions of Reclamation Law, and about .2 million acre-feet are used on 230,000 acres of land currently exempt from these provisions. A rough estimate of the adjustment of ownerships that would be occasioned by application of the 160-acre limitations to the latter group is shown by the following data on land ownerships in the Twin Falls South Side and Enterprise Irrigation Districts, the principal contractors presently exempted from the 160-acre limitation.

Category	Number of Ownerships	Total Acres
A. Ownerships apparently not affected by acreage limitations	3,707	183,300
B. Ownerships apparently affected by acreage limitations	53	25,300
C. All ownerships	3,760	208,600

It is assumed that (1) a reexamination of the ownerships would be required before new contracts are negotiated for repayment, and (2) the

new contracts would be made on the basis that landowners would comply with the acreage limitation provisions of Reclamation Law.

Crop Yields

Average crop yields for the principal crops by land class are shown in the following tabulation for both the upper and lower areas. These yields were used in the farm budgets prepared for the payment capacity analysis.

Crop and Land Class	Yield	
	Upper Area	Lower Area
Alfalfa hay (tons)		
classes 1 and 2	4.0	5.0
class 3	3.7	4.7
Pasture (AUM's)		
class 3	9.0	10.0
Wheat (bu.)		
classes 1 and 2	60	65
class 3	55	60
Barley (bu.)		
classes 1 and 2	60	65
class 3	55	60
Dry beans (cwt.)		
class 1	-	22
class 2	-	20
Sugar beets (tons)		
class 1	17	-
class 2	16	-
Potatoes (cwt.)		
class 1	195	250
class 2	185	240

Irrigation Benefits

The irrigation benefits associated with replacement of American Falls Dam total $6,605,100 annually. These benefits are the sum of:

1. Direct irrigation benefits of $4,425,400 annually--the net farm income attributable to American Falls Reservoir irrigation storage, and

2. Indirect benefits of $2,179,700 annually--the increased profits from processing and marketing the agricultural production attributable to American Falls Reservoir irrigation storage.

The representative farm budgets prepared for the payment capacity analysis were used in estimating irrigation benefits. Farm production and expenses were projected to reflect conditions expected to prevail at about the economic midpoint of the 100-year period of analysis. Adjusted normalized prices were used in the benefit analysis.

The benefits are those associated with the average annual yield of irrigation water to spaceholders in American Falls Reservoir and are the net benefits for storage--benefits associated with the distribution system are not included.

Payment Capacity

American Falls Dam would be replaced to assure continued water service to existing irrigated farms. Farm budgets representative of current farming conditions were prepared for use in estimating payment capacity. Budgets were prepared for each major land class in both the upper and lower areas. The small amount of class 4 lands has been included with the class 3 lands in this analysis.

Farm size for each of the farm budgets is 155 irrigable acres. Cash crops, grown in soil-conserving rotation with alfalfa hay and grain, were used to represent production on class 1 and 2 lands in the upper and lower areas. Livestock (beef) budgets were prepared for the class 3 lands in both areas.

Farm organization and financial summary for each of the representative farms are shown in table 1.

The payment capacity determinations reflect the amount which the representative water users have available to meet the costs associated with irrigation water service after deducting all farm expenses, average operation, maintenance, and replacement assessments levied by the districts, and allowing for a 25 percent contingency factor. It should be noted that in many instances the existing district conveyance and distribution systems will, in the future, require substantial rehabilitation. For example, the Burley Irrigation District located in the Lower Area is entirely dependent upon the continued operation of three pumping plants.

Table 1.--Farm organization and financial summary for representative farms

Item	Unit	UPPER AREA			LOWER AREA		
		Class 1 Land	Class 2 Land	Class 3 & 4 Land	Class 1 Land	Class 2 Land	Class 3 & 4 Land
Farm Budget No.		1	2	3	4	5	6
Farm size	Irr.ac	155	155	155	155	155	155
Land Use							
Alfalfa	acre	65	65	60	65	65	60
Barley	acre	17	17		17	17	
Wheat	acre			40			40
Sugar Beets	acre	34	34				
Potatoes	acre	34	34		34	34	
Beans	acre				34	34	
Pasture	acre			50			50
Other	acre	5	5	5	5	5	5
Total Irrigable		155	155	155	155	155	155
Type of Farm		Cash-Crop	Cash-Crop	Beef-Feeder	Cash-Crop	Cash-Crop	Beef-Feeder
Family labor	hrs.	2,322	2,394	2,402	2,281	2,357	2,741
Farm Investment	$	64,230	62,990	54,288	62,555	61,315	54,576
Cash Farm Receipts	$	24,032	23,067	25,410	25,222	24,262	29,497
Farm Privileges	$	710	710	665	710	710	665
Gross Farm Income	$	24,742	23,777	26,075	25,932	24,972	30,162
Farm Expenses 1/	$	13,529	13,488	17,694	13,301	13,201	19,698
Net Farm Income	$	11,213	10,289	8,381	12,631	11,771	10,464

1/ Includes 6 percent interest on 20 percent of total farm investment.

The pumps, motors, and electrical facilities were installed some 65 years ago and should be modernized since an outage during the height of the irrigation season would have catastrophic effects upon the economy of the area.

Further, the residual payment capacity does not reflect construction payments on existing indebtedness such as the outstanding contractual obligation of the American Falls Reservoir District No. 2, the A&B Irrigation District, and the Falls Irrigation District. It was not feasible in this study to develop the payment capacity determinations to the point where they would reflect the actual conditions for each entity utilizing American Falls Reservoir storage. Hence, the representative farm budgets show the general level of payment capacity in prospect. It is important to understand that significant variations in payment capacity exist among the various contracting entities.

The residual payment capacity is shown on table 2 by land class and ranges from $0.90 to $3.50 per acre-foot.

Table 2.--Payment capacity on representative farms

Item	Upper Area			Lower Area		
Land class	1	2	3 & 4	1	2	3 & 4
Farm budget No.	1	2	3	4	5	6
	dollars	dollars	dollars	dollars	dollars	dollars
Net farm income	11,213	10,289	8,381	12,631	11,771	10,464
Income deductions						
Equity allowance 1/	3,083	3,024	2,606	3,003	2,943	2,620
Family labor	3,019	3,112	3,123	2,965	3,064	3,563
Return to management	1,121	1,029	838	1,263	1,177	1,046
Gross payment capacity						
Per farm	3,990	3,124	1,814	5,400	4,587	3,235
Per acre	25.74	20.15	11.70	34.84	29.59	20.87
Less distrib. sys. OM&R	-3.14	-3.14	-3.14	-4.94	-4.94	-4.94
Remaining payment capacity per acre	22.60	17.01	8.56	29.90	24.65	15.93
Adjusted payment cap. 2/						
Per acre	17.00	12.80	6.40	22.40	18.50	12.00
Per acre-foot 3/	2.40	1.80	.90	3.50	2.90	1.90

1/ Assumes 6 percent on 80 percent of total farm investment.
2/ Reduced 25 percent for contingencies
3/ Based on an estimated average diversion of nearly 7 acre-feet per acre in upper area and nearly 6.5 acre-feet per acre in lower area.

CHAPTER 9

W A T E R

Under the proposed replacement program, water supplies, rights, and uses would remain as they are now. For purposes of this report, two assumptions were made: (1) a joint operation for partial control of large floods is proposed, and (2) the analysis presented in this report assumes that the entire reservoir capacity would be considered as used for irrigation.

WATER SUPPLY

Runoff from the 13,600 square-mile drainage area above the reservoir has averaged nearly 5 million acre-feet per year. Annual runoff has ranged from a minimum of 2.8 million acre-feet to a maximum of over 7 million acre-feet. Because of its relatively early storage rights and its location near the lower end of the basin, American Falls Reservoir has filled nearly every year since it was built.

WATER RIGHTS

The right to store water in American Falls Reservoir is certified by a 1921 Idaho permit. Thirty-five water user organizations now subscribe to the 1,700,000 acre-feet of space in American Falls Reservoir under contracts with the United States. Table 7 in Chapter 12, Economic and Financial Analysis lists the current holders of American Falls Reservoir space. Thirty-four of these subscribers are irrigation users who hold 1,655,000 acre-feet of space. The Idaho Power Company, under a contract executed in 1923, has been utilizing 45,000 acre-feet of space for spilling water over Milner Dam during the late summer months for use at its Shoshone Falls and Twin Falls powerplants. In addition, the 1923 contract contains certain provisions which permit reregulatory privileges at American Falls Reservoir under which the company can use up to 255,000 acre-feet of space during specified periods, essentially the nonirrigation season when the reservoir is filling, to regulate flows for use at its American Falls powerplant. The Idaho Power Company has an application for a Federal license to operate its powerplant now pending before the Federal Power Commission and the 1923 contract by its terms indicates that it is subject to whatever determination might be made in connection with the Federal license which may or may not be issued under that act.

WATER USE

American Falls Reservoir would continue to be operated in coordination with the other reservoirs of the upper Snake River system. As shown on the following page, the reservoir contains nearly half of the total active storage capacity on the main stem of the upper Snake River.

	Active Capacity	
	Acre-feet	Percent
Jackson Lake	847,000	22
Palisades Reservoir	1,200,000	31
American Falls Reservoir	1,700,000	45
Lake Walcott (Minidoka Dam)	95,000	2
Totals	3,842,000	100

The yield from American Falls Reservoir storage is high because of its early right and its favorable location with respect to winter return flow from upstream irrigation. Yield from the reservoir averages 98 percent of capacity; that is, each 100 acre-feet of reservoir space yields an average of 98 acre-feet of water annually.

Currently, the upper 11.3 feet (575,000 acre-feet--34 percent of reservoir capacity) of American Falls Reservoir is not filled. This filling restriction has been imposed to limit pressures on the weakened portions of the concrete section of the dam. This restriction, which will cause losses of storage to the upper Snake River reservoir system, would of course not apply to the replacement dam.

Though the banks around American Falls Reservoir have eroded in the more than 40 years since the dam was built, sedimentation has not significantly reduced the capacity of the reservoir. During the current studies, a reservoir capacity of 1,700,000 acre-feet was used--the same as when the reservoir was first impounded.

A change in the existing operation of the reservoir provides major flood control benefits. Accordingly, it is proposed that up to 600,000 acre-feet of American Falls Reservoir space be used jointly to reduce the flood peaks. It is anticipated that the proposed flood control operation would not reduce the reservoir's effectiveness or yield for irrigation.

Water would be maintained in the American Falls Reservoir in all but extremely dry years through coordinated operation of the entire upper Snake River storage system. This action would be in the best interest of improving the reservoir esthetics.

CHAPTER 14

REASONS FOR AND AGAINST ENLARGEMENT

Even though analysis of measurable factors such as engineering feasibility and economic efficiency shows that the enlargement of American Falls Reservoir is desirable, enlargement has been excluded for the proposed replacement plan. While support for replacement is virtually unanimous, many local interests oppose enlargement. American Falls Reservoir spaceholders and others have objected to enlargement because of the increased inundation and shoreline erosion it would cause, as well as for other reasons. Others have stated that preserving the ecosystems of the Fort Hall Bottoms and protecting the quality of the Fort Hall Indians' environment are reasons enough to reject enlargement. Because of these objections and the fact that the existing dam must be replaced without delay, this report proposes the replacement of American Falls Dam at its existing size.

NEED FOR ENLARGEMENT

New storage is desirable at American Falls because it is one of the few remaining large and economical storage sites in the upper Snake River basin. New space at American Falls could capture flows that cannot be stored at potential upstream sites. Since the long-range needs for new water supplies in the upper Snake River basin far exceed the available water resources, a high degree of regulation of the surface water supply is essential to irrigation, water quality control, and other uses.

Findings of Previous Studies

The possible enlargement of American Falls Reservoir has been suggested for many years. Enlargement was first evaluated more than 30 years ago, less than 10 years after the dam was built; the prolonged drouth of the 1930's was the reason for this study. The study considered increasing reservoir storage from 1.7 million acre-feet to a total of 3.1 million acre-feet.

Enlargement was briefly reevaluated for the 1961 joint Corps of Engineers-Bureau of Reclamation basin report, Upper Snake River Basin. That report concluded that the enlargement of American Falls Reservoir was one of the 33 projects in the entire Snake River basin above Hells Canyon which deserved the earliest consideration in future planning. Accordingly, the current study included reconnaissance appraisals of the possible enlargement of American Falls Reservoir.

Full Use of Site

Since American Falls Dam must be replaced anyway, a large amount of new storage could be added economically at the time of replacement.

Because the reservoir covers such a large area, each foot of increase in dam height would add over 50,000 acre-feet of new storage space.

The dam and reservoir site could physically permit a maximum enlargement of over 20 feet, which would create about 1.4 million acre-feet of new storage. Because of the severe adverse effects at the higher elevations, however, an enlargement of about 13 feet was found to be the largest that should be considered. A 13-foot enlargement would provide nearly half as much new storage space as in the existing reservoir or about half as much space as in either Palisades Reservoir or the potential Lynn Crandall Reservoir.

Optimum Use of Snake River

To be usable in meeting identified needs in the Upper Snake River Basin, uncommitted flows must be regulated by new storage. These unregulated flows average over 900,000 acre-feet. The annual amount varies from nothing in dry years to well over a million acre-feet per year in wet years.

Potential storage sites upstream from American Falls, such as Lynn Crandall Reservoir, could store a substantial amount of the Milner spills. Because of its location near the lower end of the basin, however, an enlarged American Falls Reservoir could store tributary inflows and winter irrigation return flows which cannot be captured at the Lynn Crandall site or other upstream sites.

Lack of Alternative Sites

The enlargement of American Falls Reservoir is one of two remaining large upper Snake River storage opportunities in Idaho; the other is the potential Lynn Crandall Reservoir, which is strongly opposed by a number of interests. New storage at desirable upstream sites in Wyoming is unlikely in the near future; such storage is opposed both by conservation interests and by those who object to building dams in Wyoming to store water for Idaho water users.

During the current study, a number of main stem and offstream storage sites in the American Falls vicinity were studied as possible alternatives to enlarging American Falls Reservoir. While these sites may offer possibilities for storage under changed economic conditions, the preliminary studies showed that under current conditions the costs of storage at these sites would exceed their benefits in all cases. The cost of storage space in these alternatives would be much higher than the space in an enlargement. Chapter 19, Alternatives to Enlargement, presents the findings of these studies.

Needs for New Storage

According to the recent Federal-State comprehensive framework study on the Columbia-North Pacific Region and other studies, the upper Snake River basin has more long-range multipurpose needs than water available to serve them. While the further use of the area's large ground water resource can meet some of these future needs, optimum development of the basin's land and other resources and improvement of water quality cannot be achieved without substantial amounts of new storage.

The upper Snake River basin contains more high quality dry land than water to irrigate it. The Columbia-North Pacific study has identified 4 million acres of dry lands with long-range irrigation potential. Of this, 2.5 million acres of lands were placed in classes 1 and 2, indicating good-to-excellent potential. Without irrigation, most of this land is usable only for limited grazing. In addition, about half a million acres of irrigated lands were found to be short of water and in need of supplemental supplies from the Snake River or other sources.

Current Reclamation studies have defined the water needs of a third of a million acres of lands downstream from American Falls. These lands lie south of the Snake River in the potential Oakley Fan and Raft River Divisions of the Upper Snake River Project. About half of these lands are now irrigated, but many have critical water supply problems.

New sources of water must be found for the Oakley Fan and Raft River areas. In the Oakley Fan area (along Goose Creek south of the town of Burley) and in the adjacent Raft River valley, ground water is the only source of supply for much of the land now irrigated. Ground water supplies have in places become seriously depleted, however, and irrigators have had to deepen some wells and abandon others. The Idaho Department of Water Administration has designated large portions of these areas as critical ground water areas. The Department prohibited the drilling of new ground water wells in these areas and has shut down some of the newer wells.

The irrigators in these areas want to import surface water from the Snake River to recharge their ground water aquifers and to irrigate the interspersed tracts of high quality dry lands. Needed wildlife habitat could also be developed. Since new storage is needed to develop this surface water supply, these irrigators were among the strongest advocates of enlarging American Falls Reservoir.

New storage is also needed to improve Snake River water quality, particularly in Milner Lake. Milner Lake is a 33-mile long diversion pool created by Milner Dam, a structure about 75 miles downstream from American Falls. The most serious pollution problems on the river are in Milner pool; wastes dumped into the river by potato and sugar processors and by other industries and nearby towns have created serious pollution problems.

Reasons For and Against Enlargement

The Environmental Protection Agency and the Idaho Department of Environmental Protection and Health have recommended (1) treatment of wastes to reduce the pollution and (2) flows for dilution and water quality control, particularly in midwinter when the Milner pool is ice-covered. About 200,000 acre-feet of new storage space would provide most of the recommended flows; additional space would be required to fully provide the recommended flows. If new storage were provided to insure minimum Snake River flows, recreation and fish and wildlife would also be benefited.

Some interests also desire new storage for use in exchange for the existing irrigation space in Jackson Lake. Providing this new storage would permit Jackson Lake to remain full for the heavy summer recreational use in Grand Teton National Park and could be used to improve streamflows in the potential wild river reach of Snake River downstream from Jackson Lake.

A large amount of new upper Snake River basin storage is required for flood control. While the existing American Falls Reservoir can provide the flood control storage required at that location, flood control space requirements will compete with the requirements for other purposes at other sites, thus increasing the overall upper Snake River basin storage need.

DISADVANTAGES OF ENLARGEMENT

The enlargement of American Falls Reservoir would cause several adverse effects: inundation of additional lands; increased reservoir bank erosion; waterlogging of lands with the larger enlargements; and fish, wildlife, archeological, and other losses. The impact of these adverse effects, particularly on the Fort Hall Bottoms, is outlined below. Details on the amount of land inundated and on the extent of the other adverse effects under the specific reservoir enlargements analyzed are shown in Chapter 17, Enlargement Plans.

Inundation and Bank Erosion

Enlargement would inundate additional lands around the existing reservoir. For example, a 6-foot enlargement would inundate 6,000 acres of additional land, and a 13-foot enlargement would inundate about twice that area. Although most of these lands have already been acquired for the existing reservoir, some added lands would have to be acquired. Most of the lands which would be needed are in the Fort Hall Bottoms of the Fort Hall Indian Reservation. The possibility of building dikes to limit inundation from enlargement was considered but was found to be impractical.

The banks around American Falls Reservoir have eroded continuously since water was first stored more than 40 years ago; this erosion is shown

in the photographs on the next page. No economical method has yet been found for controlling this erosion. According to estimates, the existing reservoir will erode about 1,500 acres of additional land in a 100-year period. Raising the reservoir's water surface would aggravate this problem, although a moderate enlargement would not bring stored water into contact with different types of shoreline materials. A 13-foot enlargement, for example, would more than double the projected shoreline erosion to an estimated total of 3,600 acres in a 100-year period.

A substantial enlargement would require relocation or protection of such existing facilities as highways and roads, railroad fills, communication and powerlines, and recreational facilities. For example, a 13-foot enlargement would eventually require $2.7 million of relocations when the projected shoreline erosion is taken into account.

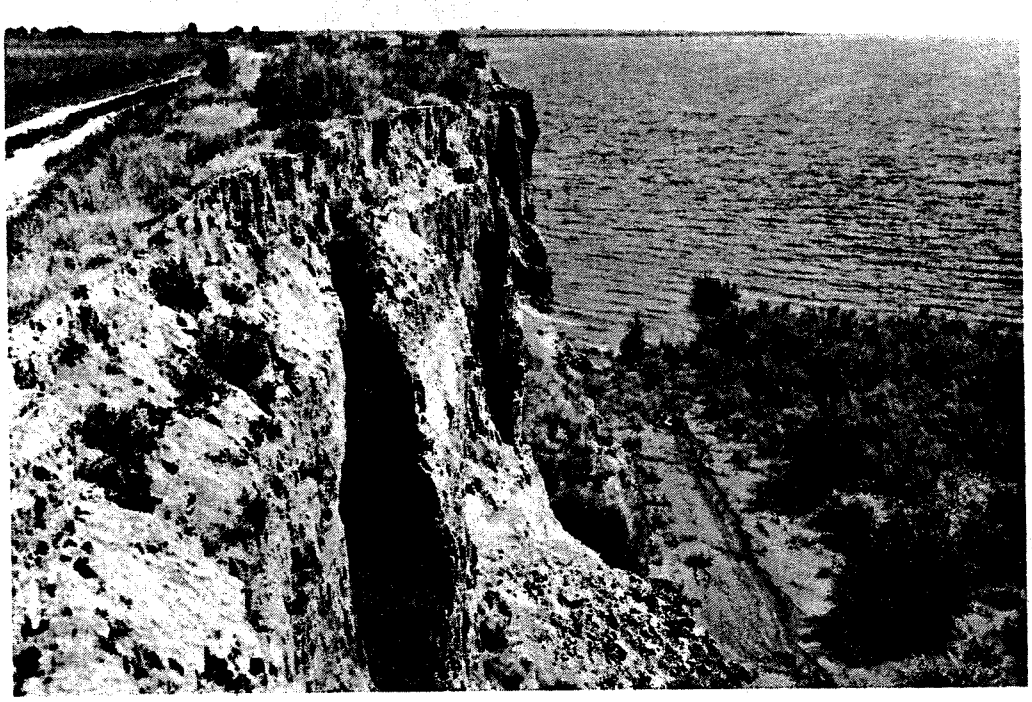
Waterlogging of Lands

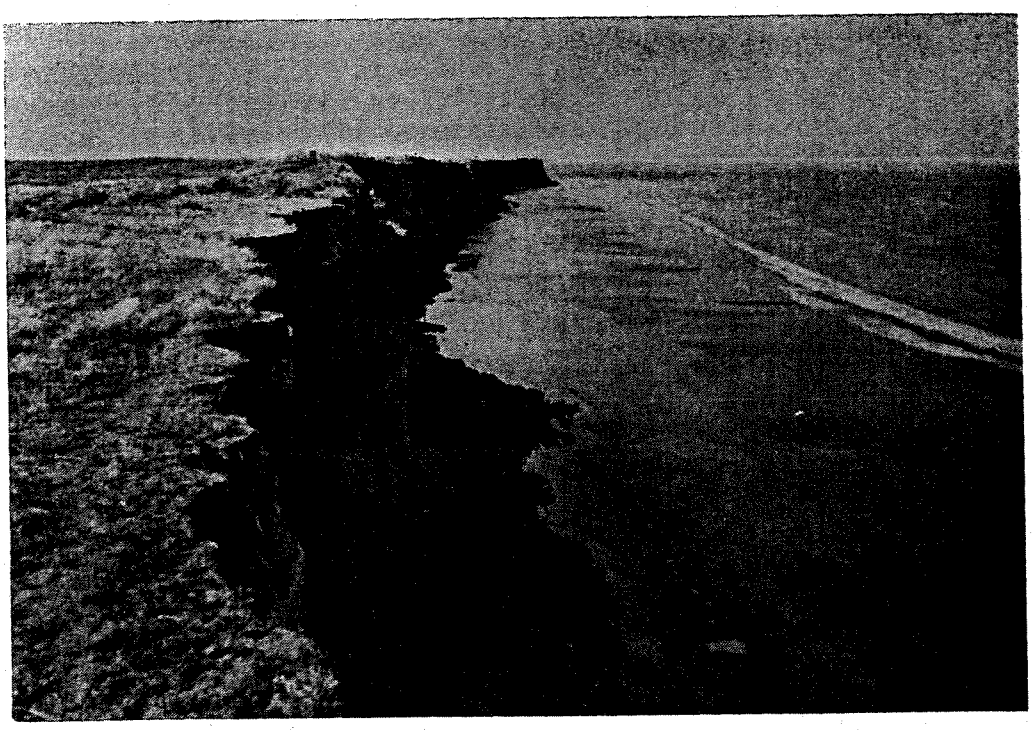
Some low-lying lands west of the reservoir in the Aberdeen to Springfield area are subject to waterlogging. Studies have shown that enlargements of up to 10 feet would only slightly aggravate the problem in areas already waterlogged. Above that level, however, waterlogging would become more of a problem. With a 13-foot enlargement, for example, it is estimated that as much as 4,000 additional acres would be waterlogged. With enlargements much in excess of 13 feet, waterlogging would become so extensive that this adverse effect alone is a strong argument against seriously considering enlargements much in excess of 13 feet.

Reservoir Leakage and Interference with Ground Water Inflows

Though there has been concern that enlargement might cause increased reservoir leakage or interfere with ground water inflows, studies showed that both of these problems would be minor with enlargement. According to U.S. Geological Survey findings, reservoir leakage would increase slightly in proportion to the amount of enlargement but that most of the increased seepage would return to the Snake River above major downstream diversion points and would therefore be reusable.

One of the major areas in which the Snake Plain aquifer discharges ground water is in the American Falls reach of the Snake River. Studies have shown that enlargements of up to 13 feet would have little effect on these inflows. Few springs would be directly affected. On those that would be affected, discharges would not be reduced significantly by a full reservoir; they would only be delayed.





Though the reservoir's banks have stabilized in places in the more than 40 years since American Falls Dam was built, shoreline retreat continues to some degree along 85 miles of the 155-mile-long reservoir shore. These photographs show extreme examples of erosion. The upper photograph shows erosion on the western shore near Aberdeen, and the lower photograph shows the cliffs on the eastern shore in the Michaud Flats area. Enlargement would cause increased shoreline erosion.

Reasons For and Against Enlargement

Effect on Fish and Wildlife

The enlargement of American Falls Reservoir would inundate part of the Snake River and other streams tributary to the reservoir, thus reducing spawning areas and fish production. Because reservoir drawdown would be increased, access to the reservoir would be more difficult. Enlargement would also inundate upland game and waterfowl habitat, particularly in the Fort Hall Bottoms and on the private lands at the upper end of the reservoir.

While preliminary Bureau of Sport Fisheries and Wildlife studies show that these damages could be mitigated, a number of interests still oppose enlargement because of its adverse effects on fish and wildlife. This subject is discussed further under "Fish and Wildlife" in the next chapter.

Archeological, Historical, and Other Losses

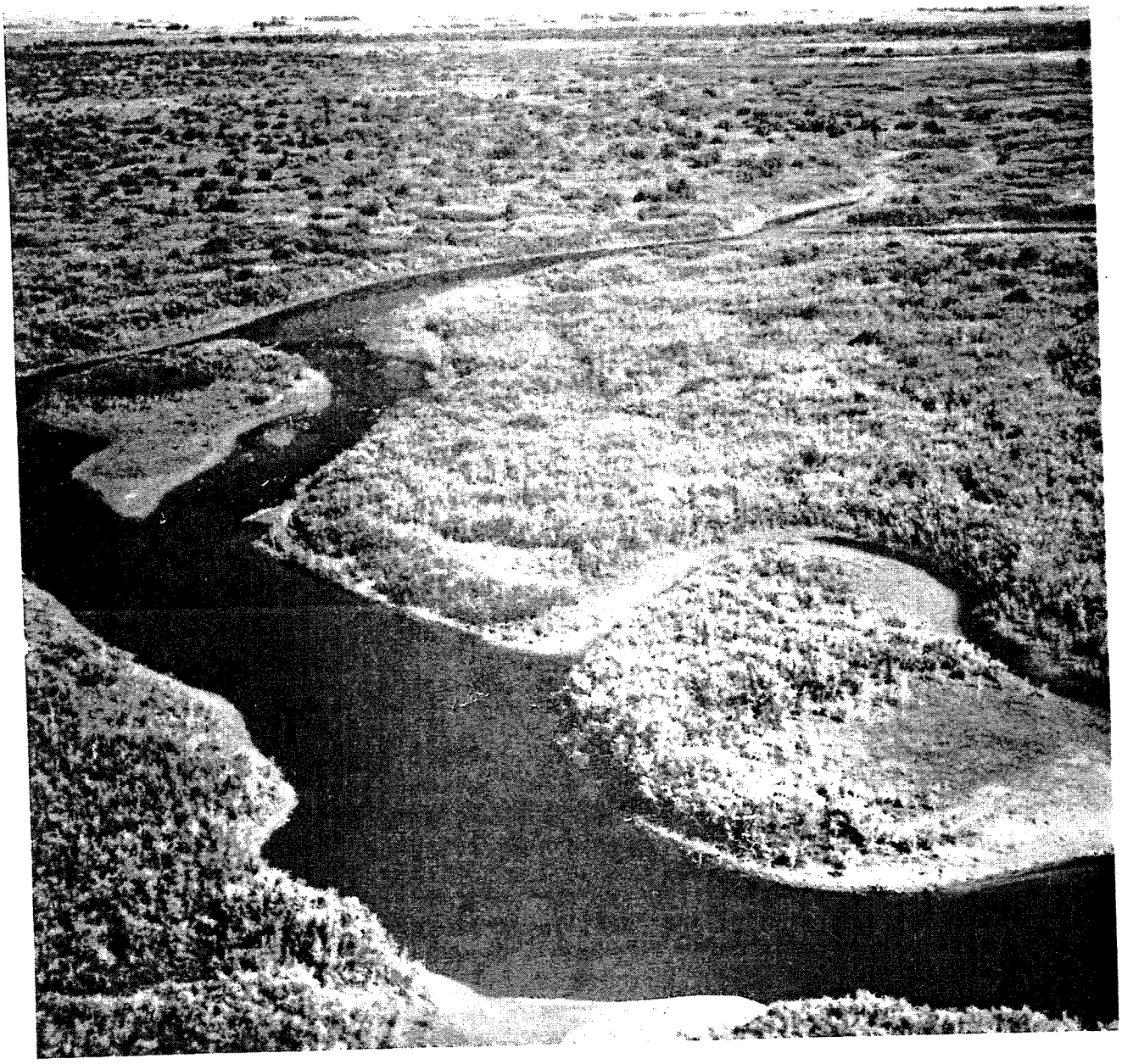
Under contract with the National Park Service, Idaho State University studied the archeological values that would be affected by enlargement. Concentrating on the Fort Hall Bottoms, the Idaho State University study concluded that enlargement would seriously damage archeological and paleontological resources. The generally accepted site of old Fort Hall would be inundated. The fort, an important supply station on the old Oregon Trail, is listed in the National Register of Historic Places. In addition, the study listed potential damage to the plants, animals, and overall ecology of the area. After evaluating the findings of the university's study, the National Park Service recommended that any plan for enlargement include funds for archeological and historical survey and salvage prior to inundation of additional lands.

Effect on Fort Hall Bottoms

Much of the opposition to enlargement has centered on enlargement's adverse effects on the Fort Hall Bottoms. Some of the adverse effects of enlargement would be most severe in this area; the potential damages to the bottom lands were a major factor leading to the conclusion that the reservoir should not be enlarged.

The Fort Hall Bottoms contain about 16,000 acres above the flowline of the existing reservoir and between the Snake and Portneuf Rivers; this entire area is a part of the Fort Hall Indian Reservation. As the photograph on the following page shows, this river-bottom area is covered by trees and brush. Watered by numerous springs, the area is unique on the Snake River Plain, which in its natural state is a semiarid desert. The bottom lands are valuable as fish and wildlife habitat and as livestock grazing lands.

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The lands of the Fort Hall Bottoms at the head of American Falls Reservoir are a part of the Fort Hall Indian Reservation. The Shoshone-Bannock Tribes use these lands for hunting, fishing, and livestock grazing. The Fort Hall Indians and others strongly oppose enlargement because it would inundate part of this area.

Reasons For and Against Enlargement

Any enlargement would inundate part of the Fort Hall Bottoms, though adverse effects from bank erosion would be minor. For example, a 6-foot enlargment would inundate 22 percent (3,550 acres) of these lands at full pool; a 13-foot enlargement would inundate 43 percent (6,850 acres) of the bottoms. The reservoir map in Chapter 17 shows the extent of this inundation. More than 80 percent of the lands that would be inundated by a 6-foot enlargement and over 50 percent of the lands that would be inundated by a 13-foot enlargement have already been acquired as right-of-way in connection with the existing reservoir. The Indians now have the right to use these existing right-of-way lands for hunting, fishing, and livestock grazing; they would probably have similar rights on any lands that would have to be acquired for an enlarged reservoir.

If American Falls Reservoir were enlarged, the Shoshone-Bannock Tribes would be compensated as fully as possible for any values lost through inundation and other adverse effects on their lands. It must be recognized, however, that there is no way of placing a monetary value on some of these losses. The Indians place such high traditional and cultural values on the Fort Hall Bottoms that the loss of part of this area could not be fully compensated by money, and other means of compensation also appear to be unacceptable. For example, it has been suggested that the Indians be given valuable lands in place of the lands in the Fort Hall Bottoms which would be inundated. This suggestion has been rejected by the Shoshone-Bannock Tribes, however, principally because there are no other large land areas in the vicinity which are identical to the bottom lands.

REACTION TO DECEMBER 1966 REPORT

The Bureau of Reclamation prepared and widely circulated a December 1966 information report which summarized the findings to that date on the replacement and possible enlargement of American Falls Reservoir. The report included a discussion of the major advantages and disadvantages of enlargement.

In summary, comments on that report revealed only scattered support for enlargement, while opposition was widespread. The Idaho Water Resource Board has evaluated enlargement and has heard statements for and against it, but neither the board nor the State of Idaho has taken a formal stand either for or against enlargement.

The principal objections to enlargement have come from the Shoshone-Bannock Tribes and others who are convinced that the tangible and intangible values lost through enlargement outweigh the admitted material benefits that would be gained. These objections, plus the fact that controversy over an enlargement proposal could delay the early replacement of the dam, led to the decision to exclude enlargement from the proposed plan.

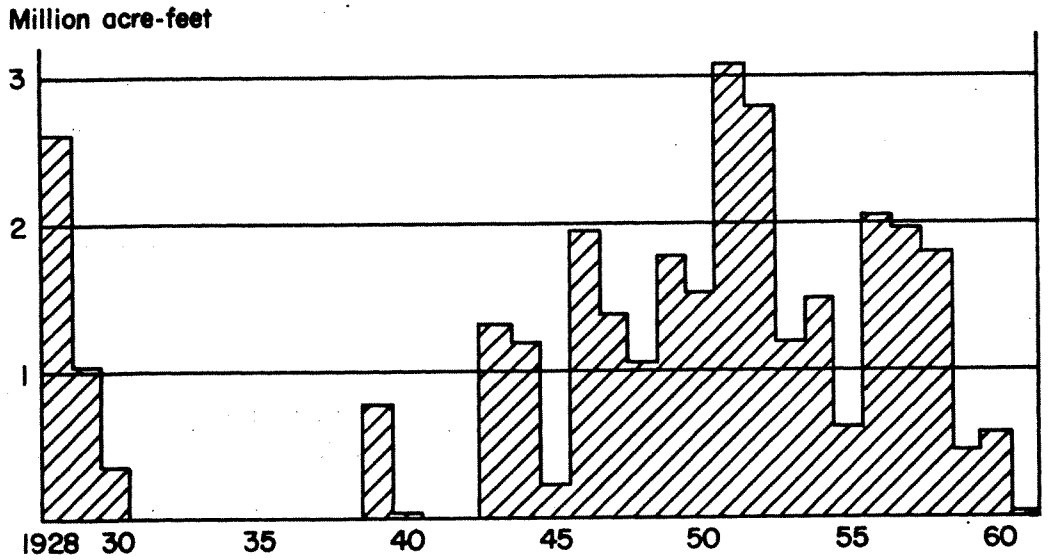
CHAPTER 16

WATER FOR ENLARGEMENT

In all enlargement studies, it was assumed that the first 1,700,000 acre-feet of capacity in an enlarged reservoir would be operated exactly as in a direct replacement of the existing reservoir (see Chapter 9, Water). This discussion of water supply, requirements, and use is therefore confined to the enlargement space only.

WATER SUPPLY

The water supply for an enlargement of American Falls Reservoir is the uncommitted runoff of the upper Snake River basin. This uncommitted runoff can be defined as "Milner spills," that is, water flowing over Milner Dam and out of the upper basin unused and in excess of downstream power requirements. In a repetition of the 34-year period from 1928 through 1961 and assuming the present level of storage development including the Teton Reservoir, Milner spills would average 924,000 acre-feet annually. The distribution of these flows is shown on the chart below.



Uncommitted Water Passing Milner Dam

As the chart shows, large quantities of water would be storable at an enlarged American Falls Reservoir in over half of the years in this

period. However, in a dry year such as 1961 or in most years of a dry cycle such as 1931 through 1942, little water is available for new storage because nearly all the Snake River water is appropriated by existing users. As a result, ground water must be used as a dry-year water supply in connection with any annual use of new upper Snake River basin storage. In some cases, this ground water supply can be provided by pumping within a specific project area; in other cases, ground water will have to be pumped from the highly productive Snake Plain aquifer north of the Snake River in exchange for surface supplies which can then be applied to new uses.

An enlarged American Falls Reservoir, because of its strategic location at the lower end of the upper Snake River system, could control more of the unused Snake River flows than other potential storage sites in the upper Snake River basin. Although new storage on the Snake River above American Falls would reduce the amount of new storage needed at American Falls, the enlargement of American Falls Reservoir would still be required to fully control the flows of tributaries which enter the Snake River below other existing reservoirs and potential storage sites.

WATER REQUIREMENTS

There are many demands for the additional water supply which could be made available by enlarging American Falls Reservoir because the upper Snake River basin has more long-range multipurpose needs than water to meet them. Among these needs are supplemental water for irrigated lands, the irrigation of dry lands, and the provision of water quality and fishery flows. These needs were discussed in Chapter 14.

In the current economic analysis of enlargement, it was assumed that all enlargement space would be used to serve new annual irrigation needs in the potential Oakley Fan Division. The lands in this division would be served by diverting water from the Snake River and by pumping ground water. The diversion requirement is estimated at 5.25 acre-feet per acre for the water supplied from the Snake River. This requirement is based on a crop irrigation requirement of 1.70 acre-feet per acre and a farm delivery requirement of 3.40 acre-feet per acre. The diversion requirement from local ground water supplies would be somewhat less than the requirement from the Snake River because of smaller conveyance system losses.

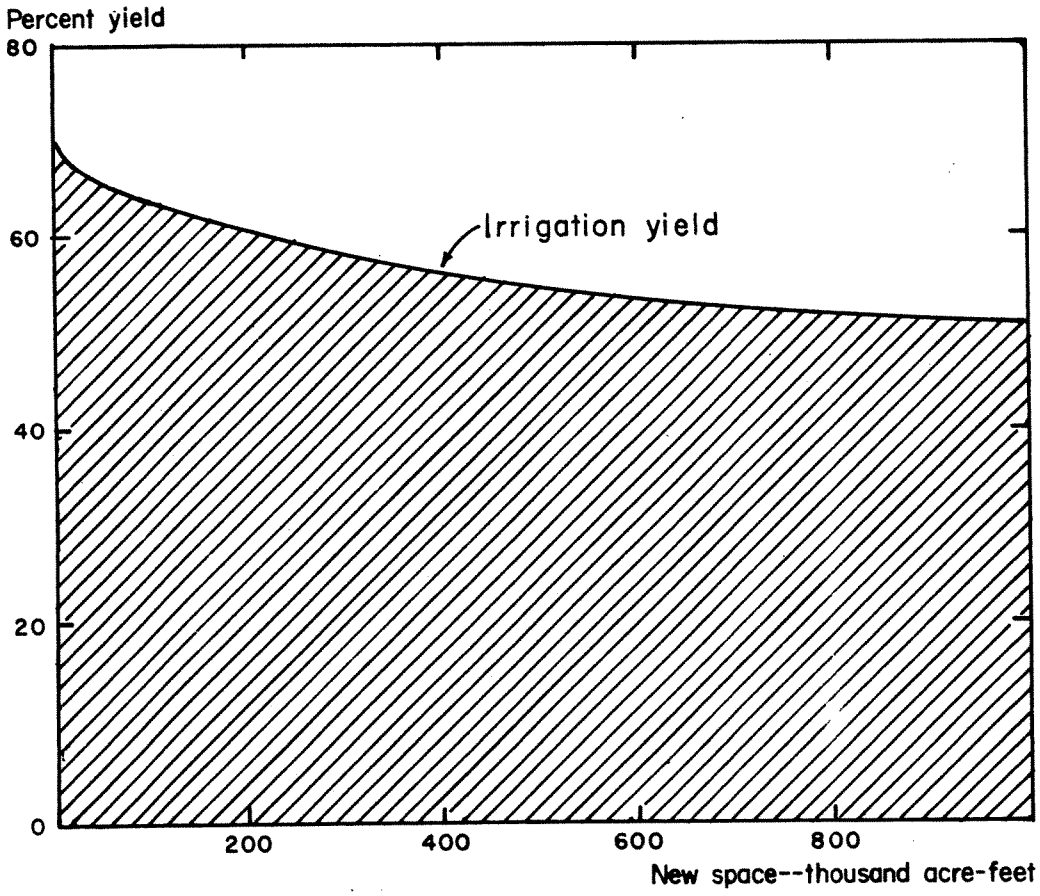
STORAGE YIELD

Because replacement space, the bottom 1,700,000 acre-feet in the reservoir, would be operated just as set forth under the proposed replacement plan, the storage yield from the first 1,700,000 acre-feet of an enlarged reservoir would be just the same as under the replacement program--98 percent. The yield from this space is high because of the early storage right associated with the existing reservoir.

Water for Enlargement

Because its storage right would be junior to all existing rights, an acre-foot of enlargement space would not yield as much water as an acre-foot of replacement space. However, yield from the enlargement would be no less than the yield from any other potential new upper Snake River storage site, and it would be somewhat greater than the yield from an upstream site such as Lynn Crandall Reservoir because of the additional flows that could be stored at an enlarged American Falls Reservoir.

The analysis of American Falls Reservoir Enlargement in this report assumes that enlargement would be the next storage added in the upper Snake River basin. As shown on the chart on the next page, yields from storage for new annual irrigation use would decrease somewhat as the amount of enlargement increases. Yield from the 6-foot enlargement (334,000 acre-feet of space) in the current analysis would average 57 percent (190,400 acre-feet of yield) for irrigation of Oakley Fan area lands, and yield from the 13-foot enlargement (790,000 acre-feet of space) would average 52 percent (410,800 acre-feet of yield).



Average Annual Yield from Enlargement Space
Used for New Irrigation

Water for Enlargement

Average yields from enlargement space used for other purposes would vary from the above amounts. Storage for water quality control, for example, would yield slightly less than storage for annual irrigation use, while storage used only for dry-year supplemental irrigation needs would yield only a fraction of the above amounts.

Table 7.--Current Spaceholders of American Falls Reservoir

Item	Original Spaceholders	Exchange for Jackson Lake Space	Current Spaceholders
	ac.-ft.	ac.-ft.	ac.-ft.
Upper Valley			
Aberdeen Springfield Canal Co.	87,532	-31,941	55,591
Blackfoot Irrigation Co.	20,133	-7,370	12,763
Burgess Canal and Irrigation Co.	14,979	-5,483	9,496
Butte and Market Lake	7,361	-2,695	4,666
Corbett Slough Ditch Co.	5,357	-1,961	3,396
Dilts Irrigation Co.	1,397	-511	886
Enterprise Canal Co., Ltd.	14,075	-5,152	8,923
Enterprise Irrigation District	16,071	-5,883	10,188
Falls Irrigation District	23,300	0	23,300
Harrison Canal and Irrigation Co.	18,968	-6,943	12,025
Idaho Irrigation District	36,141	-13,230	22,911
Klussman, Johanna (Nordof)	301 1/	-110	191
Lenroot Canal Co.	6,102	-2,234	3,868
Martin Canal Co.	3,165	-1,159	2,006
Michaud Division, Fort Hall Indian Reservation	47,700	0	47,700
New Sweden Irrigation District	40,588	-14,857	25,731
Peoples Canal and Irrigation Co.	33,780	-12,365	21,415
Poplar Irrigation District	1,062	-389	673
Progressive Irrigation District	19,694	-7,209	12,485
Reid Canal Co.	4,021	-1,472	2,549
Rudy Irrigation Canal Co.	4,179	-1,530	2,649
Smith, C. D.	33 1/	-12	21
Smith Ditch (J. H. Austin)	79	-29	50
Snake River Valley Irrigation District	41,592	-15,225	26,367
Trego Ditch Co.	2,072	758	1,314
Utah Idaho Sugar Co. (Osgood)	21,230 1/	-7,771	13,459
Woodville Canal Co.	9,538	-3,491	6,047
Subtotal Upper Valley	480,450	-149,780	330,670
Lower Valley			
American Falls Reservoir District No. 2	400,000	0	400,000
Burley Irrigation District	18,162	139,780	157,942
Hillsdale Irrigation District	41,146	0	41,146
Millner Low Lift Irrigation District	45,687	0	45,687
Minidoka Irrigation District	83,563	0	83,563
North Side Canal Co., Ltd.	387,214	10,000	397,214
North Side Pumping Division, Minidoka Project	47,593	0	47,593
Twin Falls Canal Co.	151,185	0	151,185
Subtotal Lower Valley	1,174,550	149,780	1,323,330
Total	1,655,000 2/	0	1,655,000

1/ Contracts pending on part of this storage.

2/ Exclusive of 45,000 acre-feet of space used by Idaho Power Company.

Table 8.--Summary and status of repayment contracts, September 30, 1972

Contractor	Space Owned Prior Authorization of Palisades				Space Purchased After Authorization of Palisades				Total Reservoir Space			
	Contr. No.	Date	Acre-Feet	Amount	Contr. No.	Date	Acre-Feet	Amount	Acre-Feet	Amount	Paid	Unpaid
American Falls Res. Dist. 1/	Ilr-168	6/15/23, etc.	477,421	2,219,293.82					477,421	2,219,293.82	2,219,293.82	
Aberdeen-Springfield Canal Co.	I2r-1173	12/15/25, "	5,457	29,534.98	14-06-W-24	10/22/52	45,923	200,585.36	51,380	230,120.34	230,120.34	
Blackfoot Irrigation Co.	Ilr-107	7/28/25, "	15,033	70,000.00	14-06-W-29	12/12/52	5,100	22,276.10	20,133	92,276.10	92,276.10	
Burgess Canal & Irrigation Co.	I2r-1196	7/28/25, "	7,496	35,000.00	14-06-W-41	12/18/52	7,483	32,684.72	14,979	67,684.72	67,684.72	
Butte & Market Lake Canal Co.	Ilr-1122	12/7/25, "	3,002	14,000.00	14-06-W-38	12/12/52	4,359	19,039.51	7,361	33,039.51	33,039.51	
Corbett Slough Ditch Co.	Ilr-654	7/28/25, "	4,000	18,651.09	14-06-W-12	12/12/52	1,357	5,927.19	5,357	24,578.28	24,578.28	
Dilts Irrigation Co.	I2r-1174	2/26/26, "	1,034	4,906.57	14-06-W-32	12/12/52	363	1,585.54	1,397	6,492.11	6,492.11	
Enterprise Canal Co., Ltd.	I2r-1177	7/28/25, "	10,509	49,000.00	14-06-W-15	12/12/52	3,566	15,575.80	14,075	64,575.80	64,575.80	
Enterprise Irrigation Dist.	Ilr-217	4/1/34	12,000	91,785.38	14-06-100-1912	6/2/60	4,071	17,781.57	16,071	109,566.95	109,566.95	
Harrison Canal & Irrigation Co.	I2r-1326	7/28/25, etc.	11,994	56,000.00	14-06-W-30	12/12/52	6,974	30,461.47	18,968	86,461.47	86,461.47	
Idaho Irrigation District	Unnumbered	7/28/25, "	26,986	126,000.00	14-06-W-33	12/12/52	9,155	39,987.78	36,141	165,987.78	165,987.78	
Ray Andrus (Holden Bros.)	I2r-1132	7/28/25, "	225	1,050.00					225	1,050.00	1,050.00	
Lenroot Canal Co.	I2r-1131	7/28/25 "	4,504	21,000.00	14-06-W-22	12/12/52	1,598	6,979.85	6,102	27,979.85	27,979.85	
New Sweeden Irrigation Dist.	Ilr-84	9/26/22, "	28,528	127,500.00	14-06-W-14	12/12/52	12,060	52,676.42	40,588	180,176.42	180,176.42	
Peoples Canal & Irrig. Co.	I2r-1176	7/28/25, "	22,519	105,000.00	14-06-W-44	12/18/52	11,261	49,186.50	33,780	154,186.50	154,186.50	
Poplar Irrigation District	I2r-1550	7/28/25, "	793	3,745.14	14-06-W-45	12/18/52	269	1,174.96	1,062	4,920.10	4,920.10	
Progressive Irrigation Dist.	I2r-1458	7/28/25, "	14,609	70,000.00	14-06-W-47	12/18/52	5,085	22,210.58	12,694	92,210.58	92,210.58	
Reid Canal Company	I2r-1198	7/28/25, "	3,002	14,000.00	14-06-W-10	12/12/52	1,019	4,450.85	4,021	18,450.85	18,450.85	
Rudy Irrigation Canal Co.	Ilr-659	4/1/38	2,000	17,199.60	14-06-W-37	12/12/52	2,179	9,517.57	4,179	26,717.17	26,717.17	
Sam Sakaguchi (C. D. Smith)	I2r-1250	1/6/26	79	374.03					79	374.03	374.03	
Snake River Valley Irrigation Dist.	Ilr-247	2/6/23	27,643	124,000.00	14-06-W-35	12/12/52	13,949	60,927.32	41,592	184,927.32	184,927.32	
Trego Ditch Co.	I2r-1199	5/14/26, etc.	1,462	7,000,00	14-06-W-23	12/12/52	610	2,664.40	2,072	9,664.40	9,664.40	
Utah-Idaho Sugar Co.	Ilr-538	6/6/25, "	15,852	73,917.03					15,852	73,917.03	73,917.03	
Hillsdale Irrigation Dist.	Ilr-252	7/2/23	41,146	188,356.83					41,146	188,356.83	188,356.83	
Milner Low Lift Irrigation Dist.	Ilr-125	7/29/22	34,113	152,000.00	14-06-W-92	1/7/55	11,574	50,553.64	45,687	202,553.64	202,553.64	
Minidoka Irrigation District	Ilr-115	2/11/27	50,000	221,498.74	14-06-100-1833	2/2/60	33,563	146,598.58	83,563	368,097.32	368,097.32	
Martin Canal Company					14-06-W-36	12/12/52	915	3,996.60	915	3,996.60	3,996.60	
Woodville Canal Company					14-06-W-49	12/18/52	538	2,349.91	538	2,349.91	2,349.91	
North Side Canal Co.					14-06-W-28	12/12/52	108,380	473,388.95	108,380	473,388.95	473,388.95	
Burley Irrigation District					14-06-W-48	12/18/52	18,162	79,329.12	18,162	79,329.12	79,329.12	
Utah-Idaho Sugar Co.					Contract Pending:		5,378	23,490.37	5,378	23,490.37		23,490.37
Ray Andrus					" "		76	331.96	76	331.96		331.96
Sam Sakaguchi					" "		33	144.14	33	144.14	144.14	
Subtotal--American Falls Res. Div.			821,407	3,840,813.21			315,000	1,375,876.76	1,136,407	5,216,689.97	5,192,867.64	23,822.33
Gooding Division American Falls Res. Dist. No. 2	14-06-W-73	10/14/54	400,000	1,771,989.90					400,000	1,771,989.90	1,514,374.46	2/ 257,615.44
North Side Pump Division A & B Irrigation District					14-06-100-2368	2/9/62	47,593	207,879.70	47,593	207,879.70	7,633.34	3/ 200,246.36
Michaud Flats Project Falls Irrigation District					14-06-100-851	12/9/55	23,300	103,218.41	23,300	103,218.41	6,386.02	4/ 96,832.39
Fort Hall Indian Agency					Memo Agreement	4/25/57	47,700	211,309.79	47,700	211,309.79	211,309.79	
TOTALS			5/ 1,221,407	5,612,803.11			433,593	1,898,284.66	5/ 1,655,000	7,511,087.77	6,932,571.25	578,516.52

1/ Includes the following companies:

Company	Acre-Feet
Aberdeen-Springfield Canal Co.	36,152
Martin Canal Co.	2,250
Woodville Canal Co.	9,000
North Side Canal Co.	278,834
Twin Falls Canal Co.	151,185
Total	477,421

2/ Payout in FY 2000
3/ Payout in FY 2020
4/ Payout in FY 2018
5/ Exclusive of 45,000 acre-feet of space used by Idaho Power Company under contract No. Ilr-733.

2-27-1973 IPCO document

Proposed
AMERICAN FALLS DAM
Replacement Plan

The American Falls dam was constructed in the mid-1920's and first stored water in the 1926-27 period. The irrigators paid about half of the cost of the dam in cash and the balance has been or is being paid for by the irrigators. The Idaho Power Company acquired 45,000 acre-feet of primary storage and 255,000 acre-feet of secondary storage in the reservoir.

In 1929 a chemical reaction in the concrete of the dam was discovered, which has caused the concrete to swell or expand; however, the strength of the structure has declined at a very slow rate. Recently the strength of the structure has been seriously questioned. The relatively small columns supporting the bearings of the spillway gates are showing advanced effects of the chemical reaction. Reservoir operations are now different than planned in the 1920's by the addition of Palisades (1956), Island Park (1938) and Teton (under construction) and ice loading on the dam is an important consideration now, while it was not considered necessary when American Falls dam was designed. The result of these changes as well as data obtained from core drilling is the imposition of a storage limitation by the Bureau of Reclamation in the interest of safety, which limits the storage to about 1,100,000 acre-feet in the reservoir with a capacity when full of 1,700,000 acre-feet.

The storage limitation is an extreme hazard and exposure to the irrigators since about 900,000 acres of land are dependent on American Falls storage for late season irrigation. Historically, with present storage capacity (including full capacity at American Falls), July and August have been below full requirements in 4 years out of 40 years, or on average, 1 year out of 10. With reduced storage capacity this exposure will be increased.

The storage limitation may be corrected by replacing the present dam with a new dam or rehabilitating (repairing) the present dam. The USBR have concluded that the right and proper thing is to replace the dam with a new dam, and have made the following estimated construction cost (July 1972 prices), and have allocated the costs to various functions, as follows:

Construction Cost (July 1972) - $1,000's

Dam and Reservoir	$ 22,906
Penstock future power	1,454
Highway Improvement	1,861
Remove old dam	2,100
Permanent operating facilities	143
General service equipment	43
Basic health & safety	88
Fishing mitigation	546
Fish & wildlife enhancement	196
Flood forecasting	131
Total	$ 29,468
Interest during construction	2,293
TOTAL	$ 31,761

Construction Cost Allocation - $1,000's

		IDC	Total
Irrigation	$18,971	$1,477	$20,448
Flood Control	4,348	338	4,686
F & W Enhancement	1,520	117	1,637
Recreation	1,226	96	1,322
Highway Improvement	1,861	145	2,006
Future Power	1,454	113	1,567
Basic Health & Safety	88	7	95
Total	$29,468	$2,293	$31,761

Repayment planned as follows:

Irrigation by water users	$18,659
Fish & Wildlife Enchancement - Non-federal body	101.5
Power (deferred)	1,543
Total Reimbursable	$20,303.5

The probable schedule which might be followed with USBR construction has been estimated to require 8-10 years before the new dam could be completed. Presumably the storage limitation would prevail during this period; however, it might be relaxed slightly one or two years before completion as the elevation of the new dam was raised during construction.

The Idaho Power Company has several interests in the American Falls dam problem, as follows:

1. As a spaceholder - the Company has primary storage in the amount of 45,000 acre-feet,

2. As owner of a power plant downstream from the dam - the Company owns the 27,000 KW power plant below American Falls and has generation from the water entitlement of both the Company and the USBR. The annual energy potential at American Falls site averages about 370 million KWH's; however, a new power plant is required to generate the potential. The Company's present plant and water entitlement would generate only about 55 million KWH which would not be a feasible operation.

3. As the power supplier to practically the entire area depending on American Falls storage in the full amount for late season irrigation - the Company would be adversely affected in the event a crop failure resulted from the storage limitation in any one or more years in the next 8 - 10 years. The economic impact of such a crop failure and the possible loss of $100 million of farm income in South Idaho would have widespread effects on the total economy of southern Idaho, not only for the year of the crop failure but several years would be required to overcome the effect of the one year loss.

Time is the essence of the solution of the American Falls dam storage limitation. The Company's interests warrant serious consideration of any plan which would reduce the time the

irrigators are exposed to crop failure by the loss of 600,000 acre-feet of storage water in American Falls dam. Minimizing the time required to remove the storage limitation should be the area in which the Company can make substantial contributions because the time to start construction and the construction period should be reduced.

The Company has developed some preliminary information from Bechtel Corporation as a result of a request from the space holders and the American Falls Irrigation District on the manner and time in which the American Falls dam could be replaced or rehabilitated. The estimated cost of a replacement dam and a new power plant is $51,054,000. The cost of the replacement dam is about $20,700,000.

The estimated time schedule developed by Bechtel engineers is the same for either a new dam or rehabilitation of the present dam. The closely coordinated time schedule contemplates that a contractor would be selected and would move on the job no later than about January 1 of the year following execution of a contract, and would be able to complete all preliminary diversion work necessary to begin construction of the new concrete dam section at the end of the irrigation season about October 15 of the same calendar year with the reservoir level down to elevation 4310 feet (about 150,000 acre-feet). The construction would progress to the point

so that the reservoir could begin to fill the following February 1.

The water records indicate that there would be a 30% chance of filling the American Falls reservoir to capacity (1,700,000 acre-feet) after February 1 in the flood period and a 60% chance of filling the reservoir to the storage limitation level (1,100,000 acre-feet). The coordinated operation of upstream reservoirs would have a bearing on refilling American Falls.

Approximately 9 months prior to January 1 are required for studies of feasibility, hydrology, exploration, models, design, plans, environmental impact statements, specifications and contracting. The time required for legislation and various governmental approvals is unknown and could delay the contracting date and the January 1 date for the contractor to move onto the job in which case completion would be set back to the following year. Except for this unknown factor, completion of all technical planning and construction could be accomplished for the reservoir in 24 months and 33 months for the power plant, providing the decision to proceed is made around March 1.

The power production and power costs are important factors in the Company's participation of this project. The power production will assume a plant capacity in the area of 100 MW and energy generation will approximate 370,000,000 KWH in an average year. The power plant might become ready for commercial operation not

earlier than January 1, 1976 and more likely in early 1977. Based upon the Company's load projection, this timing would fit the system need for power and would enable purchased power capacity and energy to be reduced from the level heretofore contemplated.

As a measure of how far the Company could go in its financial assistance to the American Falls dam replacement, the costs associated with the Company's portion of the Jim Bridger coal-fired plant have been used. When completed the Jim Bridger plant will be the highest cost plant the Company has constructed; however, a similar plant completed about the same time as a new American Falls plant would be even higher due to estimated cost escalation. Even this higher figure is below the cost the Company would experience if it replaced and financed both the American Falls dam and power plant. Consequently, if Idaho Power Company is to participate, some type of joint venture must be developed.

One possibility is based upon the American Falls Reservoir District assuming the obligations as follows:

1. American Falls Reservoir District would:

   (a) Obtain by legislation the right to repair or replace the dam and would have the right to contract for the lease or use of the falling water from the dam for a 50-year period with right of renewal.

(b) Upon acceptance of the completed construction work, would provide for continued coordinated operation and maintenance of the dam and reservoir (excluding power facilities) for the mutual benefit of the parties, providing that irrigation rights shall always have priority in the operation hereof, subject to the rights of the Company as a spaceholder.

(c) If it is determined that a roadway is to be constructed on the dam, it shall be the responsibility of the District to obtain payment of the costs necessitated thereby.

2. American Falls Reservoir District would agree with Idaho Power Company:

(a) To finance construction of either the new dam or replacement dam by the sale of tax-free bonds.

(b) To assist the Company in obtaining a 50-year FPC license for the Company to build, own, operate and maintain a power plant to utilize the water released from the dam. Upon issuance of said license, Idaho Power Company would execute an agreement with the District to pay to the District an amount of money equal to the annual requirements for interest and amortization of the District's bonds over a 40-year period. Such amount shall be equal to actual construction

cost of the dam, but shall not exceed $19,000,000 plus interest. The initial term of the agreement in consideration of the aforesaid payment shall be 50 years. The Company would have the right to renew the agreement without further payment other than operation and maintenance cost of specific power facilities upon extension of the FPC license beyond the initial 50-year period.

(c) To save the Company from additional dam costs over $19,000,000 for the road, recreation, fish, wildlife, health or safety facilities. The cost of any such facilities shall be at the expense of the District.

(d) To have Company act as District's sole agent in the engineering, purchasing and construction of the dam, in the interest of obtaining the lowest construction cost for the total project. Such engineering and construction shall be in accordance with modern and safe engineering standards as determined by an independent engineering board of three consultants mutually selected by the parties.

The above arrangement will result in the Company's cost being just barely under the cost of similar power from a coal fired plant costing somewhat more than the Jim Bridger plant.

This plan does not provide for any environmental costs.

To give you an idea of the cost of this power in meaningful terms without a lot of details, the likely cost of a coal fired plant in 1976-77 may approximate 17.1 mills per KWH, and the cost of power from American Falls project on the above proposal, based on preliminary estimates, is 16.1 mills per KWH. These numbers compare with residential customers' power cost as of today of about 17.1 mills per KWH and irrigation power of about 10.0 mills per KWH. The power costs reflected here are associated with peaking type of power, which the American Falls plant might supply within limitations of irrigation releases and winter storage requirements; however, the need may develop for a reregulating dam downstream from the power plant to utilize the peaking ability.

This proposal is in broad terms and many details must be developed, but with the cooperative participation of all parties, the exposure of southern Idaho to a severe economic crisis can be minimized.

IDAHO POWER COMPANY

R A Hogg
Presented to Executive Committee
February 27, 1973

6-15-1973 Senate Authorizing the Replacement of the Existing AF Dam

Calendar No. 212

93D CONGRESS
1st Session

SENATE

REPORT
No. 93-223

AUTHORIZING THE REPLACEMENT OF THE EXISTING AMERICAN FALLS DAM

JUNE 15, 1973.—Ordered to be printed

Mr. CHURCH, from the Committe on Interior and Insular Affairs, submitted the following

REPORT

[To accompany S. 1529]

The Committee on Interior and Insular Affairs, to which was referred the bill (S. 1529) to authorize the Secretary of the Interior to enter into agreements with non-Federal agencies for the replacement of the existing American Falls Dam, Upper Snake River project, Idaho, and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

The amendments are as follows:

(1) Change the reference to the "Upper Snake River project" to read "Minidoka project" wherever it appears.

(2) On page 1, line 6, delete the word "district" and insert instead the words "present spaceholders".

(3) On page 2, line 10, delete "project," and insert the following:

> project: *Provided*, That the design, construction and operation of the replacement dam shall not result in a maximum water surface elevation at the dam higher than El. 4354.5 feet, and: *Provided, further*, That the Secretary shall continue the program of prevention of and compensation for erosion related to the reservoir.

(4) On page 2, revise lines 23 through 25 to read as follows:

> * * * and the Secretary shall be a party to said contracts and the delivery of water to the spaceholders shall be contingent upon the execution of such contracts and the fulfillment of the obligations thereunder: *Provided*, That * * *

(5) On page 3, line 21, after the word "shall" insert the following phrase: "be approved by the Secretary so long as it does".

(6) On page 3, lines 23–25, amend Sec. 5 to read as follows:

> SEC. 5. Construction of the replacement dam shall not be initiated until the Secretary has approved the designs and specifications of the construction of the dam and of the proposed operation of the dam and reservoir. Preliminary design plans shall be submitted to the Secretary by the constructing agency. The Secretary shall approve said plans, or must promptly set forth specific objections to the preliminary design plans. If the parties cannot agree, said specific objections shall be submitted to binding arbitration by an engineering consulting board. The Secretary shall select one member of the board, the constructing agency shall select one member of the board, and the two members so selected shall select a third member. The consulting board's decisions on the specific engineering questions shall be binding on the Secretary and the constructing agency. The constructing agency shall then prepare final designs and specifications. Costs incurred heretofore and hereafter by the Secretary in reviewing such designs, specifications, plans and construction shall be nonreimbursible and such amounts as are required are authorized to be appropriated for this purpose. The Secretary is authorized to accept fund advances from the beneficiaries if necessary to avoid delays occasioned by appropriations and to make compensation by payment or credits.

(7) On page 4, lines 2 and 3, delete the word "conservation" and insert instead the word "enhancement"; and on page 4, line 6, add the following language:

> In addition, specific facilities for public recreation may also be provided in accordance with the Land and Water Conservation Fund Act of 1965 (78 Stat. 897), as amended (16 U.S.C. 460, *et seq.*).

(8) On page 4, lines 7 through 11, amend Sec. 7 to read as follows:

> SEC. 7. There is hereby authorized to be appropriated for construction of specific facilities for public recreation and fish and wildlife enhancement the sum of $400,000 (July 1972 prices) plus or minus such amounts, if any, as may be required by reason of the changes in the cost of construction work of the type involved therein as shown by engineering cost indices. There are also authorized to be appropriated such funds as may be necessary to meet the prorated construction cost apportionable to the irrigation storage rights of the Michaud Division of the Fort Hall Indian Reservation for space in the reservoir behind the American Falls Replacement Dam and such cost shall be subject to the Act of July 1, 1932 (47 Stat. 564; 25 U.S.C. 368a). There are also authorized to be appropriated such funds as are required for the operation and maintenance of the dam and related facilities.

(9) On page 3, line 12, delete "defer" and insert "defray".

(10) On page 2, line 11, delete "Sec. 2" and insert "Sec. 2(a)", and on page 2, after line 16, insert the following language:

> (b) The constructing agency shall: (i) include as a part of the project, a river crossing meeting the then current Department of Transportation standards for Federal-Aid secondary highway two-lane traffic, which crossing shall be located on top of the replacement dam or immediately downstream from the dam, and which crossing shall be financed by State, Federal and private funds, or any combination thereof as the parties deem appropriate; and (ii) coordinate the design of project crossing to allow the inclusion of an additional two lanes, which additional two lanes shall be the responsibility of the Idaho Department of Highways and which may be funded with State or Federal funds.
>
> (c) The plans and specifications for the construction of the dam shall require that an adequate two-lane, two-way crossing shall be maintained at or near the site of the dam during construction.

(11) Amend the title of the bill to delete the phrase "Upper Snake River project" and insert instead the phrase "Minidoka project".

PURPOSE OF THE MEASURE

The purpose of this measure, which was introduced by the Senators from Idaho, is to authorize the Secretary of the Interior to enter into appropriate agreements to permit the water-users to arrange for the financing and construction of a replacement for the existing American Falls Dam, which has become unsafe as a result of deteriorating concrete. The replacement dam would be acquired by the Secretary and operated as a feature of the existing Minidoka Reclamation project.

BACKGROUND

The existing American Falls Dam is located on the Snake River in Southern Idaho. The dam was constructed by the Bureau of Reclamation in 1927 as a feature of the Minidoka project. Physical data on the existing project are as follows:

Existing dam

Type—composite, concrete gravity center section with earth-fill embankment wings
Height—94′
Crest length—5,227′

Reservoir

Active capacity (unrestricted)—1,700,000 acre feet
Surface area—56,100 acres
Shoreline—100 miles

Minidoka project

Irrigable area—1,149,000 acres
Number of irrigated farms—19,900

Gross crop value (1971)—$154 million
Total storage dams—5
Total storage capacity—2,784,600 acre feet.

A chemical reaction between the aggregate and the cement has led to gradual deterioration of the structure. The Bureau has determined that the dam is no longer structurally competent and has imposed restrictions upon the maximum water level in the reservoir.

Storage in the reservoir is presently limited to less than 65 percent of its usable capacity. Greater restrictions will be necessary as the deterioration of the dam advances. The reservoir contributes nearly half the usable storage capacity in the Upper Snake River System, and provides irrigation water supplies to about 900,000 acres of land. Constraints on operation will pose serious threats to the agricultural economy of the area and to the recreation, fish and wildlife, flood control, and hydroelectric power functions served by the reservoir system.

Furthermore, the roadway on the crest of the existing dam is the only crossing within an 80 mile reach of the river. The outdated, 17-foot roadway must carry over 3,000 cars per day including heavily loaded farm produce trucks and agricultural equipment.

The Bureau of Reclamation has conducted a study to investigate the possibilities for replacement and rehabilitation of the American Falls Dam. The Bureau's Special Report dated December 1972 found that the replacement of the dam in the proximity of the present site would be preferable to rehabilitation. The Secretary of the Interior has made no recommendations to the Congress pursuant to the report.

In the interest of expediting completion of a replacement dam and in recognition of Administration reluctance to recommend conventional construction under the reclamation program, the spaceholders (water-users entitled to storage space in the American Falls reservoir) have explored alternative means for financing and carrying out the replacement of the dam.

The Senators from Idaho introduced two alternative measures for the replacement of the dam. One measure, S. 1528, would authorize the Secretary of the Interior to construct, operate and maintain a replacement dam having the same capacity reservoir and operations as the existing American Falls Dam. The financing of the replacement would be in accordance with conventional reclamation policies. The other measure, S. 1529, which is reported on herein would authorize an alternative financing approach proposed by the water-users in the interest of expediting completion of a replacement dam. In this alternative, an appropriate water-users organization would be authorized to construct the dam, using private financing, and transfer ownership to the Secretary for operation and maintenance as a project feature. The water-users agency would be authorized to contract with an electric utility for the use of falling water at the dam for hydroelectric power generation to help defer the costs of constructing the dam. The Idaho Power Company, which is a spaceholder in the reservoir and which owns and operates a powerplant below the existing dam, has expressed its interest in such a contract.

The Subcommittee on Water and Power Resources held a hearing on both measures on May 10, 1973. The Department of the Interior recommended enactment of S. 1529, the measure reported on herein and did not support the enactment of S. 1528, the alternative measure.

The Department recommended a number of amendments to S. 1529, most of which were adopted by the Committee as explained below. The Subcommittee considered the measures in executive session on June 11 and recommended to the Full Committee that S. 1529 be reported favorably to the Senate with amendments.

SECTION-BY-SECTION ANALYSIS

The provisions of S. 1529 as reported to the Senate are as follows:

Section 1 authorizes the Secretary of the Interior to enter into agreements with the American Falls Reservoir District, or other appropriate entity representing the spaceholders (the constructing agency), to provide for the construction of a replacement for the American Falls Dam.

The District would contract with Bechtel Engineers-Constructors to design and construct a replacement dam utilizing portions of the existing structure and maintaining the maximum unrestricted reservoir capacity of the original dam. The cost of the replacement dam and highway crossing, estimated at $18,491,000 (1973 prices), would be financed by the District through bond issues. The Secretary would take title to the dam upon completion of construction and would operate and maintain it as a Federal dam and a feature of the existing Minidoka Reclamation project.

Section 2 provides for the protection of the existing rights to storage capacity in the American Falls Reservoir and reaffirms existing contract obligations of the spaceholders to the United States. Current erosion control programs on the reservoir banks would be continued by the Secretary. An adequate river crossing will be provided as a part of the project as discussed below.

Section 3 authorizes the constructing agency to enter into repayment contracts with the spaceholders as necessary to recapture the costs of the replacement. The Secretary is to be a party to these contracts and they shall be consistent with existing contracts. The Secretary is granted authority, however, to amend existing contracts, if necessary, to bring the total repayment obligation of a spaceholder within the spaceholder's repayment capacity.

Section 4 authorizes the constructing agency to enter into a contract to lease the falling water from the dam for hydroelectric power production. The Idaho Power Company has expressed a willingness to construct a 100-megawatt powerplant in conjunction with the replacement dam and to pay, through a "falling water" contract, up to $19,000,000, plus interest charges, to assist in retiring the bond issue.

The Secretary will review the "falling water" contract to insure that it will not impair the efficiency of the project to serve the other purposes of the Minidoka Reclamation project.

Section 5 provides that the Secretary must approve the designs and specifications of the dam. The costs of the review are made nonreimbursible; however, the Secretary is authorized to accept fund advances from the constructing agency if necessary to avoid delays in the review due to lack of appropriated funds for the purpose. The Secretary is authorized to reimburse the constructing agency for such advances by direct payment or credits against debts to the United States.

An arbitration procedure is established to resolve points of techni-

cal disagreement which may arise between the Secretary and the architect-engineer as a result of the review of designs and specifications.

Section 6 provides authority for the Secretary to provide specific public recreation and fish and wildlife enhancement facilities in connection with the replacement dam. A plan for such measures, including nesting islands for geese, fishery enhancement measures, reservoir access, and recreation areas was developed in connection with the Bureau of Reclamation's studies of a replacement dam. The costs of these measures will be shared by an appropriate local entity under the provisions of the Federal Water Project Recreation Act (79 Stat. 213).

Additional recreational development at the reservoir also might be accomplished by State and local entities under the provisions of the Land and Water Conservation Act (78 Stat. 897, as amended).

Section 7 authorizes appropriations in the amount of $400,000 to provide for the costs of public recreation and fish and wildlife facilities. Funds in the amount required are also authorized to be appropriated to finance the portion of the costs of the dam replacement associated with the share of reservoir storage space owned by the Fort Hall Indian Reservation.

COMMITTEE AMENDMENTS

The Committee amended the bill in a number of respects to reflect recommendations made by the Department of the Interior and points raised by local interests during the hearings. The texts of the amendments are set forth by number at the beginning of this report. The following explanations are numbered accordingly:

(1) The Department of the Interior recommended the retention of the name of the existng Minidoka project in place of the designation Upper Snake River project which has been used on recent Department reports.

(2) This amendment was recommended by the Department. It would providee latitude for the spaceholders, including those outside of the American Falls Reservoir District, to be represented by an appropriate entity of their choosing.

(3) The Department recommended language to specifically provide that the replacement dam would provide for a maximum reservoir level no higher than that provided for by the existing dam. There is no intention to increase the size of the reservoir, and the elevation of 4354.5 set forth in the amendment is the maximum water surface elevation wihch was provided by the existing dam.

The Department also recommended a proviso insuring the continuation of the existing program of prevention of damages from erosion along the shores of the reservoir or of compensation for losses of land because of erosion. That program is presently carried out as a regular operation and maintenance function. The replacement dam will not alter the conditions which create the erosion problem. The second proviso makes clear that the existing erosion programs are intended to continue after the replacement.

(4) This is clarifying language recommended by the Department.

(5) The Department recommended that the Secretary of the Interior

be given the power of approval of the falling-water contract between the spaceholders and the owner of the powerplant contemplated to be constructed in conjunction with the replacement dam. The Committee adopted language indicating that the power of approval is limited to the determination that the contract will not impair the efficiency of the dam to serve the other purposes of the Federal Minidoka project.

(6) Section 5 of the bill provides the Secretary with authority to approve the designs and specifications for the replacement dam. The Committee has amended the section to provide that in the event of disagreement between the Secretary and the constructing agency concerning the design, an arbitration board of consulting engineers will be chosen to provide a binding decision on the question.

The Department of the Interior recommended that the costs incurred by the Department in the review of designs, specifications, and construction of the dam be reimbursable. The Committee, however, observes that the spaceholders are assuming large costs of construction which, in the event of Federal replacement of the dam, would have been nonreimbursible. To avoid a further financial burden on the spaceholders, the Committee has adopted language which would make the review costs nonreimbursable. In the event that appropriations were not available to permit the review to proceed expeditiously, however, the Secretary would be authorized to accept an advance from the spaceholders and to compensate them by payment or credit against charges at a later time.

(7) This amendment is as recommended by the Department to clarify the intent that specific facilities for fish and wildlife conservation contemplated in conjunction with the replacement dam are for the enhancement of the values rather than to mitigate damages. Furthermore, the measure would not prohibit the provision of recreation facilities under the provisions of the Land and Water Conservation Fund Act.

(8) The Department recommended this amendment to Sec. 7 to incorporate a specific amount for the authorization of appropriations for public recreation and fish and wildlife enhancement, and to authorize appropriations of funds to contribute the share of the costs of the replacement dam associated with the Fort Hall Indian reservation's rights to reservoir storage space.

(9) This is a technical amendment to correct an archaic usage.

(10) This amendment adds language agreed upon among the spaceholders and the local interests who are primarily concerned with the provision of an adequate highway crossing to replace the road on the existing dam. From testimony presented at the hearing, the Committee understands the language of the new Subsection 2(b) to require (i) that, as a minimum, a river crossing meeting current two-lane secondary highway standards must be provided along with the replacement of the dam, and the constructing agency is obligated to finance such a crossing to any extent necessary beyond available State and Federal funding; and (ii) the constructing agency is obligated to cooperate with the Idaho Department of Highways in seeking the provision of a four-lane crossing. The constructing agency, however, will have no obligation to finance any part of the additional two lanes, and the construction of the replacement dam will not be contingent upon the provision of the additional two lanes.

(11) See amendment No. (1).

The Department also recommended the deletion of the second proviso in Sec. 3 of the bill which would authorize the Secretary to extend the terms of existing repayment contracts with the spaceholders. The Department commented that such extensions are not necessary. The Committee chose to retain the language and notes that the decision to extend any of the contracts would be made at the discretion of the Secretary based upon a determination of need. The provision, therefore, only provides latitude to adjust the contracts if presently unanticipated financial burdens make such relief necessary.

COMMITTEE COMMENT

The Committee expects that the Secretary of the Interior will make every effort to facilitate the negotiations and agreements necessary to carry out the purposes of this measure. The intent of the procedure adopted is to expedite the completion of a replacement dam to minimize the hardships imposed upon the local people both by curtailments of water supplies and the inadequacy of the existing river crossing.

The choice of this alternative to Federal construction of a replacement dam imposes a considerable additional financial burden upon the spaceholders. Successful achievement of the replacement will require the cooperation of all of the parties, particularly the Interior Department, in carrying out its responsibilities for review and approval of designs, contracts and agreements.

COMMITTEE RECOMMENDATION

The Committee on Interior and Insular Affairs, by unanimous vote of a quorum present at an open executive session on June 11, 1973, recommends that S. 1529, as amended, be enacted.

EXECUTIVE COMMUNICATIONS

The reports of the Office of Management and Budget, the Department of the Interior, and the Federal Power Commission on S. 1529 are set forth in full below.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., May 9, 1973.

Hon. HENRY M. JACKSON,
Chairman, Committee on Interior and Insular Affairs, U.S. Senate, New Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your requests of April 13, 1973, for the views of the Office of Management and Budget on S. 1528, a bill "To authorize the Secretary of the Interior to construct, operate and maintain a replacement dam for the existing American Falls Dam of the Upper Snake River Basin project, Idaho, and for other purposes" and S. 1529, a bill "To authorize the Secretary of the Interior to enter into agreements with non-Federal agencies for the replacement of the existing American Falls Dam, Upper Snake River project, Idaho, and for other purposes."

In its report to your Committee on S. 1528 and S. 1529, the Department of the Interior recommends enactment of S. 1529 in lieu of S. 1528 subject to certain amendments. In its report, the Department supports the concept of replacing the existing American Falls Dam through private financing and states that Federal liability will be limited, as under existing law, to the proportioned share of costs assigned to the Fort Hall Indian Reservation and to specific public recreation and fish and wildlife facilities.

We concur in the position taken by the Department and, accordingly, subject to the suggested amendments, recommend enactment of S. 1529.

Sincerely,

WILFRED H. ROMMEL,
Assistant Director for Legislative Reference.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., May 9, 1973.

Hon. HENRY M. JACKSON,
Chairman, Committee on Interior and Insular Affairs, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This responds to your request for the views of this Department concerning S. 1528 and S. 1529, similar bills to authorize replacement of the American Falls Dam in Idaho.

We recommend that S. 1529 be enacted with the amendments set forth below. Since we support enactment of S. 1529 and have not completed our review of the plan of replacing American Falls Dam specified in S. 1528, we cannot support its enactment at this time.

The bills.—S. 1529 would authorize the Secretary of the Interior to negotiate and enter into agreements with the American Falls Reservoir District or an appropriate agency representing the district which would authorize the agency to finance the major costs and provide for construction of a replacement dam for the existing American Falls Dam. Upon completion, the United States would take title to the dam and it would be a feature of the Upper Snake River reclamation project, operated and maintained by the Secretary. The dam would be considered a "government dam" as defined in the Federal Power Act. Holders of storage rights in the existing reservoir would not be affected by replacement of the dam and the existing contract rights of such spaceholders with the Secretary would be reaffirmed except as modified by the bill. The bill would authorize the constructing agency to enter into contracts with current spaceholders providing for repayment of the replacement dam's cost. The Secretary would be a party to such contracts and he would be authorized to amend existing contracts to extend the repayment periods as necessary to bring the combined repayment obligations within the spaceholders' repayment capacity. The constructing agency would be authorized to contract with a non-Federal entity for the use of falling water for power generation. The Secretary would be authorized to provide facilities for public recreation and fish and wildlife conservation in connection with the replacement dam and costs would be repaid in accordance with the Federal Water

Project Recreation Act. Construction of the replacement dam could not begin until the Secretary had approved the designs and specifications.

S. 1528 differs from S. 1529 in that it authorizes the Secretary of the Interior directly to construct, operate and maintain the replacement dam as part of the Upper Snake River project under the Federal Reclamation laws in accordance with the plan set forth in the Bureau of Reclamation's report dated December 1972 entitled "American Falls Dam Replacement". The dam would serve irrigation, flood control, electric power generation, fish and wildlife and recreation purposes, except that power generation facilities other than those necessary to accommodate the future addition of hydroelectric power would not be installed unless subsequently authorized by Congress. The bill authorizes appropriation of $29 million to construct the dam and provides that costs of improving the relocated highway across the top of the replacement dam to present day standards would be nonreimbursable to the Federal Government under the provisions of section 208 of the Flood Control Act of 1962. Public recreation and fish and wildlife conservation costs would be repaid in accordance with the Federal Water Project Recreation Act. Costs associated with the provisional features to accommodate future hydroelectric power would be deferred until power production is authorized. The interest rate applicable to the project for repayment purposes would be based on the long-term U.S. Governmental debt interest rate.

Background.—The Minidoka Project was authorized by the Secretary of the Interior on April 23, 1904, under the Reclamation Act of 1902.

American Falls Dam, a major feature of the Minidoka Project, was built by the Bureau of Reclamation in 1927. The dam is located on the Snake River in southeastern Idaho west of the town of Pocatello. American Falls Reservoir, with a capacity of 1.7 million acre-feet, is the largest storage reservoir in the Upper Snake River basin and contributes almost half the usable storage on the main stem of the Upper Snake River. Nearly 900,000 acres of land receive irrigation water from the reservoir and as of September 30, 1972, only $578,516.52 of irrigation costs remained unrepaid to the United States of the total Federal irrigation investment amounting to $7,511,087.11. There is an additional unpaid power obligation of $404,365. Abnormal cracking throughout the concrete dam was reported as early as 1929 and has become progressively more severe. The condition of the dam has been closely monitored through regular biennial inspections. As the result of a core-drilling program in the early 1960's it was discovered that the concrete in portions of the dam was in a relatively advanced stage of deterioration due to a chemical reaction between alkalis in the cement and the aggregate. This type of reaction was unknown at the time the dam was built and has resulted in a significant loss in its strength and durability. Incident to the deterioration of the dam is the deteriorating condition of the existing two-lane State Highway 39 on the dam. This hazardous condition has resulted in the application of stringent traffic control procedures by the Idaho Department of Highways.

Studies in 1968 by a private board of consultants, consisting of three nationally known civil engineers, confirmed the Bureau of Reclamation's findings concerning the safety of the dam. The board stated that replacement or rehabilitation of the dam is desirable and that the

choice between replacement and rehabilitation should be based on a comparison of detailed designs, cost estimates and useful life of the dam after such work had been completed.

The condition of the dam has necessitated careful regulation of reservoir storage to avoid harmful pressures on the thin upper portion of the structure. For a number of years, winter storage has been restricted to 8 feet below the maximum reservoir water surface elevation in order to prevent ice pressures on top of the dam. Maximum storage is now limited to 11.3 feet below full pool which reduces the reservoir storage capacity to 1,125,000 acre-feet or approximately 66 percent of maximum design capacity.

In December 1972, the Bureau of Reclamation's Regional Director completed a preliminary special report which identifies a plan for replacing the dam and developing related multipurpose features. The report has not been fully reviewed by this Department or other appropriate agencies and does not necessarily reflect the views of the Secretary of the Interior. A copy of the report entitled "American Falls Dam Replacement" is enclosed.

More recently the reservoir spaceholders and the Idaho Power Company have proposed a plan to replace the existing American Falls Dam through non-Federal financing. A formal report has not been prepared on their plan, but we understand its general approach is that the spaceholders would obtain the right to replace the dam and to enter into a 50 year falling water contract for power with a right of renewal. The spaceholders would obtain financing for the new dam by the sale of tax exempt bonds and would assist Idaho Power Company in obtaining a Federal Power Commission license for construction of a powerplant at the dam. The Idaho Power Company would pay to the spaceholders an amount of money equal to the annual requirements for interest and amortization of the spaceholders bonds over a 40 year period, up to the actual cost of the dam but not more than $19 million plus interest. The spaceholders would pay any additional cost over the $19 million plus interest and the costs of replacing the existing highway river crossing and facilities for recreation, fish and wildlife and public health and safety.

Discussion.—In order to retain the full benefits of the American Falls Reservoir, it is apparent that the present dam must be replaced. The regional economy is dependent to a significant degree on the dam and reservoir and would benefit from the proposed replacement, both in terms of additional direct utility from the project and elimination of future uncertainty. We note that non-Federal hydroelectric power would be included as part of the project, helping to meet regional energy requirements without adverse thermal power production impacts. Because plans for the replacement dam will be subject to approval by and execution of an agreement with the Secretary, we see no need for licensing the dam under the Federal Power Act. The bill obviates the licensing requirement by making the dam a "government dam" within the meaning of the Federal Power Act. The proposed powerplant would, however, require a license.

S. 1529 adopts a plan which permits the substantial benefits described above to be obtained without cost to the Federal Government except for public recreational, and fish and wildlife conservation costs which would be shared with non-Federal interests in accordance with the Federal Water Project Recreation Act. By amendment suggested below, relatively small Federal appropriations would also be sought

for the proportionate share of costs assigned to the Fort Hall Indian Reservation. The plan thus calls for only minimal Federal expenditures and we believe the Federal cost is well worthwhile in view of the substantial benefits to the local economy.

Amendments.—Sections 1 and 4 of S. 1529 refer to the American Falls Dam and Reservoir being a part of the Upper Snake River Project. The existing American Falls Dam was authorized as a part of the Minidoka Project. The many water service and repayment contracts associated with American Falls Dam are identified as Minidoka Project contracts. The proposal is to replace a Minidoka Project feature without changing its size or water customers. Any new authorizations should continue to identify American Falls Dam as a part of the Minidoka Project and appropriate changes should therefor be made in the bill title and in sections 1 and 3 of the bill (page 2, lines 1, 5 and 9 and page 3, line 22) substituting "Minidoka Project" for "Upper Snake River Project". In addition, we recommend that the word "district" be deleted in line 6, section 1 and the words "present spaceholders" be substituted therefor. This change will provide greater flexibility in making final arrangements for replacement of the dam and will permit representation of spaceholders not now included in the American Falls Reservoir District.

With particular reference to protection of the Indian tribal interests of the Fort Hall Reservation we recommend that the bill be amended to assure that the level of the American Falls Reservoir not be raised and that appropriate action be taken to control any erosion which could adversely affect Indian lands. To accomplish this the following should be added at the end of section 1 of the bill:

> "The construction and operation of the replacement dam shall not result in an increase in the elevation of the reservoir water surface above that maintained for the original dam. Such construction and operation shall include provision for the correction and prevention of erosion related to the reservoir or for the full and adequate compensation of adjacent land owners (including owners of land subject to a flowage easement for the reservoir) if such erosion cannot be corrected or prevented."

The last proviso in section 3 authorizes the Secretary to extend the repayment periods for existing repayment contracts so that the combined repayment obligation for the existing dam and the replacement dam are within the spaceholders' repayment capacity. We are not aware of the need for this provision and believe it is inappropriate that the United States bear costs that might result from deferment of existing obligations. We therefore recommend deletion of this proviso (line 4 through 7 on page 3).

If an existing spaceholder is satisfied with the partial water supply that he now receives with limited operations of American Falls Dam and Reservoir and prefers not to sign a new contract, the bill leaves the position of the United States unclear. It is not desirable to provide that construction will not be started until contracts are obtained from all spaceholders, since this would mean that any spaceholder would have veto power over the entire arrangement. Delivery of water should, however, be made contingent upon execution of such contracts.

Therefore we recommend that section 3 be modified by striking on lines 23 and 24 the words "shall require" and by inserting in place

thereof the word "the" and on page 2, line 24, following the word "spaceholders" by deleting "to" and inserting the word "shall". On line 25, all after the word "upon" should be deleted and in lieu thereof the words "the execution of such contracts and the fulfillment of the obligation thereunder: *Provided*, That" should be inserted.

In order to provide the Secretary with a means of reviewing the falling water contract provided for in section 4 of the bill in advance, we recommend that the proviso set forth in that section be modified to read as follows:

> "*Provided*, That said contract for falling water shall be approved by the Secretary and shall not impair the efficiency of the project to serve the other purposes of the Minidoka Project."

We note that S. 1529 does not make specific reference to purposes to be served by the dam. We understand that those purposes are the same as those of the existing dam.

Prior to approval of the plans for the dam and reservoir, the Secretary would review, among other matters, the facilities planned for mitigation of any loss or damage to recreational, fish and wildlife values, the minimum facilities necessary for health and safety of reservoir users and others and the plans for any river highway crossing affecting project facilities. To make clear that the Secretary has authority to approve all such facilities associated with the replacement dam and the plan of construction, and to make clear that the cost of Secretarial review of the designs, specifications, plans and construction would be borne by the project beneficiaries, we recommend that section 5 of the bill be amended to read as follows:

> "SEC. 5. Construction of the replacement dam shall not be initiated until the Secretary has approved the designs and specifications of the dam and related facilities, and the plan of construction of the dam and of the proposed operation of the dam and reservoir. Costs incurred by the Secretary in reviewing such designs, specifications, plans and construction shall be included as project costs allocated to beneficiaries of the replacement dam and shall be reimbursable to the Secretary."

Sections 6 and 7 of the bill should be modified to make clear that the specific public recreation and fish and wildlife facilities referred to are for enhancement, rather than mitigation purposes, and to specify the costs involved. In addition, certain provisions need to be included in S. 1529 to take into account the fact that the Fort Hall Indian Agency is one of the spaceholders in American Falls Reservoir under an agreement with the Bureau of Reclamation for about 2.8 percent of the reservoir storage. To facilitate the future participation of the Fort Hall Indian Reservation in the replacement storage, appropriations should be authorized to pay the prorated construction costs apportionable to irrigation storage rights (costs of the replacement dam not otherwise paid for by the United States or the Idaho Power Company) of the Indian Reservation. In accordance with usual reclamation practice, reimbursement of such costs to the United States should be deferred in accordance with the Leavitt Act.

To accomplish these matters, in section 6 (lines 2 and 3, page 4) the word "enhancement", should be substituted for "conservation", and the following sentence added at the end:

Specific facilities for public recreation may also be provided in accordance with the Land and Water Conservation Fund Act of 1965, (78 Stat. 897), as amended (16 U.S.C. 460 et seq.).

Section 7 should be revised to read:

SEC. 7. There is hereby authorized to be appropriated for construction of specific facilities for public recreation and fish and wildlife enhancement the sum of $400,000 (July 1972 prices) plus or minus such amounts, if any, as may be required by reason of the changes in the cost of construction work of the type involved therein as shown by engineering cost indices. There are also authorized to be appropriated such funds as may be necessary to meet the prorated construction cost apportionable to the irrigation storage rights of the Michaud Division of the Fort Hall Indian Reservation for space in the reservoir behind the American Falls Replacement Dam and such cost shall be subject to the Act of July 1, 1932 (47 Stat. 564; 25 U.S.C. 368a).

Environmental.—Enclosed is a draft environmental impact statement concerning the American Falls Dam replacement as contemplated by S. 1529, prepared pursuant to section 102(2)(C) of the National Environmental Policy Act of 1969. The final environmental impact statement will be prepared and fully considered in determining whether to enter the agreements authorized by the bill and to approve plans for the replacement of the American Falls Dam.

The Office of Management and Budget has no obligation to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

JACK O. HORTON,
Assistant Secretary of the Interior.

Enclosures.

FEDERAL POWER COMMISSION,
Washington, D.C., May 24, 1973.

S. 1529—93d Congress, Replacement of American Falls Dam, Idaho.

Hon. HENRY M. JACKSON,
Chairman, Committee on Interior and Insular Affairs, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In response to your request of April 13, 1973, we enclose fifty copies of the report of the Federal Power Commission on S. 1529.

The Office of Management and Budget advises that there is no objection to the submission of this report from the standpoint of the Administration's program.

Sincerely,

JOHN N. NASSIKAS, *Chairman.*

Enclosure: 50 copies of FPC report on S. 1529.

FEDERAL POWER COMMISSION REPORT ON S. 1529—93D CONGRESS

S. 1529 would authorize the Secretary of the Interior (Secretary) to enter into agreements with non-Federal agencies for the replacement

of the existing American Fall Dam, Upper Snake River, Idaho. The United States would take title to the dam upon completion and the Secretary would operate and maintain it as a feature of the Upper Snake River reclamation project. The dam would be considered a "Government dam" as defined in section 3(10) of the Federal Power Act (41 Stat. 1064; 49 Stat. 838; 16 U.S.C. 796(10)) and accordingly the dam itself would not require a license from the Federal Power Commission. We note, however, that hydroelectric power facilities to be built downstream from the dam by Idaho Power Company would be licensed by the Commission.

The proposal under S. 1529 would result in replacement of Idaho Power Company's 27,000-kw plant with a new 100,000-kw plant. The redevelopment effected by construction of a new reclamation dam and a new powerhouse would assure the needed water supply for irrigation, would provide additional electric capacity and energy for the Company, and would provide better utilization of power potential of that reach of the Snake River.

The replacement of the existing reclamation dam would not alter the present proportionate storage rights of present spaceholders in the American Falls Reservoir and would constitute a reaffirmation of existing contract rights between the Secretary and the spaceholders except as the bill otherwise provides. The constructing agency would be authorized to enter into contracts with current spaceholders providing repayment of the cost of the replacement dam. The Secretary would be a party to such contracts and would be authorized to amend existing contracts to extend repayment period so that the combined repayment obligations would be within the spaceholders' repayment capacity. The bill authorizes the Secretary to sell surplus water from the Government dam to a non-Federal entity. Construction of the dam would not begin until the Secretary approves the designs and specifications. S. 1529 would also authorize the Secretary to provide specific facilities for public recreation and fish and wildlife conservation in connection with the replacement dam; costs would be repaid in accordance with the Federal Water Project Recreation Act (79 Stat. 213).

American Falls Dam was constructed by the Bureau of Reclamation during the period 1925–1927 to provide storage capacity for a 1,700,000 acre-feet of water with a full reservoir. This development together with six other smaller reservoirs are parts of an irrigation project which provides a full or supplemental water supply to more than one million acres of land situated discontinuously along a 300-mile length of the Snake River extending from the Wyoming State line to the town of Gooding in south-central Idaho.

Shortly after the American Falls project was completed it was noted that there was a deterioration of the concrete in the dam due to a chemical reaction between the cement and the aggregate. This deterioration has now progressed to a point where the Bureau of Reclamation, in the interest of safety, has lowered the maximum permissible reservoir level with a resultant decrease of 600,000 acre-feet in the usable storage capacity. With this reduction in the amount of stored water, the hazard of crop failures to irrigators is materially increased. Therefore, time is considered by the irrigators to be the essence of the solution of the present water shortage.

Commission staff members were informed in a meeting on March 8, 1973, with representatives of Idaho water users and the Idaho Power Company of their belief that the time required to remedy the current water shortage would be greatly reduced if the replacement of American Falls Dam could be made a non-Federal agency responsibility. The representatives, proposal was that reconstruction of the dam and the construction of a power plant of about 100,000 kw capacity would be a joint venture of the American Falls Reservoir District and the Idaho Power Company.

Idaho Power Company is interested in this matter because it owns a 27,000-kw power plant which draws water from American Falls Reservoir. As a spaceholder in the reservoir, the Company has primary storage in the amount of 45,000 acre-feet. Idaho Power Company has currently pending before the FPC an application for license for its American Falls development and two other hydroelectric developments—Shoshone Falls (12,380 kw) and Upper Salmon (34,500 kw)—to which a project number 2258 has been assigned. Action on this application has been deferred, at the Department of the Interior's request, pending a solution to the problem of the deteriorating American Falls Dam.

In about a 250-mile reach of the Upper Snake River downstream from American Falls, Idaho Power Company operates hydroelectric projects for which it has five major licenses outstanding: Twin Falls (Proj. No. 18), Lower Salmon (Proj. No. 2061), Bliss (Proj. No. 1975), C. J. Strike (Proj. No. 2055), and Swan Falls (Proj. No. 503) which collectively have power installations totaling approximately 240,000 kw.

The Bureau of Reclamation Minidoka powerplant (13,400 kw) and dam, which creates the 95,000 acre-foot Lake Walcott reservoir, are located about 40 river miles downstream from American Falls.

Although headwater benefit studies are planned for the future, the Commission has no specific information at this time as to the effect which the American Falls Reservoir operation has on the Idaho Power Company's downstream projects. However, we note that section 2 of S. 1529 provides that replacement of the existing dam shall in no way alter or change the present proportionate storage rights of spaceholders in the American Falls Reservoir.

With respect to Idaho Power Company's interest in this matter, it is noteworthy that the Company does desire to avert crop losses and maintain a viable economy in the area dependent upon American Falls storage by reason of the fact that it is the principal power supplier in this area.

The Office of Management and Budget advises that there is no objection to the submission of this report from the standpoint of the Administration's program.

FEDERAL POWER COMMISSION,
JOHN N. NASSIKAS,
Chairman.

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10-6-1973 AFR J Barker Field Hearing

AMERICAN FALLS RESERVOIR DISTRICT

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BEFORE THE WATER AND POWER RESOURCES SUBCOMMITTEE
INTERIOR AND INSULAR AFFAIRS COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES
STATEMENT OF JOHN M. BARKER, PRESIDENT
AMERICAN FALLS RESERVOIR DISTRICT

Field Hearing
Burley, Idaho
October 6, 1973

Chairman Johnson, members of the Committee, distinguished guests, ladies and gentlemen:

My name is John M. Barker. I operate an insurance agency in Buhl, Idaho. I am a farm owner and manager in Twin Falls County, Idaho. I have served as a director of the American Falls Reservoir District for sixteen years, and for the past six years have served as President of the Board. Since 1967, I have served in the Idaho Legislature as a Senator from Twin Falls County.

It is a great pleasure for me to represent the American Falls Reservoir District.

Our district was formed in 1923 when it became the consensus of opinion that the original American Falls Dam should be constructed. Because of the then unavailability of Federal monies, our district bonded themselves for 2.7 million dollars in general obligation bonds at six percent interest. The bond election was approved by a vote of six to one. The lands in the American Falls Reservoir District were pledged to repayment of the then obligation. This money was used in the construction of the dam. The district now owns approximately 490,000 acre-feet of storage space in the reservoir, when the reservoir is operated at a full capacity of 1.7 million. Our district encompasses approximately 450,000 acres of land and represents five irrigation-operation companies. They are the Twin Falls Canal Company, the North Side Canal Company, the Aberdeen-Springfield Canal Company, the Martin Canal Company, and the Woodville Canal Company. Some of these companies own additional American Falls storage in their own name. Since retirement of the American Falls bonds, the district

has merely operated as an agency for the collection of annual O & M charges for the operation of American Falls. Since 1964, the date of the Bureau's first engineering pronouncements concerning the alkali condition at American Falls Dam, American Falls Spaceholders have been concerned about the situation. The restriction order of October 1972, was termed an emergency by the Spaceholders. The loss of one-third of American Falls storage capacity brought all of the Spaceholders together on a common ground to determine the best basis to remedy the situation. An informal association of American Falls Spaceholders was formed. An Executive Committee was selected and empowered to evaluate all of the alternatives toward the earliest possible replacement at American Falls. The American Falls Spaceholders, through our district, approached the Idaho Power Company on the possibility of working out a sale for falling water if a private reconstruction could be accomplished. In March of 1973, the Spaceholders endorsed the concept of private financing for the replacement. The American Falls Reservoir District, has consented to act as the"constructing agency" as defined in S.1529 because of the number of acres and the value of their lands which would be pledged as security for eventual bond payments.

Thereafter, the Spaceholders worked in close conjunction with the Idaho Congressional Delegation and were successful in the introduction of bills on both the Senate and the House side. S.1529, as passed by the Senate, is the concept which the Spaceholders endorse for the replacement of the dam. The agreement of the Spaceholders is that any replacement would be operated in an identical fashion as the existing American Falls Reservoir and that each existing Spaceholder would be entitled to enter contracts for the repayment of their proportionate share of the cost of the replacement structure.

Because of the offer of the Idaho Power Company, and if the dam is constructed with power facilities, the Spaceholders will be liable to repay only those amounts over and above the payments by the Idaho Power Company for the falling water.

The Spaceholders have now contracted with Bechtel, Inc., of San Francisco, to begin engineering work toward the end of final plans and designs for the replacement dam. The Spaceholders coordinated in selecting a consulting board to review the preliminary concepts of Bechtel. The consulting board endorsed the Bechtel approach. With the passage of S.1529, it would be the hope of the Spaceholders that the Idaho Power Company would be successful in obtaining a Federal Power Commission license, so that construction could proceed simultaneously on the dam and power house, and that a saving would result by utilizing the same contractor. The Idaho Power Company would then agree to pay 19 million dollars, plus tax exempt interest, over a period of forty years. During the same period, the American Falls Reservoir District would collect from all other Spaceholders who contract for storage water in the reservoir, enough money to make the annual bond payments, plus interest.

The reservoir would be operated in the same manner in which it

is now operated, observing the preference for irrigation. The Spaceholders are agreed to work out arrangements as to a highway crossing and any mitigation of fish, wildlife, and environmental matters.

If S.1529 becomes law, we would proceed to negotiate a contract with the Secretary of Interior for his ownership of the structure after completion, and the continued operation and maintenance of the dam and reservoir by the Bureau of Reclamation.

It is presently the plan to construct a two-lane highway on top of the dam, which coupled with the two-lane bridge to be constructed below the dam by the Idaho State Department of Highways, would provide an adequate four-lane crossing. A memorandum of understanding now exists between the Idaho State Department of Highways and the American Falls Reservoir District concerning their mutual obligations.

Following the enactment of S.1529, our bonding counsel has advised us that it will be necessary to secure additional amendments to the Idaho Irrigation District Code. Because of the state-wide impact of the American Falls replacement problem, we anticipate a favorable response from the legislature. Thereafter, the American Falls Reservoir District would plan a bond election and together with the Bureau of Reclamation, would propose and execute contracts with all existing Spaceholders for their proportionate share of the space.

We are advised that it is not timely to file with the Internal Revenue Service for a tax exempt ruling until such time as the Congressional bill has passed, the State legislation obtained, and the contracts are in a form which might be presented to the Internal Revenue Service. We are encouraged at the possibility of obtaining tax exempt interest for our bonds. In talking with financial agents, we are also encouraged at the possibility of some competitive bidding for those bonds.

There is one amendment which the Spaceholders must request from the committee concerning the qualifying of American Falls Reservoir District as the "constructing agency" for the purposes of qualifying us to receive Federal funds for construction of a highway on the dam.

On behalf of the American Falls Board of Directors, I would like to thank the Chairman and the members of the Committee for affording us this hearing. We hope that you will enjoy your visit in Idaho, and will recommend S.1529 for passage upon your return to Washington.

Respectfully submitted,

JOHN M. BARKER, President
American Falls Reservoir District

10-6-1973 Hearing before Subcommittee

REPLACEMENT OF THE AMERICAN FALLS DAM IN IDAHO

PART 1

HEARING

BEFORE THE

SUBCOMMITTEE ON WATER AND POWER RESOURCES

OF THE

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

FIRST SESSION

ON

H.R. 6781, H.R. 6782, and S. 1529

TO AUTHORIZE THE REPLACEMENT OF THE AMERICAN FALLS DAM IN IDAHO

HEARING HELD IN BURLEY, IDAHO
OCTOBER 6, 1973

Serial No. 93–33

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State and your individual States. But, if you will take the time, I will make available to you from the Senate hearings, written testimony on S. 1529 from environmental groups in this State supporting this project. I have in my possession, which I will return to you, the original testimony from the Idaho Fish and Game Department supporting the construction of this dam as soon as possible. Also, from the highway department, the department of water administration, water resource board and the parks and recreation departments of this State.

I submit to you gentlemen that the State of Idaho is indeed together in the need for expeditiously redoing this structure.

I think in summary I would say that I am here today as Governor of the State for thousands of small family farms and family businesses which are dependent upon an adequate water supply for irrigation. On their behalf, I respectfully request that you do in fact give us the necessary relief that we need in order to do it ourselves.

That is the end of the statement. I think I could sum up, Mr. Chairman, by saying, as has been asked in several questions here this morning, yes, there is not a person seated in this room behind me that if they could have it done immediately, would not like to see Uncle Sam come in and pay the bill. But we are practical people out here. We need that dam, and the fastest way to do it is for us to do it ourselves, and we are willing to do it. We just hope to God you give us the capability of doing it.

Mr. Chairman, I will respond to any questions you might have.

Mr. JOHNSON. Thank you, Mr. Governor.

It seems you have lined up everybody in the State of Idaho. You have done your homework well. We hope there is nothing that creeps into this that might disturb your timetable as it has in other types of projects in other States.

We are quite familiar with some of those delays. It hurts us as bad as this one hurts you here.

Your full statement will appear in the record, and your statements from other organizations will also be made a part of the record.

You stated you have to leave. Is there anyone who has to go with you who is a witness?

Mr. ANDRUS. I think Mr. Bob Hogg of the Idaho Power Co. had desired to go so he can make an airline connection. If I would not be presumptuous, I would certainly appreciate him having the opportunity to testify.

Mr. JOHNSON. Well, maybe we had better put him on, since this has run a little longer than we thought it would up to now.

The gentleman from California, Mr. Clausen.

Mr. CLAUSEN. I certainly appreciate your statement.

I just wanted to add in reading the Idaho Fish and Game Department statement on the American Falls replacement signed by Mr. Greenley, October 3, 1973, he does corroborate what you said, the American Falls Dam Reservoir, though initially destroying some fish and wildlife, has resulted in increases in upland game and migratory water fowl in Idaho. It goes on to say, it is our opinion that the wildlife resulting have outweighed its losses.

I think this is a very significant point that I want in the record following your statement.

Mr. ANDRUS. Thank you very much, Mr. Clausen.

Mr. KETCHUM. Mr. Chairman, I would just like to congratulate the Governor on his statement and recall attention to the third paragraph of his statement, which I think is the most powerful statement by any official that I have ever heard before a committee of the Congress or during my days in the California Legislature. Coming as we do from Congress, that is a most refreshing statement, that Idahoans want to to something for themselves rather than depend on the Federal Government to get it done for them. I congratulate you on the statement, and the State of Idaho.

Mr. ANDRUS. Thank you, Mr. Ketchum.

If you will permit me a little bit of levity, if you will just get out of our way and let us do it, we will get it done.

Mr. KETCHUM. Believe me, there are those in Congress who are wholeheartedly in favor of that in the State of California.

Mr. JOHNSON. Mr. Towell.

Mr. TOWELL. One quick question. Of the acreage being irrigated from the American Falls Dam, have you had any water actually cut off in this past year? Did you have a loss of acreage?

Mr. ANDRUS. I could refer that to Ted Diehl and a lot of water managers from irrigation districts here, but I say we got through, to my knowledge, this year all right. We were bothered some and worried at times, but we made it. I asked you to look at the reservoirs that exist today and think about next year.

Mr. TOWELL. I understand that, we have to look ahead. I just want to know what has happened to date.

Mr. ANDRUS. No, we have had a very successful agricultural crop year in the great State of Idaho. The reason we did is because we did have sufficient water to get us by. But that reservoir and others, Arrowrock, Anderson Ranch Dam, and others, don't have any carryover that we would like to see for next year.

Mr. TOWELL. I fully understand the problem you are looking for.

Mr. ANDRUS. A direct answer, Congressman, to your question would be no, we got through this year fine.

Mr. TOWELL. Mr. Chairman, no further questions.

Mr. JOHNSON. Mr. Casey? Mr. Luken?

Thank you, Governor Andrus, for your appearance here.

Mr. ANDRUS. Thank you. The original copies of the attached statements are with Mr. Luken.

Mr. JOHNSON. Yes.

Our next witness, then, will be Mr. Bob Hogg, representative from the Idaho Power Co.

STATEMENT OF ROBERT A. HOGG, PROFESSIONAL CIVIL ENGINEER, IDAHO POWER CO.

Mr. HOGG. Mr. Chairman, I was vice president of the Idaho Power Co., until I retired in 1972. I have a six-page prepared statement along with an atttachment which I would like to appear in the record.

Mr. JOHNSON. Your statement and attachment will appear in the record as presented in full. You may summarize your statement, and we will ask questions.

Mr. HOGG. Thank you, sir, I will be happy to do that.

[Mr. Hogg's prepared statement follows:]

STATEMENT OF IDAHO POWER CO., SUBMITTED BY ROBERT A. HOGG

My name is Robert A. Hogg, Boise, Idaho, a registered Professional Civil Engineer. I was Vice President of Idaho Power Company at the time of my retirement at the end of 1972. Prior to my retirement, it was my responsibility to develop the Idaho Power Company's proposal to assist the American Falls Spaceholders to finance the replacement dam at American Falls. I have been retained in a consulting capacity for the Company in the following through the implementation of the proposal.

American Falls Dam must be replaced at the earliest possible date to insure the safety of the Dam and to restore the reservoir operation to provide the irrigators with the full reservoir capacity of 1,700,000 acre-feet of water.

On January 6, 1973, the Spaceholders adopted a resolution requesting the Idaho Power Company to evaluate the extent to which the Company might be willing to be involved in assisting to finance the American Falls replacement dam. A copy of the proposal submitted to the Executive Committee of the Spaceholders, February 27, 1973, is attached hereto.

While the Company is a spaceholder in the American Falls reservoir, its primary concern in the immediate replacement of American Falls Dam is that the future economic stability of a major segment of Idaho's agriculture and business communities serving this area in southern Idaho is in jeopardy. This area includes some 900,000 acres of land dependent on the American Falls stored water to finish the yearly crops. The crops are severely exposed to reduced production as long as the American Falls storage limitation is in effect.

The Idaho Power Company is a hydroelectric generating system and is keenly aware of factors which affect water conditions, including storage of water. Furthermore, Idaho Power Company's peak load is established by irrigation pumping, which also is dependent upon water conditions. The water conditions have opposite effects on the system, since with low water conditions the generation is low; however, at the same time, the electric load is high because the irrigators use more electricity to lift water from wells and streams to make up the irrigation water deficiency. The American Falls storage limitation is contributing to this adverse effect, because 600,000 acre-feet of reservoir space cannot be used to store either winter or flood flows for later release.

The Company's service area includes most of the 900,000 acres of irrigated land depending on a full capacity of 1,700,000 acre-feet of water in the American Falls Reservoir being available for the final and finishing irrigation. Over 25 percent of the highly productive irrigated land in the Company's service area is exposed to reduced production under adverse water conditions as a result of the storage limitation.

An indication of the seriousness of the change in irrigation water supply as a result of the restriction is illustrated by comparison of the number of years over a 40-year period of study the American Falls reservoir would be emptied at the end of the irrigation season without the limitation and with the limitation. The reservoir would be emptied at the end of the irrigation season about 16 times without the storage limitation. With the storage limitation, the number of years the reservoir would be empty is 26. Since the reservoirs on the Upper Snake are operated on a coordinated basis, the Jackson Lake Reservoir in the Grand Teton National Park would be emptied 4 years out of 40 without the limitation but with the storage limitation on American Falls, operational studies indicate the Jackson Lake would be emptied 9 years out of 40 years.

The degree of economic loss will vary with the severity of water shortage, but there is no question that there will be an adverse economic loss in some amount before the American Falls Dam can be replaced and operated to its full capacity. Water conditions this year, 1973, are poor and some irrigators will experience either reduced production or increased costs this year because of storage reduction.

The Idaho Power Company presently owns and operates a 27,000 KW power plant below the present American Falls Dam. The power plant does not utilize the full head available at the site or all of the irrigation water released. The Company's proposal includes the necessity of building a new power plant under a 50-year FPC license to develop the full energy potential of the site. This, in no way, would affect the water release nor water rights of the irrigators as they now exist.

The present plant produces on the average about 146 million KWH and the new plant is expected to generate on an average 370 million KWH, or about 2½ times as much energy. The installed capacity of the plant will be 100,000 KW, about 3¾ times the present plant.

The Company's proposal to the irrigators is only made possible by the increased energy generation and installed capacity of a new plant built under the 50-year FPC license. The Company is able to utilize the type of power available from this project, and such power is not available from another source at a lower cost; consequently, the resulting high cost is justified.

The Company's interest as a spaceholder is very modest in contrast to the irrigators' interest; however, the Company's 45,000 acre-feet of storage capacity is important in meeting the Company's power supply requirements during the irrigation season.

The Company's proposed plant and use of the Company's storage rights through the Company's downstream plants will generate on the average about 420 million kilowatt-hours per year. This is equivalent to about 210,000 tons of coal per year, or 28 million gallons of oil per year, or 3¾ billion cubic feet of natural gas. The hydroelectric plant will be a source of clean electric energy without some of the environmental problems associated with coal, oil or gas.

The below normal water conditions this year are serving to emphasize the urgent necessity of restoring American Falls to its full operation capability. In the event the 1973–74 winter and spring precipitation is below normal, the 1974 year could be a very poor agricultural production year; this at a time when full food production is urgently needed. In the event the proposed bill, S. 1529, is approved this year, and other necessary approvals are obtained at an early date, the reservoir would be ready for full irrigation use at the beginning of 1976.

In Idaho Power Company's opinion, an early approval of S. 1529:

1. Will minimize the adverse economic effects of the American Falls storage limitation on the economy of southern Idaho because of early completion;
2. Will make significant addition to the energy supply in southern Idaho at a time when energy is critically needed;
3. Will be a significant benefit to the irrigators, since the replacement dam would provide for a continuation of historic water releases and water rights;
4. Will be a benefit to the business community in southern Idaho and the nation's taxpayers, since no money is requested for the dam construction;
5. Will maintain the productivity of irrigated lands served by American Falls for the benefit of the nation's food supplies.

I urge your favorable decision on S. 1529.

PROPOSED AMERICAN FALLS DAM REPLACEMENT PLAN

The American Falls dam was constructed in the mid-1920's and first stored water in the 1926–27 period. The irrigators paid about half of the cost of the dam in cash and the balance has been or is being paid for by the irrigators. The Idaho Power Company acquired 45,000 acre-feet of primary storage and 255,000 acre-feet of secondary storage in the reservoir.

In 1929 a chemical reaction in the concrete of the dam was discovered, which has caused the concrete to swell or expand; however, the strength of the structure has declined at a very slow rate. Recently the strength of the structure has been seriously questioned. The relatively small columns supporting the bearings of the spillway gates are showing advanced effects of the chemical reaction. Reservoir operations are now different than planned in the 1920's by the addition of Palisades (1956), Island Park (1938) and Teton (under construction) and ice loading on the dam is an important consideration now, while it was not considered necessary when American Falls dam was designed. The result of these changes as well as data obtained from core drilling is the imposition of a storage limitation by the Bureau of Reclamation in the interest of safety, which limits the storage to about 1,100,000 acre-feet in the reservoir with a capacity when full of 1,700,000 acre-feet.

The storage limitation is an extreme hazard and exposure to the irrigators since about 900,000 acres of land are dependent on American Falls storage for late season irrigation. Historically, with present storage capacity (including full capacity at American Falls), July and August have been below full require-

ments in 4 years out of 40 years, or on average, 1 year out of 10. With reduced storage capacity this exposure will be increased.

The storage limitation may be corrected by replacing the present dam with a new dam or rehabilitating (repairing) the present dam. The USBR have concluded that the right and proper thing is to replace the dam with a new dam, and have made the following estimated construction cost (July 1972 prices), and have allocated the costs to various functions, as follows:

Construction cost (July 1972)

	In thousands
Dam and reservoir	$22,906
Penstock future power	1,454
Highway improvement	1,861
Remove old dam	2,100
Permanent operating facilities	143
General service equipment	43
Basic health and safety	88
Fishing mitigation	546
Fish and wildlife enhancement	196
Flood forecasting	131
Total	29,468
Interest during construction	2,293
Total	31,761

CONSTRUCTION COST ALLOCATION

[In thousands of dollars]

	Amount	IDC	Total
Irrigation	18,971	1,477	20,448
Flood control	4,348	338	4,686
F. & W. enhancement	1,520	117	1,637
Recreation	1,226	96	1,322
Highway improvement	1,861	145	2,006
Future power	1,454	113	1,567
Basic health and safety	88	7	95
Total	29,468	2,293	31,761

Repayment planned as follows:	*In thousands*
Irrigation by water users	$18,659.0
Fish and wildlife enhancement—non-Federal body	101.5
Power (deferred)	1,543.0
Total reimbursable	20,303.5

The probable schedule which might be followed with USBR construction has been estimated to require 8–10 years before the new dam could be completed. Presumably the storage limitation would prevail during this period; however, it might be relaxed slightly one or two years before completion as the elevation of the new dam was raised during construction.

The Idaho Power Company has several interests in the American Falls dam problem, as follows:

1. As a spaceholder—the Company has primary storage in the amount of 45,000 acre-feet.

2. As owner of a power plant downstream from the dam—the Company owns the 27,000 KW power plant below American Falls and has generation from the water entitlement of both the Company and the USBR. The annual energy potential at American Falls site averages about 370 million KWH's; however, a new power plant is required to generate the potential. The Company's present plant and water entitlement would generate only about 55 million KWH which would not be a feasible operation.

3. As the power supplier to practically the entire area depending on American Falls storage in the full amount for late season irrigation—the Company would be adversely affected in the event a crop failure resulted from the storage limitation in any one or more years in the next 8–10 years. The economic impact of such a crop failure and the possible loss of $100 million of farm income in South Idaho would have widespread effects on the total economy of southern Idaho, not only for the year of the crop failure but several years would be required to overcome the effect of the one year loss.

Time is the essence of the solution of the American Falls dam storage limitation. The Company's interests warrant serious consideration of any plan which would reduce the time the irrigators are exposed to crop failure by the loss of 600,000 acre-feet of storage water in American Falls dam. Minimizing the time required to remove the storage limitation should be the area in which the Company can make substantial contributions because the time to start construction and the construction period should be reduced.

The Company has developed some preliminary information from Bechtel Corporation as a result of a request from the space holders and the American Falls Irrigation District on the manner and time in which the American Falls dam could be replaced or rehabilitated. The estimated cost of a replacement dam and a new power plant is $51,054,000. The cost of the replacement dam is about $20,700,000.

The estimated time schedule developed by Bechtel engineers is the same for either a new dam or rehabilitation of the present dam. The closely coordinated time schedule contemplates that a contractor would be selected and would move on the job no later than about January 1 of the year following execution of a contract, and would be able to complete all preliminary diversion work necessary to begin construction of the new concrete dam section at the end of the irrigation season about October 15 of the same calendar year with the reservoir level about October 15 of the same calendar year with the reservoir level down to elevation 4310 feet (about 150,000 acre-feet). The construction would progress to the point so that the reservoir could begin to fill the following February 1.

The water records indicate that there would be a 30% chance of filling the American Falls reservoir to capacity (1,700,000 acre-feet) after February 1 in the flood period and a 60% chance of filling the reservoir to the storage limitation level (1,100,000 acre-feet). The coordinated operation of upstream reservoirs would have a bearing on refilling American Falls.

Approximately 9 months prior to January 1 are required for stuides of feasibility, hydrology, exploration, models, design, plans, environmental impact statements, specifications and contracting. The time required for legislation and various governmental approvals is unknown and could delay the contracting date and the January 1 date for the contractor to move onto the job in which case completion would be set back to the following year. Except for this unknown factor, completion of all technical planning and construction could be accomplished for the reservoir in 24 months and 33 months for the power plant, providing the decision to proceed is made around March 1.

The power production and power costs are important factors in the Company's participation of this project. The power production will assume a plant capacity in the area of 100 MW and energy generation will approximate 370,000,000 KWH in an average year. The power plant might become ready for commercial operation not earlier than January 1, 1976 and more likely in early 1977. Based upon the Company's load projection, this timing would fit the system need for power and would enable purchased power capacity and energy to be reduced from the level heretofore contemplated.

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1. American Falls Reservoir District would:

(*a*) Obtain by legislation the right to repair or replace the dam and would have the right to contract for the lease or use of the falling water from the dam for a 50-year period with right of renewal.

(b) Upon acceptance of the completed construction work, would provide for continued coordinated operation and maintenance of the dam and reservoir (excluding power facilities) for the mutual benefit of the parties, providing that irrigation rights shall always have priority in the operation hereof, subject to the rights of the Company as a spaceholder.

(c) If it is determined that a roadway is to be constructed on the dam, it shall be the responsibility of the District to obtain payment of the costs necessitated thereby.

2. American Falls Reservoir District would agree with Idaho Power Company:

(a) To finance construction of either the new dam or replacement dam by the sale of tax-free bonds.

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(c) To save the Company from additional dam costs over $19,000,000 for the road, recreation, fish, wildlife, health or safety facilities. The cost of any such facilities shall be at the expense of the District.

(d) To have Company act as District's sole agent in the engineering, purchasing and construction of the dam, in the interest of obtaining the lowest construction cost for the total project. Such engineering and construction shall be in accordance with modern and safe engineering standards as determined by an independent engineering board of three consultants mutually selected by the parties.

The above arrangement will result in the Company's cost being just barely under the cost of similar power from a coal fired plant costing somewhat more than the Jim Bridger plant. This plan does not provide for any environmental costs.

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This proposal is in broad terms and many details must be developed, but with the cooperative participation of all parties, the exposure of southern Idaho to a severe economic crisis can be minimized.

Mr. HOGG. I would like the committee to understand how the Idaho Power Co. got into this. The company has been very active since its conception in 1960, and because we have built 15 dams and powerplants downstream from American Falls I assume the irrigators thought we might be the ones to go to see if we had any interest in assisting with building the plant.

As Senator McClure and Senator Church have indicated this year is the one year which really demonstrates the importance of restoring this reservoir to full capacity as soon as possible. The reservoir storage upstream at American Falls is 3,900,000 acre-feet. Senator Church, I believe it was, or Senator McClure indicated our hold-over reservoir storage is about 1,350,000 less than it was a year ago. It was because we had hold over storage from better water years this past summer that we were able to have a very successful crop this year.

Another point I would like to mention is the inter-relationship and the timing of the project and its design and cost. There is one time during the year when this particular design of dam, along with its costs can be done. We have a very close schedule upon which to go now in order to start this bridge construction in December and also to start the dam construction a year from January 1.

I might add that, Mr. Chairman, at the moment we are impinging on that time schedule. The engineer told me this morning that we should have ordered the water wheels for our powerplant 6 weeks ago, but we have not done it yet. So time is of the essence.

My prepared statement indicates what the powerplant will contribute in terms of energy. It will also indicate how many tons of coal and oil and so forth will be saved. I will not go into that detail. I think, Mr. Chairman, time will be saved if I can submit myself for any questions anybody has.

Mr. JOHNSON. As I understand it, your company anticipates building a new powerplant and taking water through the dam by your Penstock thus utilizing the head on the reservoir as well as the additional amounts of water that will flow through the reservoir?

Mr. HOGG. That is correct. We will install special water turbines to give effect to the varying heads that occur on an irrigation dam.

Mr. JOHNSON. You quote a figure of $19 million that you are willing to participate up to. Due to today's costs and inflation, what is your breaking point, what can you afford to pay for power?

Mr. HOGG. That is the top level. When we developed that figure we anticipated a certain amount of inflation. We hope it is within the ball park.

Mr. CLAUSEN. Will the gentleman yield?

Mr. JOHNSON. Yes.

Mr. CLAUSEN. What is the percentage of inflation that you have allowed for in that figure?

Mr. HOGG. About 6 percent.

Mr. CLAUSEN. Per annum?

Mr. HOGG. Per year, yes, sir.

Mr. JOHNSON. Now, what effect did this have on your other facilities which are downstream?

Mr. HOGG. The storage, of course, the water going through American Falls Dam, of course, is first used for irrigation service. We have a right to utilize only 45,000 acre-feet upon our demand. So the only control we have is on its use in the downstream powerplant.

The reservoir, however, does save some flood water. It is diverted out and used for irrigation and the excesss water percolates underground and returns downstream at Thousand Streams, for example. This is beneficial to our downstream powerplant.

Mr. JOHNSON. Then there are benefits that will accrue to the Idaho Power Co. in the downstream facilities.

Mr. HOGG. Yes, sir. The amount of that is also indicated in my testimony.

Mr. JOHNSON. The gentleman from California, Mr. Clausen.

Mr. CLAUSEN. I have no questions.

Mr. JOHNSON. The gentleman from Nevada, Mr. Towell.

Mr. TOWELL. No further questions, Mr. Chairman.

Mr. JOHNSON. Mr. Casey, do you have a question of the witness?

Mr. CASEY. No, sir. I have read his statement and I don't have any questions.

Mr. JOHNSON. The gentleman from the minority, Mr. Luken. Do you have any questions?

Mr. LUKEN. No, thank you, Mr. Chairman.

Mr. JOHNSON. Actually you people will be present when the hearings are held before the full subcommittee. At that time we can get into other questions. I know you are pressed for time and you do want to accompany the Governor back to wherever he is going today.

Mr. Ketchum, any questions?

Mr. KETCHUM. No questions.

Mr. JOHNSON. We thank you for coming here. We have your statement. We had it previously. We have looked it over. There are some other questions we want to get into when the hearings are held in Washington. This relates to the Bureau of Reclamation and the Department of the Interior's testimony, and that of your company and the Idaho spaceholders.

We will take a 5-minute break and come back and start with the State legislators who are the next witnesses, and then get into all of them before we close.

[Short recess.]

Mr. JOHNSON. Our next witness as we resume our hearing will be Mr. John M. Barker, the State senator, president of the American Falls Reservoir District.

Mr. Barker.

STATEMENT OF JOHN M. BARKER, PRESIDENT, AMERICAN FALLS RESERVOIR DISTRICT

Mr. BARKER. Mr. Chairman, members of the committee, distinguished guests, ladies and gentlemen. I have prepared detailed remarks but will paraphrase them in the interest of time.

My name is John M. Barker. I operate an insurance agency in Buhl, Idaho. I am a farm owner and manager in Twin Falls County, Idaho. I have served as a director of the American Falls Reservoir District for 16 years, and for the past 6 years have served as president of the board. Since 1967 I have served as the chairman of that board. I have also served in the Idaho Legislature as a senator from Twin Falls County.

It is a great pleasure for me to represent the American Falls Reservoir District.

Our district was formed in 1923 when it became the consensus that the original American Falls Dam should be constructed. Because of the then unavailability of Federal moneys, our district bonded themselves for $2.7 million in general obligation bonds at 6 percent interest. The bond election was approved by a vote of 6 to 1. The lands in the American Falls Reservoir District were pledged to repayment of the then obligation. This money was used in the construction of the dam. The district now owns approximately 490,000 acre-feet of storage space in the reservoir, when the reservoir is operated at a full capacity of 1.7 million. Our district encompasses approximately 450,000 acres of land and represents five irrigation operating companies. They are the Twin Falls Canal Co., the North Side Canal Co., the Aberdeen-Springfield Canal Co., the Martin Canal Co., and the Woodville Canal Co. Some of these companies own additional American Falls storage in their own name. Since retirement of the American Falls bonds, the district has merely operated as an agency for the collection of annual O. & M. charges for the operation of American Falls. Since 1964, the date of the bureau's first engineering pronouncements concerning the alkali condition at American Falls Dam, American Falls spaceholders have been concerned about the situation.

The restriction order of October 1972, was termed an emergency by the spaceholders. The loss of one-third of American Falls storage capacity brought all of the spaceholders together on a common ground to determine the best basis to remedy the situation. An informal association of American Falls spaceholders was formed. An executive committee was selected and empowered to evaluate all of the alternatives toward the earliest possible replacement of American Falls. The American Falls spaceholders, throughout the district, approached the Idaho Power Co. on the possibility of working out a sale for falling water if a private reconstruction could be accomplished. In March 1973, the spaceholders endorsed the concept of private financing for the replacement. The American Falls Reservoir District, has consented to act as a "constructing agency" as defined in S. 1529 because of the number of acres and the value of their lands which would be pledged as security for eventual bond payments.

Thereafter, the spaceholders worked in close conjunction with the Idaho congressional delegation and were successful in the introduction of bills on both the Senate and the House side. S. 1529, as passed by the Senate, is the concept which the spaceholders endorse for the replacement of the dam. The agreement of the spaceholders is that any replacement would be operated in an identical fashion as the existing American Falls Reservoir and that each existing spaceholder would be entitled to enter contracts for the repayment of their proportionate share of the cost of the replacement structure. Economic ramifications make the early replacement of American Falls Dam an urgent matter. Our congressional delegation, our Governor, our legislature and the American Falls spaceholders have joined in a unified effort to replace the dam. Because of the offer of the Idaho Power Co., and if the dam is constructed with power facilities, the spaceholders will be liable to repay only those amounts over and above the payments by the Idaho Power Co. for the falling water.

The spaceholders have now contracted with Bechtel, Inc., of San Francisco, to begin engineering work toward the end of final plans and designs for the replacement dam. The spaceholders coordinated in selecting a consulting board to review the preliminary concepts of Bechtel. The consulting board endorsed the Bechtel approach. With the passage of S. 1529, it would be the hope of the spaceholders that the Idaho Power Co. would be successful in obtaining a Federal Power Commission license, so that construction could proceed simultaneously on the dam and powerhouse, and that a saving would result by utilizing the same contractor. The Idaho Power Co. would then agree to pay $19 million, plus tax exempt interest, over a period of 40 years. During the same period, the American Falls Reservoir District would collect from all other spaceholders who contract for storage water in

10-6-1973 Statement of IPCo on Water & Power

Statement of
IDAHO POWER COMPANY
before the
House Interior and Insular Affairs Sub-Committee
on
Water and Power Resources
93rd Congress, First Session
in Support of
American Falls Dam Replacement S.1529

Burley, Idaho October 6, 1973

My name is Robert A Hogg, Boise, Idaho, a registered Professional Civil Engineer. I was Vice President of Idaho Power Company at the time of my retirement at the end of 1972. Prior to my retirement, it was my responsibility to develop the Idaho Power Company's proposal to assist the American Falls Spaceholders to finance the replacement dam at American Falls. I have been retained in a consulting capacity for the Company in following through the implementation of the proposal.

American Falls Dam must be replaced at the earliest possible date to insure the safety of the Dam and to restore the reservoir operation to provide the irrigators with the full reservoir capacity of 1,700,000 acre-feet of water.

On January 6, 1973, the Spaceholders adopted a resolution requesting the Idaho Power Company to evaluate the extent to which the Company might be willing to be involved in assisting to finance the

American Falls replacement dam. A copy of the proposal submitted to the Executive Committee of the Spaceholders, February 27, 1973, is attached hereto.

While the Company is a spaceholder in the American Falls reservoir, its primary concern in the immediate replacement of American Falls Dam is that the future economic stability of a major segment of Idaho's agriculture and business communities serving this area in southern Idaho is in jeopardy. This area includes some 900,000 acres of land dependent on the American Falls stored water to finish the yearly crops. The crops are severely exposed to reduced production as long as the American Falls storage limitation is in effect.

The Idaho Power Company is a hydroelectric generating system and is keenly aware of factors which affect water conditions, including storage of water. Furthermore, Idaho Power Company's peak load is established by irrigation pumping, which also is dependent upon water conditions. The water conditions have opposite effects on the system, since with low water conditions the generation is low; however, at the same time, the electric load is high because the irrigators use more electricity to lift water from wells and streams to make up the irrigation water deficiency. The American Falls storage limitation is contributing to this adverse effect, because 600,000 acre-feet of reservoir space cannot be used to store either winter or flood flows

for later release.

The Company's service area includes most of the 900,000 acres of irrigated land depending on a full capacity of 1,700,000 acre-feet of water in the American Falls Reservoir being available for the final and finishing irrigation. Over 25 percent of the highly productive irrigated land in the Company's service area is exposed to reduced production under adverse water conditions as a result of the storage limitation.

An indication of the seriousness of the change in irrigation water supply as a result of the restriction is illustrated by comparison of the number of years over a 40-year period of study the American Falls reservoir would be emptied at the end of the irrigation season without the limitation and with the limitation. The reservoir would be emptied at the end of the irrigation season about 16 times without the storage limitation. With the storage limitation, the number of years the reservoir would be empty is 26. Since the reservoirs on the Upper Snake are operated on a coordinated basis, the Jackson Lake Reservoir in the Grand Teton National Park would be emptied 4 years out of 40 without the limitation but with the storage limitation on American Falls, operational studies indicate the Jackson Lake would be emptied 9 years out of 40 years.

The degree of economic loss will vary with the severity of water shortage, but there is no question that there will be an

adverse economic loss in some amount before the American Falls Dam can be replaced and operated to its full capacity. Water conditions this year, 1973, are poor and some irrigators will experience either reduced production or increased costs this year because of storage reduction.

The Idaho Power Company presently owns and operates a 27,000 KW power plant below the present American Falls Dam. The power plant does not utilize the full head available at the site or all of the irrigation water released. The Company's proposal includes the necessity of building a new power plant under a 50-year FPC license to develop the full energy potential of the site. This, in no way, would affect the water release nor water rights of the irrigators as they now exist.

The present plant produces on the average about 146 million KWH and the new plant is expected to generate on an average 370 million KWH, or about 2-1/2 times as much energy. The installed capacity of the plant will be 100,000 KW, about 3-3/4 times the present plant.

The Company's proposal to the irrigators is only made possible by the increased energy generation and installed capacity of a new plant built under the 50-year FPC license. The Company is able to utilize the type of power available from this project, and such power is not available from another source at a lower cost; consequently,

the resulting high cost is justified.

The Company's interest as a spaceholder is very modest in contrast to the irrigators' interest; however, the Company's 45,000 acre-feet of storage capacity is important in meeting the Company's power supply requirements during the irrigation season.

The Company's proposed plant and use of the Company's storage rights through the Company's downstream plants will generate on the average about 420 million kilowatt-hours per year. This is equivalent to about 210,000 tons of coal per year, or 28 million gallons of oil per year, or 3-3/4 billion cubic feet of natural gas. The hydroelectric plant will be a source of clean electric energy without some of the environmental problems associated with coal, oil or gas.

The below normal water conditions this year are serving to emphasize the urgent necessity of restoring American Falls to its full operation capability. In the event the 1973-74 winter and spring precipitation is below normal, the 1974 year could be a very poor agricultural production year; this at a time when full food production is urgently needed. In the event the proposed bill, S.1529, is approved this year, and other necessary approvals are obtained at an early date, the reservoir would be ready for full irrigation use at the beginning of 1976.

In Idaho Power Company's opinion, an early approval of S.1529:

1. Will minimize the adverse economic effects of the

American Falls storage limitation on the economy of southern Idaho because of early completion;

2. Will make significant addition to the energy supply in southern Idaho at a time when energy is critically needed;

3. Will be a significant benefit to the irrigators, since the replacement dam would provide for a continuation of historic water releases and water rights;

4. Will be a benefit to the business community in southern Idaho and the nation's taxpayers, since no money is requested for the dam construction;

5. Will maintain the productivity of irrigated lands served by American Falls for the benefit of the nation's food supplies.

I urge your favorable decision on S.1529.

Proposed
AMERICAN FALLS DAM
Replacement Plan

The American Falls dam was constructed in the mid-1920's and first stored water in the 1926-27 period. The irrigators paid about half of the cost of the dam in cash and the balance has been or is being paid for by the irrigators. The Idaho Power Company acquired 45,000 acre-feet of primary storage and 255,000 acre-feet of secondary storage in the reservoir.

In 1929 a chemical reaction in the concrete of the dam was discovered, which has caused the concrete to swell or expand; however, the strength of the structure has declined at a very slow rate. Recently the strength of the structure has been seriously questioned. The relatively small columns supporting the bearings of the spillway gates are showing advanced effects of the chemical reaction. Reservoir operations are now different than planned in the 1920's by the addition of Palisades (1956), Island Park (1938) and Teton (under construction) and ice loading on the dam is an important consideration now, while it was not considered necessary when American Falls dam was designed. The result of these changes as well as data obtained from core drilling is the imposition of a storage limitation by the Bureau of Reclamation in the interest of safety, which limits the storage to about 1,100,000 acre-feet in the reservoir with a capacity when full of 1,700,000 acre-feet.

The storage limitation is an extreme hazard and exposure to the irrigators since about 900,000 acres of land are dependent on American Falls storage for late season irrigation. Historically, with present storage capacity (including full capacity at American Falls), July and August have been below full requirements in 4 years out of 40 years, or on average, 1 year out of 10. With reduced storage capacity this exposure will be increased.

The storage limitation may be corrected by replacing the present dam with a new dam or rehabilitating (repairing) the present dam. The USBR have concluded that the right and proper thing is to replace the dam with a new dam, and have made the following estimated construction cost (July 1972 prices), and have allocated the costs to various functions, as follows:

Construction Cost (July 1972) - $1,000's

Dam and Reservoir	$ 22,906
Penstock future power	1,454
Highway Improvement	1,861
Remove old dam	2,100
Permanent operating facilities	143
General service equipment	43
Basic health & safety	88
Fishing mitigation	546
Fish & wildlife enhancement	196
Flood forecasting	131
Total	$ 29,468
Interest during construction	2,293
TOTAL	$ 31,761

Construction Cost Allocation - $1,000's

		IDC	Total
Irrigation	$18,971	$1,477	$20,448
Flood Control	4,348	338	4,686
F & W Enhancement	1,520	117	1,637
Recreation	1,226	96	1,322
Highway Improvement	1,861	145	2,006
Future Power	1,454	113	1,567
Basic Health & Safety	88	7	95
Total	$29,468	$2,293	$31,761

Repayment planned as follows:

Irrigation by water users	$18,659
Fish & Wildlife Enchancement - Non-federal body	101.5
Power (deferred)	1,543
Total Reimbursable	$20,303.5

The probable schedule which might be followed with USBR construction has been estimated to require 8-10 years before the new dam could be completed. Presumably the storage limitation would prevail during this period; however, it might be relaxed slightly one or two years before completion as the elevation of the new dam was raised during construction.

The Idaho Power Company has several interests in the American Falls dam problem, as follows:

1. As a spaceholder - the Company has primary storage in the amount of 45,000 acre-feet,

2. As owner of a power plant downstream from the dam - the Company owns the 27,000 KW power plant below American Falls and has generation from the water entitlement of both the Company and the USBR. The annual energy potential at American Falls site averages about 370 million KWH's; however, a new power plant is required to generate the potential. The Company's present plant and water entitlement would generate only about 55 million KWH which would not be a feasible operation.

3. As the power supplier to practically the entire area depending on American Falls storage in the full amount for late season irrigation - the Company would be adversely affected in the event a crop failure resulted from the storage limitation in any one or more years in the next 8 - 10 years. The economic impact of such a crop failure and the possible loss of $100 million of farm income in South Idaho would have widespread effects on the total economy of southern Idaho, not only for the year of the crop failure but several years would be required to overcome the effect of the one year loss.

Time is the essence of the solution of the American Falls dam storage limitation. The Company's interests warrant serious consideration of any plan which would reduce the time the

irrigators are exposed to crop failure by the loss of 600,000 acre-feet of storage water in American Falls dam. Minimizing the time required to remove the storage limitation should be the area in which the Company can make substantial contributions because the time to start construction and the construction period should be reduced.

The Company has developed some preliminary information from Bechtel Corporation as a result of a request from the space holders and the American Falls Irrigation District on the manner and time in which the American Falls dam could be replaced or rehabilitated. The estimated cost of a replacement dam and a new power plant is $51,054,000. The cost of the replacement dam is about $20,700,000.

The estimated time schedule developed by Bechtel engineers is the same for either a new dam or rehabilitation of the present dam. The closely coordinated time schedule contemplates that a contractor would be selected and would move on the job no later than about January 1 of the year following execution of a contract, and would be able to complete all preliminary diversion work necessary to begin construction of the new concrete dam section at the end of the irrigation season about October 15 of the same calendar year with the reservoir level down to elevation 4310 feet (about 150,000 acre-feet). The construction would progress to the point

so that the reservoir could begin to fill the following February 1.

The water records indicate that there would be a 30% chance of filling the American Falls reservoir to capacity (1,700,000 acre-feet) after February 1 in the flood period and a 60% chance of filling the reservoir to the storage limitation level (1,100,000 acre-feet). The coordinated operation of upstream reservoirs would have a bearing on refilling American Falls.

Approximately 9 months prior to January 1 are required for studies of feasibility, hydrology, exploration, models, design, plans, environmental impact statements, specifications and contracting. The time required for legislation and various governmental approvals is unknown and could delay the contracting date and the January 1 date for the contractor to move onto the job in which case completion would be set back to the following year. Except for this unknown factor, completion of all technical planning and construction could be accomplished for the reservoir in 24 months and 33 months for the power plant, providing the decision to proceed is made around March 1.

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This proposal is in broad terms and many details must be developed, but with the cooperative participation of all parties, the exposure of southern Idaho to a severe economic crisis can be minimized.

IDAHO POWER COMPANY

R A Hogg
Presented to Executive Committee
February 27, 1973

12-28-1973 American Falls Dam Replacement Act

AMERICAN FALLS DAM REPLACEMENT

An act to authorize the Secretary of the Interior to enter into agreements with non-Federal agencies for the replacement of the existing American Falls Dam, Minidoka project, Idaho, and for other purposes. (Act of December 28, 1973, Public Law 93-206, 87 Stat. 904)

[Sec. 1. Constructing agency to finance replacement of dam—United States to take title—Dam a feature of the Minidoka project—Water level maintained—Prevention of erosion.]—The Secretary of the Interior (hereinafter called the Secretary) is authorized to negotiate and enter into agreements with the American Falls Reservoir District or other appropriate agency representing the present spaceholders (hereinafter called the constructing agency), which agreements shall authorize the constructing agency to finance and provide for the construction of a dam and related facilities to replace the existing American Falls Dam of the Minidoka project, Idaho-Wyoming. The United States shall take title to the dam upon a determination by the Secretary that construction of the dam is substantially completed, and the dam shall be a feature of the Minidoka reclamation project and shall be considered to be a "Government dam" as defined by the Federal Power Act (Act of June 10, 1920, 41 Stat. 1063, as amended). The Secretary shall operate and maintain the replacement dam as a feature of the Minidoka project. The construction and operation of the replacement dam shall not result in an increase in the elevation of the reservoir water surface above that maintained for the original dam, and provision shall be made for the correction and prevention of erosion related to the reservoir or for the full and adequate compensation of adjacent landowners (including owners of land subject to a flowage easement for the reservoir) if such erosion cannot be corrected or prevented. (87 Stat. 904)

EXPLANATORY NOTES

Supplementary Provision: District Bonds Tax-Exempt. Section 7 of the Act of December 23, 1975 (Public Law 94-164, 26 U.S.C. §103(d)) provides that bonds to finance a dam for furnishing water for irrigation with the generation of electric energy as a subordinate use, such as those issued by the American Falls Reservoir District to finance replacement of American Falls Dam, are tax-exempt. The 1975 Act does not appear herein. For legislative history of the Act see H.R. Rept. No. 94-581 and S. Rept. No 94-570 on H.R. 9968, 94th Cong., 1st Sess.

Reference in the Text. Section 3 (10) of the Federal Power Act (41 Stat. 1063, as amended), referred to in the text, defines "Government dam" as a dam or other work constructed or owned by the United States for Government purposes with or without contributions from others. Section 3(10) appears in Volume I at page 265.

Sec. 2. (a) [Reaffirmation of existing contract rights.]—Replacement of the existing dam as authorized in section 1 hereof shall in no way alter or change the present proportionate storage rights of present spaceholders in the American Falls Reservoir and shall constitute a reaffirmation of existing contract rights between the Secretary and the spaceholders except as otherwise provided in this Act.

(b) [Construction of highway.]—The constructing agency shall: (1) include as a part of the project, a river crossing meeting the then current Department of Transportation standards for Federal-aid secondary highway two-lane traffic, which crossing shall be located on top of the replacement dam or immediately downstream from the dam, and which crossing shall be financed by State, Federal, and constructing agency funds, or any combination thereof as the parties deem appropriate; and (ii) design and construct an additional two lanes on top of the replacement dam, which additional two lanes may be funded with State, Federal, or constructing agency funds, or any combination thereof. For the purposes of subpart (ii) of this subsection, the constructing agency shall be considered an "agency" within the meaning of section 320(a) of title 23, United States Code.

(c) [Highway to be maintained during dam construction.]—The plans and specifications for the construction of the dam shall require that an adequate two-lane, two-way crossing shall be maintained at or near the site of the dam during construction. (87 Stat. 904)

EXPLANATORY NOTE

Reference in the Text. Section 320(a) of title 23, United States Code, referred to in section 2(b) of the text, authorizes only an "agency" to design and construct a public highway bridge across a Federal dam. For the purposes of section 320, an "agency" means each executive department, independent establishment, office, board, bureau, commission, authority, administration, corporation wholly owned or controlled by the United States, or other agency of the Government of the United States. The section appears in Volume II at page 1448.

Sec. 3. [Repayment contracts for replacement dam.]—The constructing agency may enter into repayment contracts with the spaceholders in the existing American Falls Reservoir providing for the repayment by the spaceholders of proportionate shares of the total project costs incurred by the constructing agency for engineering, financing, designing, and constructing the replacement dam, and the Secretary shall be a party to said contracts and the delivery of water to the spaceholders shall be contingent upon the execution of such contracts and the fulfillment of the obligations thereunder: *Provided*, That said contracts shall be consistent with the terms of existing contracts between the Secretary and the spaceholders for repayment of the costs of the existing American Falls Dam. (87 Stat. 905)

NOTE OF OPINION

1. Repayment contracts

The execution, pursuant to the Act of December 28, 1973, of new contracts between the American Falls Reservoir District, the Federal Government, and irrigation districts holding rights to storage space in the American Falls Reservoir for the repayment of the District's proportionate share of the construction cost of the replacement of the American Falls Dam, Minidoka Reclamation Project, does not divest landowners who voted against the contract but who live in a participating irrigation district of any property rights under existing reclamation repayment contracts. It is the irrigation districts, and not the landowners, which are the parties to the existing repayment contracts. *Kerner v. Johnson*, 99 Idaho 433, 583 P. 2d 360 (1978).

Sec. 4. [Construction of non-Federal hydroelectric facilities.]—The constructing agency may contract with an appropriate non-Federal entity for the use of the falling water leaving the dam for power generation, which contract shall provide for a monetary return to the constructing agency to defray the costs of construction of the replacement dam. The constructing agency may enter into agreements with an appropriate non-Federal entity to coordinate the construction of hydroelectric power facilities with the construction of the replacement dam. The contract and agreements for use of the falling water shall not be subject to the limitations of section 9(c) of the Reclamation Project Act of 1939 (53 Stat. 1194), or any similar limitations in any other applicable Acts of Congress: *Provided*. That said contract for falling water shall be approved by the Secretary and shall not impair the efficiency of the project to serve the other purposes of the Minidoka project. (87 Stat. 905)

EXPLANATORY NOTE

Reference in the Text. Section 9(c) of the Reclamation Project Act of 1939 (53 Stat. 1194), referred to in the text, provides among other things for the lease of power privileges or sale of electric power produced by a project, at certain rates, for periods not to exceed forty years. Preference in such lease or sale is given to municipalities, public corporations or agencies, and cooperatives and other nonprofit organizations financed by loans made pursuant to the Rural Electrification Act of 1936 (49 Stat. 1363), as amended (7 U.S.C. §901 *et seq.*). Section 9(c) of the 1939 Act appears in Volume I at page 647.

Sec. 5. [Approval of designs and specifications by Secretary—Costs reimbursable to Secretary.]—Construction of the replacement dam shall not be initiated until the Secretary has approved the designs and specifications of the dam and the plan of construction of the dam and of the proposed operation of the dam and reservoir. Construction of each related facility shall not be initiated until the Secretary has approved the designs and specifications thereof. Costs incurred by the Secretary in reviewing such designs, specifications, plans, and construction shall be included as project costs allocated to beneficiaries of the replacement dam and shall be reimbursable to the Secretary. (87 Stat. 905)

Sec. 6. [Public recreation—Fish and wildlife enhancement.]—The Secretary is authorized to provide specific facilities for public recreation and fish and wildlife enhancement in connection with the replacement dam, and the costs of such facilities shall be repaid in accordance with the provisions of the Federal Water Project Recreation Act (79 Stat. 213). In addition, specific facilities for public recreation may also be provided in accordance with the Land and Water Conservation Fund Act of 1965 (78 Stat. 897), as amended (16 U.S.C. 460, et seq.). (87 Stat. 905)

EXPLANATORY NOTE

References in the Text. The Federal Water Project Recreation Act (Act of July 9, 1965, Public Law 89-72, 79 Stat. 213) and the Land and Water Conservation Fund Act (Act of September 3, 1964, Public Law 88-578, 78 Stat. 897), referred to in the text, appear in Volume III at pages 1820 and 1785, respectively.

Sec. 7. [Appropriations authorized.]—There is hereby authorized to be appropriated for construction of specific facilities for public recreation and fish and wildlife enhancement the sum of $400,000 (July 1972 prices) plus or minus such amounts, if any, as may be required by reason of the changes in the cost of construction work of the type involved therein as shown by engineering cost indices. There are also authorized to be appropriated such funds as may be necessary to meet the prorated construction cost apportionable to the irrigation storage rights of the Michaud Division of the Fort Hall Indian Reservation for space in the reservoir behind the American Falls Replacement Dam and such cost shall be subject to the Act of July 1, 1932 (47 Stat. 564; 25 U.S.C. 368a). There are also authorized to be appropriated such funds as are required for the operation and maintenance of the dam and related facilities. (87 Stat. 905)

EXPLANATORY NOTES

Not Codified. This Act is not codified in the U.S. Code.

Background. The American Falls Dam was constructed in 1925-27 as a feature of the Minidoka project, Idaho-Wyoming. Replacement of the Dam was necessitated by a chemical reaction between the aggregate and the cement which led to a gradual deterioration of the structure.

Reference in the Text. The Act of July 1, 1932 (47 Stat. 564), referred to in the text, is the so-called Leavitt Act, which provides among other things that the collection of all construction costs against Indian-owned lands within a Government irrigation project be deferred, and no assessments be made on behalf of such charges against such lands, until the Indian title thereto shall have been extinguished, and further provides for the cancellation of certain construction assessments previously levied. The 1932 Act appears in Volume I at page 504.

Legislative History. S. 1529, Public Law 93-206 in the 93d Congress. Reported in Senate from Interior and Insular Affairs June 15, 1973; S. Rept. No. 93-223. Passed Senate June 19, 1973. Reported in House from Interior and Insular Affairs December 6, 1973; H.R. Rept. No. 93-701. Passed House, amended, December 17, 1973. Senate agrees to House amendments December 18, 1973.

3-31-1975 FERC Order Project 2258

UNITED STATES OF AMERICA
FEDERAL POWER COMMISSION

Before Commissioners: John N. Nassikas, Chairman;
William L. Springer, and Don S. Smith.

Idaho Power Company) Project No. 2258

ORDER ISSUING MAJOR LICENSE
(CONSTRUCTED)

(Issued March 31, 1975)

The Idaho Power Company (Applicant) of Boise, Idaho, filed with the Commission on February 13, 1959, an application for major license under §4(e) of the Federal Power Act (Act), 16 U.S.C. §797(e), for operation and maintenance of the constructed Project No. 2258. Supplements and revisions to the basic application were filed on February 24, March 24, April 2, 6 and 29, and November 12, 1959; November 21, 1972; and April 10, 1973. Project No. 2258, as applied for, consists of three developments on the Snake River, Idaho, which was found to be a navigable water of the United States by Commission order dated August 4, 1955, in Idaho Power Company, Project Nos. 1971, 2132 and 2133, 14 F.P.C. 72 (1955). Upper Salmon A and B developments are located in the region of Buhl, Counties of Gooding and Twin Falls, Idaho. Shoshone Falls development is located in the region of Twin Falls, Counties of Jerome and Twin Falls, Idaho. American Falls development is located in the region of the City of American Falls, County of Power, Idaho.

We are by this order licensing only the American Falls development under the docket designated as Project No. 2258. While the Commission has included under one license developments owned and operated by the same company when they are closely coordinated hydraulically or electrically, 1/ no close relationship appears to exist here between American Falls and the two other developments involved. American Falls is 99 miles upstream of Shoshone Falls development and over 130 miles upstream of the

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1/ See, e.g., Wisconsin Michigan Power Company, Project No. 1759, Order issued November 5, 1974, _F.P.C._; Virginia Electric & Power Company, Project Nos. 2093 and 2009, 23 F.P.C. 537 (1960).

two plants at Upper Salmon development. The Bureau of Reclamation (Reclamation) Minidoka Dam, which impounds Lake Walcott reservoir as part of the Minidoka Reclamation Project, is some 39 miles downstream of American Falls, and separates American Falls from the other developments and interrupts flows from the American Falls reservoir. Accordingly, we will not presently treat Project No. 2258, as applied for, as one project, but will defer consideration of the Upper Salmon and Shoshone Falls portions. Hereinafter, any discussion or comments on Project No. 2258 will refer only to American Falls development, designated hereinafter as American Falls Project. Matters and issues raised in any portion of record in Project No. 2258 relating to Shoshone Falls or Upper Salmon developments will not be treated or resolved by this order.

American Falls Project was constructed in several stages between 1913 and 1927, with the first unit placed in operation in 1913; the second in December, 1923; the third in January, 1924; and the fourth and fifth in June, 1927. The project works consist of: a concrete gravity diversion dam, located immediately below the American Falls dam of Reclamation, with gated spillway; a powerhouse adjacent to the dam with one 3,500-kW generating unit and four 6,000-kW generating units installed therein; step-up transformers and switching equipment associated with the 2.3/6.9/46/138-kV substation; and appurtenant facilities. The diversion dam provides a forebay which receives water from the American Falls reservoir. The forebay supplies the plant and creates an effective head of 48 feet.

Public notice of the filing of the basic application was issued June 1, 1959, with July 20, 1959, as the last day for filing protests or petitions to intervene. Notice was published in the Federal Register on June 6, 1959, 24 Fed. Reg. 4643 (1959).

A petition for leave to intervene was tendered out-of-time by the Idaho Fish and Game Commission (IFG). The petition stated that as it appeared that the construction and operation of the hyroelectric dams at Project No. 2258 have had and will have detrimental effect upon certain fish resources of the State of Idaho, the petitioner requested leave to intervene in order to fulfill its statutory responsibilities. By order dated August 14, 1959, we permitted intervention. Our records reflect no further action taken by IFG respecting the instant proceeding.

Interior has requested the inclusion of special license articles in any license issued for Project No. 2258; Applicant has opposed several of these conditions. By letter dated December 16, 1969, Interior recommended that the Commission hold in abeyance the issuance of a license to Applicant for the American Falls power plant, until the problems arising out of the contemplated replacement of Reclamation's American Falls dam had been resolved.

We note that with the enactment of the Act of December 28, 1973, 87 Stat. 904, a method was adopted by which a Replacement Dam may be constructed by non-Federal entities. We note too, that on September 25, 1973, Applicant filed for major license for its unconstructed American Falls power plant, Project No. 2736, in anticipation of enactment of the Act of December 28, 1973. Therefore, we herein issue a license for Project No. 2258 and provide for Applicant's filing for surrender of its license for Project No. 2258 at such time as it is rendered inoperative by any new project approved by the Commission.

Pursuant to Staff request dated January 26, 1971, Applicant filed on November 21, 1972, and supplemented on April 10, 1973, its Exhibit W or environmental report. Pursuant to Section 2.81 of the Commission's General Rules, 18 C.F.R. §2.81 (1974), Staff has made its initial review of the Applicant's report and determined that the proposed action is not a major Federal action significantly affecting the quality of the human environment requiring the preparation of a detailed environmental impact statement under the National Environmental Policy Act of 1969, 42 U.S.C. §4321 et seq.

We agree. Issuance of this license for continuing operation in the present manner will not produce significant environmental impacts. All three applied-for developments involve plants with limited pondage and are semipermanent features in the environment, having operated from 28 to 68 years. Enough time has elasped since construction so that local human and wildlife populations have adapted to their appearance, spatial requirements and operational modes.

The United States Department of the Interior (Interior) made comments dated August 30, September 28, and November 2, 1962; March 25, 1964; March 24, 1965; and December 16, 1969. We herein provide for the disposition of all issues remaining between Interior and Applicant.

Interior asserts that the hydroelectric installation sought to be licensed under Project No. 2258 is located in part on Federal lands. Applicant has opposed Interior's allegations, saying that none of the developments proposed to be licensed involve public lands. We do not believe that the importance of designating public lands within the project at this time outweighs the public interest in placing this constructed project under license. By Article 29 herein, we have reserved settling this difference pending notice and opportunity for hearing.

Interior recommended license conditions to effect the maximum benefit from use of waters from the Reservoir for generation of power from any Federal plant at the site and from Applicant's plant. We believe that the maximum utilization of the power resource at American Falls can be achieved under the terms of Article 10 regarding the development of additional capacity or other changes and Article 11, which requires electrical and hydraulic coordination with respect to any Federal powerplant at American Falls. In addition, we are requiring by Article 36 that Applicant enter into an agreement with the Bureau of Reclamation within two years to effect the maximum justifiable power development of the American Falls site.

We note that no Federal power plant has been constructed, although one was authorized by the Congress, 64 Stat. 1083. Under Section 10(f) of the Act and Article 12 of this license, the United States will be reimbursed for headwater benefits, if any, provided to Applicant.

Issues have also been raised concerning protection for present and future irrigation development. The interested parties have agreed to Article 32 as recognition that the project should not be operated in a manner that would contribute to the depletion in flow of the Snake River.

As the forebay above Applicant's plant at American Falls backs up against the existing Reclamation Dam, Interior noted that evacuation of all the stored water from the reservoir requires lowering the elevation of the forebay. To insure the integrity of the Reclamation project, Interior requested a license condition which would insure that drawdown would be effected as necessary. Applicant would accede to such a condition only when such drawdown was required for irrigation purposes. We concur with Interior's position on this matter; the United States should be able to control flows at American Falls for all beneficial downstream uses. We have so provided in Article 31 of the license.

Interior also wishes to have included the condition found in Utah Power & Light Company, Project No. 2420, 40 F.P.C. 1495 (1968), wherein the order issuing license said that the Applicant would not make any claims under the authority of the license for depletion of future flows for irrigation of lands or other beneficial purposes. In the Order Modifying License Order on Rehearing in the above-captioned project, 41 F.P.C. 175 (1969), that article was clarified to indicate that the license was not to be construed as affording greater rights to Licensee than it might otherwise have. Here, we adopt the clarified article as Article 33.

At the time the original application for Project No. 2258 was filed on February 13, 1959, Exhibits R (recreational use) and S (fish and wildlife resources) were not required of the Applicant. These plans became required elements of certain applications in 1963 in the case of Exhibit R, 29 F.P.C. 777; and in 1966 for Exhibit S, 35 F.P.C. 1038.

We are requiring by Article 35 that within two years Applicant shall file for Commission approval Exhibits R and S pursuant to our Regulations, 18 C.F.R. §4.41. Such a condition will more fully develop and protect the resources available at the project. Consulation with appropriate agencies is a part of this requirement.

By letter dated January 26, 1971, the Commission's Secretary requested from Applicant a filing of an Exhibit W (environmental report) pursuant to our then applicable Order No. 415, 44 F.P.C. 1529 (1970). On November 21, 1972 and April 10, 1973, Applicant filed the requested data. These filings have given us certain insight on environmental factors involved in this application, and some limited data as to recreational and fish and wildlife matters. In addition, other data exist in the Commission's records relating to the instant application and that in Project No. 2736 which give us a satisfactory basis for evaluating the environmental resources of the area.

The major characteristics of this project are an outstanding forebay fishery for resident species, particularly rainbow and brown trout; boat ramp and public parking area adjacent to the power plant; extensively landscaped 1/4 acre park, 1/2 acre open, grassy park, and 1-1/2 acre plot of grassy

terrain, all used for picnicking; foot bridge for fishing accessibility; and certain common flora and fauna, none of which are endangered species under the Endangered Species Act of 1973, 16 U.S.C. §1531 et seq. No major archeological resources are located in the area.

We have consulted the National Register of Historical Places through February 4, 1975, and find no listed historical sites would be affected. The Old Island Powerhouse has been identified as an historical landmark eligible for inclusion in the National Register. By Article 30 herein we are assuring that project operation will not have a detrimental effect upon it.

Interior recommended that the transmission lines and facilities included under license be made available for wheeling of government power on such terms and conditions as may be mutually satisfactory to the Applicant and Interior. Applicant submits that there is no justification for subjecting the lines to such a requirement, contending that such arrangements should be left to mutual agreements of the parties.

Applicant included for license its Shoshone Falls-American Falls 138-kV transmission line; American Falls-Brady Substation 138-kV transmission line; and the step-up transformer banks and switching equipment which make up the 2.3/6.9/46/138-kV substation adjacent to the American Falls plant. Our analysis of the transmission system leads us to conclude that the interconnected primary transmission system ties in at the American Falls substation. The banks and facilities at the substation connect with the American Falls plant and serve as the primary outlet for plant output, while other sources feed into the substation, commingling the power generated by the project. We do not believe that the two 138-kV lines included in the application are "primary lines" and a part of the project within the meaning of the Section 3(11) of the Act, 16 U.S.C. §796(11).

We, therefore, perceive no need to include those facilities herein under license in an article requiring wheeling of government power. While Applicant has wheeling responsibilities at other projects, see, e.g., Idaho Power Company, Project No. 1971, 32 F.P.C. 342 (1964), we believe that the facts here are sufficiently at variance with those in Project No. 1971 so as to preclude the necessity for the same arrangements. In Project No. 1971 wheeling is accomplished over the applicant's lines from the powerhouse to the junction with the interconnected system, which were deemed jurisdictional. In the instant case there are no such transmission facilities subject to our jurisdiction.

By letter dated August 28, 1959, the U.S. Department of the Army, Corps of Engineers (Corps) commented on the basic application. Corps said that at the present time, the need for navigation facilities in this reach of the river and operational control of these projects in the interests of navigation, appears remote. However, to adequately safeguard the right of any possible future navigation, the Corps recommended that the Commission's standard navigation articles be inserted in any license issued. The Corps has approved the plans of the structures in accordance with the Act and we have included the requested provisions.

By letter dated April 19, 1967, the Snake River Power Association, Inc., stated that the Association is in full support of the position that the Secretary of the Interior has taken with regards to the conditions for granting of the license for the American Falls Plant.

By our previously noted order issued August 4, 1955, 14 F.P.C. 72, we determined that the Snake River from its junction with the Columbia River up to the mouth of Henry's Fork is a navigable water of the United States. In accordance with the criteria set forth in Public Service Company of New Hampshire, Project No. 2288, 27 F.P.C. 830, the termination date for this license will be December 31, 1993. Interior has recommended this termination date. We make the effective date of this license August 1, 1955, which was the first day of the month in which the Snake River was determined to be navigable.

By letter dated March 6, 1975, Idaho Department of Health and Welfare (IDHW) issued a state water quality certificate pursuant to Section 401 of the Federal Water Pollution Control Act Amendments of 1972, 33 U.S.C. §1341. In so doing, IDHW stated that it found no adverse impacts on water quality by the operation and maintenance of the American Falls Power Plant facility.

Pertinent parts of Exhibits J, K, L and M filed with the application for major license have been examined and found to conform with the Commission's Rules and Regulations and are hereinafter approved and made part of the license for Project No. 2258. We believe that the structures to be placed under license are safe and adequate. In addition, Applicant has shown the necessary financial ability to continue operation.

The Applicant for Project No. 2258 is also the Applicant for American Falls Project No. 2736, which would be constructed pursuant to the Act of December 28, 1973, to utilize for power generation, falling water releases from the American Falls Replacement Dam. Article 37 of the license approved herein would require surrender of the license for Project No. 2258 when the project is rendered inoperable by the construction or operation of a more comprehensive development at American Falls. Accordingly, we do not consider the application for Project No. 2736 to be a conflicting application within the meaning of the Act. 16 U.S.C. §800(a).

We believe that licensing Project No. 2258 under terms and conditions hereinafter proposed meets the standard of Section 10(a) of the Act, 16 U.S.C. Section 803(a). That Section requires that the project approved shall

> "be best adapted to a comprehensive plan for improving or developing a waterway or waterways for the use or benefit of interstate or foreign commerce, for the improvement and utilization of water power development, and for other beneficial public uses, including recreational purposes..."

Our evaluation of the question of comprehensive development has included questions of conservation of resources, optimum utilization of water power, maintenance of water quality, fish and wildlife protection, navigation, the inclusion of the project in the interconnected transmission system, and recreational use. The license conditions also insure the development of the project for public use and access.

We believe that the subject matter of the instant application has been fully developed and considered by this Commission. Therefore, we do not believe that a trial-type hearing would contribute any new and relevant information, except as hereinafter provided, and conclude that it is not in the public interest to hold such a hearing at this time.

We conclude on the basis of the facts before us that a major license should be issued to the applicant effective on August 1, 1955 and terminating December 31, 1993. We believe that such a term is appropriate under our prior determinations as to constructed projects in similar cirmumstances.

The Commission finds:

(1) The American Falls development of Project No. 2258 may affect lands of the United States and would be located on a navigable waterway of the United States.

(2) The Shoshone Falls and Upper Salmon developments of proposed Project No. 2258 should be severed from the application and reserved for treatment in later proceedings.

(3) Applicant is a corporation organized under the laws of the State of Maine and is authorized to do business in the State of Idaho.

(4) Public notice of the filing of the application for major license was given on June 1, 1959. A timely petition to intervention was filed by the Idaho Fish and Game Commission and was granted.

(5) No conflicting application is before the Commission.

(6) Subject to the terms and conditions hereinafter imposed, the project does not adversely affect a Government Dam, nor will the issuance of a license upon the conditions hereinafter provided, affect the development of any water resources for public purposes which should be undertaken by the United States.

(7) Subject to the terms and conditions hereinafter imposed, the project will be best adapted to a comprehensive plan for improving or developing a waterway or waterways for the use or benefit of interstate or foreign commerce, for the improvement and utilization of waterpower development, and for other beneficial public uses, including recreational purposes.

(8) Subject to the terms and conditions hereinafter imposed, the cost of continuing operation of this constructed project is reasonable compared to the cost of developing suitable alternative sources of power.

(9) The installed horsepower capacity of the project hereinafter authorized for the purpose of computing the capacity component of the administrative annual charge is 36,700 horsepower, and the amount of annual charges based on such capacity to be paid under the license for the project for the cost of administration of Part 1 of the Act is reasonable.

(10) The Commission should reserve the right to determine at a later date, after notice and opportunity for hearing, whether any lands of the United States are occupied by the American Falls Project, and to fix reasonable annual charges for the use, occupancy and enjoyment of such lands.

(11) The plans of the structures affecting navigation have been approved by the Corps of Engineers.

(12) The term of the license hereinafter authorized is reasonable.

(13) The Exhibits designated and described in paragraph (B) below conform to the Commission's Rules and Regulations and should be approved as part of the License for the project.

(14) Applicant has submitted satisfactory evidence of compliance with the requirements of all applicable state laws insofar as necessary to effectuate the purposes of a license for the project.

(15) For the reasons discussed above, we do not believe that our actions taken herein constitute a major Federal action significantly affecting the quality of the human environment requiring the preparation of a detailed environment impact statement.

The Commission orders:

(A) This license is hereby issued to Idaho Power Company of Boise, Idaho, under Section 4(e) of the Federal Power Act, for a period effective August 1, 1955, and terminating December 31, 1993, for the continued operation and maintenance of the American Falls Project No. 2258, located on the Snake River and affecting navigable waters of the United States, subject to the terms and conditions of the Act which is incorporated herein by reference as a part of this license and subject to such rules and regulations as the Commission has issued or prescribed under the provisions of the Act.

(B) The American Falls Project No. 2258 consists of:

(i) all lands constituting the project area and enclosed by the project boundary or the licensee's interests in such lands, the limits of which are otherwise defined, the use and occupancy of which are necessary for the purpose of the project; such project area and project boundary being shown and described by certain exhibits which form part of the application for license which are designated and described as follows:

Exhibit J: (FPC No. 2258-3) General Map, American Falls Development

Exhibit K: (FPC No. 2258-6) Detail Map, American Falls Development

(ii) project works consisting of: a concrete gravity diversion dam, located immediately below the American Falls Dam of the United States Bureau of Reclamation, with gated spillway; a forebay impounded by such diversion dam; a powerhouse adjacent to the dam with one 3,500-kilowatt generating unit and four 6,000-kilowatt generating units installed therein; step-up transformers and switching equipment associated with the 2.3/6.9/46/138-kV substation; and appurtenant facilities: the location, nature and character of which are more specifically shown and described by the exhibits hereinbefore cited and by certain other exhibits which also form part of the application for license and which are designated and described as follows:

Exhibit L	FPC No.	Showing for American Falls
Sheet 1 of 4	2258-7	General Plan
Sheet 2 of 4	2258-8	Weir & Gate Sections
Sheet 3 of 4	2258-9	Powerhouse Plans
Sheet 4 of 4	2258-10	Powerhouse Sections

Exhibit M: Pages 1 and 2 of five typewritten pages, entitled "General Description and Specifications of Equipment," filed February 13, 1959, except for the two 46-kV transmission lines, the 138-kV tie to Brady Substation, and the four 138-kV transmission lines included on page 2.

(iii) all of the structures, fixtures, equipment or facilities used or useful in the maintenance and operation of the project and located on the project area, including such portable property as may be used or useful in connection with the project or any part thereof, whether located on or off the project area, if and to the extent that the inclusion of such property as part of the project is approved or acquiesced in by the Commission; also, all riparian or other rights, the use or possession of which is necessary or appropriate in the maintenance or operation of the project.

(C) This license is also subject to the following terms and conditions set forth herein as articles:

Article 1. The entire project, as described in this order of the Commission, shall be subject to all the provisions, terms, and conditions of the license.

Article 2. No substantial change shall be made in the maps, plans, specifications, and statements described and designated as exhibits and approved by the Commission in its order as a part of the license until such change shall have been approved by the Commission: Provided, however, That if the Licensee or the Commission deems it necessary or desirable that said approved exhibits, or any of them, be changed, there shall be submitted to the Commission for approval revised, or additional exhibit or exhibits covering the proposed changes which, upon approval by the Commission, shall become a part of the license and shall supersede, in whole or part, such exhibit or exhibits theretofore made a part of the license as may be specified by the Commission.

Article 3. The project area and project works shall be in substantial conformity with the approved exhibits referred to in Article 2 herein or as changed in accordance with the provisions of said article. Except when emergency shall require for the protection of navigation, life, health, or property, there shall not be made without prior approval of the Commission any substantial alteration or addition not in conformity with the approved plans to any dam or other project works under the license or any substantial use of project lands and waters not authorized herein; and any emergency alteration, addition, or use so made shall thereafter be subject to such modification and change as the Commission may direct. Minor changes in uses of project lands and waters or the project works or divergence from such approved exhibits may be made if such changes will not result in decrease in efficiency, in material increase in cost, in an adverse environmental impact, or in impairment of the general scheme of development; but any of such minor changes made without the prior approval of the Commission, which in its judgment have produced or will produce any of such results, shall be subject to such alteration as the Commission may direct.

Article 4. The project, including its operation and maintenance and any work incident to additions or alterations authorized by the Commission whether or not conducted upon lands of the United States, shall be subject to the inspection and supervision of the Regional Engineer, Federal Power Commission, in the region wherein the project

is located, or of such other officer or agent as the Commission may designate, who shall be the authorized representative of the Commission for such purposes. The Licensee shall cooperate fully with said representative and shall furnish him such information as he may require concerning the operation and maintenance of the project, and of any such alteration thereof, and shall notify him of the date upon which work with respect to any alteration will begin, and as far in advance thereof as said representative may reasonable specify, and shall notify him promptly in writing of any suspension of work for a period more than one week, and of its resumption and completion. Licensee shall submit to said representative a detailed program of inspection by the Licensee that will provide for an adequate and qualified inspection force for construction of any such alterations to the project. Construction of said alterations or any feature thereof shall not be initiated until the program of inspection for the alterations or any feature thereof has been approved by said representative. The Licensee shall allow said representative and other officers or employees of the United States, showing proper credentials, free and unrestricted access to, through, and across the project lands and project works in the performance of their official duties. The Licensee shall comply with such rules and regulations of general or special applicability as the Commission may from time to time prescribe for the protection of life, health, or property.

Article 5. The Licensee within five years from date of issuance of the license shall acquire title in fee or the right to use in perpetuity all lands, other than lands of the United States, necessary or appropriate for the construction, maintenance and operation of the project. The Licensee, its successors and assigns shall, during the period of the license, retain the possession of all project property covered by the license as issued or as later amended, including the project area, the project works, and all franchises, easements, water rights, and rights of occupancy and use; and none of such properties shall be voluntarily sold, leased, transferred, abandoned, or otherwise disposed of without the prior written approval of the Commission, except that the Licensee may lease or otherwise dispose of interests in project lands or property without specific written approval of the Commission pursuant to the then current regulations of the Commission. The provisions of this article

are not intended to prevent the abandonment or the retirement from service of structures, equipment, or other project works in connection with replacements thereof when they become obsolete, inadequate, or inefficient for further service due to wear and tear; and mortgage or trust deed or judicial sales made thereunder, or tax sales, shall not be deemed voluntary transfers within the meaning to this article.

Article 6. In the event the project is taken over by the United States upon the termination of the license, as provided in Section 14 of the Act, or is transferred to a new licensee or to a non-power licensee under the provisions of Section 15 of the Act, the Licensee, its successors and assigns will be responsible for and will make good any defect of title to or of right of occupancy and use in any of such project property which is necessary or appropriate or valuable and serviceable in the maintenance and operation of the project, and will pay and discharge, or will assume responsibility for payment and discharge, of all liens or incumbrances upon the project or project property created by the Licensee or created or incurred after the issuance of the license: Provided, That the provisions of this article are not intended to require the Licensee, for the purpose of transferring the project to the United States or to a new Licensee, to acquire any different title to or right of occupancy and use in any of such project property than was necessary to acquire for its own purposes as Licensee.

Article 7. The actual legitimate original cost of the project, and of any addition thereto or betterment thereof, shall be determined by the Commission in accordance with the Act and the Commission's Rules and Regulations thereunder.

Article 8. After the first 20 years of operation of the project under the license, six percent per annum shall be the specified rate of return on the net investment in the project for determining surplus earnings of the project for the establishment and maintenance of amortization reserves, pursuant to Section 10(d) of the Act; one-half of the project surplus earnings, if any, accumulated after the first 20 years of operation under the license, in excess of six percent per annum on the net investment, shall be set aside in a project amortization reserve account as of the end of each fiscal year: Provided, That, if and to the extent that there is a deficiency of project earnings below six percent per annum for any fiscal year

or years after the first 20 years of operation under the license, the amount of such deficiency shall be deducted from the amount of any surplus earnings accumulated thereafter until absorbed, and one-half of the remaining surplus earnings, if any, thus cumulatively computed, shall be set aside in the project amortization reserve account; and the amounts thus established in the project amortization reserve account shall be maintained therein until further order of the Commission.

Article 9. For the purpose of determining the stage and flow of the stream or streams on which the project is located, the amount of water held in and withdrawn from storage, and the effective head on the turbines, the Licensee shall install and thereafter maintain such gages and stream-gaging stations as the Commission may deem necessary and best adapted to the requirements; and shall provide for the required readings of such gages and for the adequate rating of such stations. The Licensee shall also install and maintain standard meters adequate for the determination of the amount of electric energy generated by said project works. The number, character, and location of gages, meters, or other measuring devices, and the method of operation thereof, shall at all times be satisfactory to the Commission and may be altered from time to time if necessary to secure adequate determinations, but such alteration shall not be made except with the approval of the Commission or upon the specific direction of the Commission. The installation of gages, the ratings of said stream or streams, and the determination of the flow thereof, shall be under the supervision of, or in cooperation with, the District Engineer of the United States Geological Survey having charge of stream-gaging operations in the region of said project, and the Licensee shall advance to the United States Geological Survey the amount of funds estimated to be necessary for such supervision or cooperation for such periods as may be mutually agreed upon. The Licensee shall keep accurate and sufficient record of the foregoing determinations to the satisfaction of the Commission, and shall make return of such records annually at such time and in such form as the Commission may prescribe.

Article 10. The Licensee shall install additional capacity or make other changes in the project as directed by the Commission to the extent that it is economically sound and in the public interest to do so, after notice and opportunity for hearing.

Article 11. The Licensee shall, after notice and opportunity for hearing, coordinate the operation of the project, electrically and hydraulically, with such other projects or power systems and in such manner as the Commission may direct in the interest of power and other beneficial public uses of water resources, and on such conditions concerning the equitable sharing of benefits by the Licensee as the Commission may order.

Article 12. Whenever the Licensee is directly benefited by the construction work of another licensee, a permittee, or of the United States of a storage reservoir or other headwater improvement, the Licensee shall reimburse the owner of the headwater improvement for such part of the annual charges for interest, maintenance, and depreciation thereof as the Commission shall determine to be equitable, and shall pay to the United States the cost of making such determination as fixed by the Commission. For benefits provided by a storage reservoir or other headwater improvements of the United States the Licensee shall pay to the Commission the amounts for which it billed from time to time for such headwater benefits and for the costs of making the determinations pursuant to the then current Commission Regulations under the Federal Power Act.

Article 13. The United States specifically retains and safeguards the right to use water in such amount, to be determined by the Secretary of the Army, as may be necessary for the purposes of navigation on the navigable waterway affected; and the operations of the Licensee, so far as they affect the use, storage and discharge from storage of waters affected by the license, shall at all times be controlled by such reasonable rules and regulations as the Secretary of the Army may prescribe for the protection of life, health, and property, and in the interest of the fullest practicable conservation and utilization of such waters for power purposes and for other beneficial public uses, including recreational purposes.

Article 14. On the application of any person, association, corporation, Federal agency, State or municipality, the Licensee shall, after notice and opportunity for hearing, permit such reasonable use of its project properties, including works, lands and water rights, or parts thereof, as may be ordered by the Commission in the interest of comprehensive development of the waterway or waterways involved and the conservation and utilization of water resources of the region, for water supply, or for the purpose of steam-electric, irrigation, industrial, municipal, or similar uses.

The Licensee shall receive reasonable compensation, at least full reimbursement for any damages or expenses which the joint use causes him to incur, for use of its reservoir or other project properties or parts thereof for such purposes, any such compensation to be fixed by the Commission either by approval of an agreement between the Licensee and the party or parties benefiting or after notice and opportunity for hearing. Applications shall contain information in sufficient detail to afford a full understanding of the proposed use, including satisfactory evidence that the applicant possesses necessary water rights pursuant to applicable State law, or a showing of cause why such evidence cannot be concurrently submitted, and a statement as to the relationship of the proposed use to any State or municipal plans or orders which may have been adopted with respect to the use of such waters.

Article 15. In the construction or maintenance of the project works, the Licensee shall place and maintain suitable structures and devices to reduce to a reasonable degree the liability of contact between its transmission lines and telegraph, telephone and other signal wires or power transmission lines constructed prior to its transmission lines and not owned by the Licensee, and shall also place and maintain suitable structures and devices to reduce to a reasonable degree the liability of any structures or wires falling or obstructing traffic or endangering life. None of the provisions of this article are intended to relieve the Licensee from any responsibility or requirement which may be imposed by other lawful authority for avoiding or eliminating inductive interference.

Article 16. The Licensee shall, for the conservation and development of fish and wildlife resources, construct, maintain, and operate, or arrange for the construction, maintenance and operation of such reasonable facilities and comply with such reasonable modifications of the project structures and operation as may be ordered by the Commission upon its own motion or upon the recommendation of the Secretary of the Interior or the fish and wildlife agency or agencies of any State in which the project or a part thereof is located, after notice and opportunity for hearing.

Article 17. Whenever the United States shall desire, in connection with the project, to construct fish and wildlife facilities or to improve the existing fish and wildlife facilities at its own expense, the Licensee shall permit the United States or its designated agency to use, free

of cost, such of Licensee's lands and interest in lands, reservoirs, waterways and project works as may be reasonably required to complete such facilities or such improvements thereof. In addition, after notice and opportunity for hearing, the Licensee shall modify the project operation as may be reasonable prescribed by the Commission in order to permit the maintenance and operation of the fish and wildlife facilities constructed or improved by the United States under the provisions of this article. This article shall not be interpreted to place any obligation on the United States to construct or improve fish and wildlife facilities or to relieve the Licensee of any obligation under this license.

Article 18. The Licensee shall construct, maintain and operate, or shall arrange for the construction, maintenance and operation of such reasonable recreational facilities, including modifications thereto, such as access roads, wharves, launching ramps, beaches, picnic and camping areas, sanitary facilities and utilities, giving consideration to the needs of the physically handicapped, and shall comply with such reasonable modifications of the project structures and operations as may be prescribed hereafter by the Commission during the term of this license upon its own motion or upon the recommendation of the Secretary of the Interior or other interested Federal and State agencies, after notice and opportunity for hearing.

Article 19. So far as is consistent with proper operation of the project, the Licensee shall allow the public free access, to a reasonable extent, to project waters and adjacent project lands owned by the Licensee for the purpose of full public utilization of such lands and water for navigation and for outdoor recreational purposes, including fishing and hunting; Provided, That the Licensee may reserve from public access, such portions of the project waters, adjacent lands, and project facilities as may be necessary for the protection of life, health, and property. Licensee, in the interests of promoting optimum recreational use and protecting the scenic values of project lands and waters, may to a reasonable extent grant permits to individuals or groups of individuals for landscape plantings on project lands, or for the construction of access roads, wharves, landings, and other similar facilities, the occupancy of which may, under appropriate circumstance, be subject to the payment of rent in a reasonable amount; Provided, That Licensee, in granting such permits, shall require that permittees provide for multiple occupancy and use of such facilities, where

feasible, and shall ensure that such facilities are constructed and maintained in such a manner so as to be consistent with shoreline aesthetic values; Provided further, That the Licensee's consent to the construction of access roads, wharves, landings, and other facilities shall not, without its express agreement, place upon the Licensee any obligation to construct or maintain such facilities. These facilities are in addition to the facilities that the Licensee may construct and maintain as required by the License.

Article 20. The Licensee shall be responsible for and shall take reasonable measures to prevent soil erosion on lands adjacent to the stream(s) and to prevent stream siltation or other forms of water or air pollution resulting from construction, operation or maintenance of the project. The Commission upon request, or upon its own motion, may order the Licensee to take such measures as the Commission may find to be necessary for these purposes, after notice and opportunity for hearing.

Article 21. Licensee shall dispose of all temporary structures, unused timber, brush, refuse, or other unneeded material resulting from the clearing of lands or from the maintenance or alteration of the project works. Disposal of the material shall be done with due diligence and to the satisfaction of the authorized representative of the Commission and in accordance with appropriate Federal, State, and local statutes and regulations.

Article 22. Insofar as any material is dredged or excavated in the prosecution of any work authorized under the license, or in the maintenance of the project, such material shall be removed and deposited in such a manner that it will reasonably preserve the project environmental values and so it will not interfere with traffic, both land and water. Dredging and filling in a navigable water of the United States will also be done to the satisfaction of the District Engineer, Department of the Army, in charge of the locality.

Article 23. Whenever the United States shall desire to construct, complete, or improve navigation facilities in connection with the project, the Licensee shall convey to the United States, free of cost, such of its lands and its rights-of-way and such right of passage through its dams or other structures, and permit such control of pools as may be required to complete and maintain such navigation facilities.

Article 24. The operation of any navigation facilities which may be constructed as a part of or in connection with any dam or diversion structure constituting a part of the project works shall at all times be controlled by such reasonable rules and regulations in the interest of navigation, including the control of the level of the pool caused by such dam or diversion structure, as may be made from time to time by the Secretary of the Army.

Article 25. The Licensee shall furnish free of cost to the United States power for the operation and maintenance of navigation facilities in the vicinity of the project at the voltage and frequency required by such facilities and at a point adjacent thereto whether said facilities are constructed by the Licensee or by the United States.

Article 26. The Licensee shall for the protection of navigation, construct, maintain and operate at its own expense such lights and other signals on fixed structures in or over navigable waters of the United States as may be directed by the Secretary of the Department in which the Coast Guard is operating.

Article 27. If the Licensee shall cause or suffer essential project property to be removed or destroyed or to become unfit for use, without adequate replacement, or shall abandon or discontinue good faith operation of the project or refuse or neglect to comply with the terms of license and the lawful orders of the Commission mailed to the record address of the Licensee or its agent, the Commission will deem it to be the intent of the Licensee to surrender the license. The Commission, after notice and opportunity for hearing, may require the Licensee to remove any or all structures, equipment and power lines within the project boundary and take any such other action necessary to restore the project stream(s), lands, and facilities remaining within the project boundary to a condition satisfactory to the United States agency having jurisdiction over its lands or the Commission's authorized representative, as appropriate, or provide for the continued operation and maintenance of non-power facilities and fulfill such other obligations under the license as the Commission may prescribe. The Commission, in its discretion, may also terminate the license.

Article 28. The right of the Licensee and of its transferees and successors to use or occupy waters, over which the United States has jurisdiction, or lands of the

United States under the license, for the purpose of maintaining the project works or otherwise, shall absolutely cease at the end of the license period, unless Licensee has obtained a new license pursuant to the then existing laws and regulations, or an annual license under the terms and conditions of this license.

Article 29. The Commission reserves the right to determine at a later date what, if any, lands of the United States are occupied or affected by the project works and to fix the annual charge for the use thereof.

Article 30. The Licensee shall cooperate with the U.S. Department of the Interior's Bureau of Reclamation, the Office of the Idaho State Historic Preservation Officer, and other appropriate agencies (1) in the identification of historical resources within the project boundary, (2) in developing a plan for protection of such structures including the Old Island Powerhouse, and (3) in developing and executing plans for the improvement of such resources in the interest of recreation, education, and historic preservation, including the provision of public access to such structures.

Article 31. The Licensee shall operate its facilities at American Falls in such a manner as not to interfere with the release of water by the Government at American Falls Dam and, when required by the United States, acting through the Department of the Interior, the Licensee shall draw down the elevation of water in its forebay pool sufficiently to permit the waters to flow from the Government's American Falls Dam into the forebay of the Licensee's installation at rates of flow as determined by the Department of the Interior.

Article 32. The project shall be operated in such a manner as will not conflict with the future depletion in flow of the waters of Snake River and its tributaries, or prevent or interfere with the future upstream diversion and use of such water above the backwater created by the project for the irrigation of lands and other beneficial consumptive uses in the Snake River watershed.

Article 33. This license shall not be construed as affecting in any way any claim the licensee may have concerning its water rights acquired pursuant to State law. Those rights, not this license, shall govern any claim the licensee may advance against the United States or other

parties claiming through the United States for any damages resulting from any future depletion in the flow of the waters of the Snake River and its tributaries for the irrigation of lands or other beneficial consumptive uses.

Article 34. The Licensee shall, to the satisfaction of the Commission's authorized representative, install and operate such signs, lights, sirens or other devices below the powerhouse to warn the public of fluctuations in flow from the project as may be reasonably needed to protect the public in its recreational use of project lands and waters.

Article 35. The Licensee shall, within two years from the issuance of the license, file for Commission approval an Exhibit R and an Exhibit S for the project conforming to the requirements of Section 4.41 of the Commission's Rules and Regulations under the Federal Power Act. These exhibits shall be prepared in cooperation with the appropriate State and Federal agencies with Exhibit R specifically incorporating a solid waste management plan to include (a) the location of solid waste receptacles to be provided at public areas, picnic areas, and boat access areas, (b) schedules for collection from the receptacles, (c) provisions for including in the subject plan any public use areas as they may be developed, and (d) disposal sites and methods of disposal.

Article 36. Within two years from the issuance of this order, the Licensee shall enter into an agreement with the Bureau of Reclamation, United States Department of the Interior, to effect the maximum justifiable development of the power resources of the American Falls site consistent with comprehensive development for other beneficial public purposes.

Article 37. The Licensee shall file for surrender of license for this project when its generating capacity is rendered inoperable by reason of the construction and/or operation of a more comprehensive hydroelectric development at American Falls.

Article 38. The Licensee shall continue to consult and cooperate with the Idaho Department of Parks and Recreation, Idaho Fish and Game Department, Fish and Wildlife Service and the Bureau of Reclamation of the U.S. Department

of the Interior, the City of American Falls, and other appropriate agencies for the protection and development of the natural resources and environmental values of the project area.

Article 39. The Licensee shall pay the United States the following annual charges, effective August 1, 1955:

(i) For purpose of reimbursing the United States for the cost of administration of Part 1 of the Act, a reasonable annual charge as determined by the Commission in accordance with the provisions of its regulations, in effect from time to time. The authorized installed capacity for such purposes is 36,700 horsepower;

(ii) For the purpose of recompensing the United States for the use, occupancy, and enjoyment of its lands, an amount to be hereafter determined by the Commission.

Article 40. The terms and conditions expressly set forth in the license shall not be construed as impairing any terms and conditions of the Federal Power Act which are not expressly set forth herein.

(D) The Exhibits designated and described in paragraph (B) above are hereby approved and made a part of the license.

(E) The Licensee shall within 90 days from the date of acceptance of this license, file in accordance with the provisions of Section 11.20(a)(4) of the Regulations a statement under oath showing the gross amount of power generation for the project in kilowatt-hours for each calendar year commencing August 1, 1955.

(F) The Upper Salmon and Shoshone Falls developments included as part of the application for license for American Falls Project No. 2258 filed February 13, 1959, are hereby severed from that application and will be considered separately at a later date.

(G) This order shall become final 30 days from the date of its issuance unless application for rehearing shall be filed as provided in Section 313(a) of the Act, and failure to file such an application shall constitute acceptance of this license. In acknowledgment of the acceptance of this license it shall be signed for the Licensee and returned to the Commission within 60 days from the date of issuance of this order.

By the Commission.

(S E A L)

Kenneth F. Plumb,
Secretary.

IN TESTIMONY of its acknowledgement of acceptance of all of the provisions, terms and conditions of this license the Idaho Power Company, this_____day of_____, 1975, has caused its corporate name to be signed hereto by _____its_____ President, and its corporate seal to be affixed hereto and attested by_____, its_____ Secretary, pursuant to a resolution by its Board of Directors duly adopted on the_____day of_____, 1975, a certified copy of the record of which is attached hereto.

Idaho Power Company

By_____
President

Attest:

_____
Secretary

(Executed in Quadruplicate)

3-31-1975 FERC Order Project 2736

Call F.E.R.C.

UNITED STATES OF AMERICA
FEDERAL POWER COMMISSION

Before Commissioners: John N. Nassikas, Chairman;
William L. Springer, and Don S. Smith.

Idaho Power Company) Project No. 2736

ORDER ISSUING MAJOR LICENSE (UNCONSTRUCTED) AND PERMITTING WITHDRAWAL OF INTERVENTION

(Issued March 31, 1975)

On September 25, 1973, Idaho Power Company (Applicant) of Boise, Idaho, filed application for major license under Section 4(e) of the Federal Power Act (Act), 16 U.S.C. §797(e), to authorize the construction, operation and maintenance of the proposed American Falls Project No. 2736, which will be located at the U.S. Department of the Interior, Bureau of Reclamation (Reclamation), American Falls Replacement Dam on the Snake River. The application was revised or supplemented on February 1 and 6, March 18, April 16, June 3, July 15 and 31, August 9 and 26, September 30, October 31, and November 15, 1974.

Notice of the application was issued December 5, 1973, with a return date for protests or petitions to intervene of January 28, 1974. As hereinafter discussed, four petitions to intervene were received and granted by the Commission, and the Idaho Public Utilities Commission filed Notice of Intervention under the Commission's Rules of Practice and Procedure, 18 C.F.R. §1.8(a)(1). Notice was published in the Federal Register on December 14, 1973, 38 Fed. Reg. 34496.

The American Falls Powerplant will have a total installed (nameplate) capacity of 92.4 mW. The power plant and appurtenant facilities will be located near the City of American Falls, Power County, Idaho, about 25 miles southwest of Pocatello, Idaho. The project will affect lands and navigable waters of the United States and a Government dam.

The project will consist of (1) three 18-foot steel-lined penstocks extending approximately 240 feet downstream to the centerline of project turbines from a connection with similar penstocks and intake works to be constructed as part of the Government dam; (2) reinforced concrete powerhouse containing

three adjustable-blade turbines each rated 42,000 hp at 88-foot net head connected to three vertical-shaft, semi-outdoor type generators each rated 34.2 mVA (30.8 mW at 0.9 p.f.), a 175-ton gantry crane, and other related electrical and mechanical equipment; (3) switchyard upstream from the powerhouse containing one three-phase transformer rated apporximately 125 mVA, 13.8/138 kV, with circuit breakers and disconnect switches; (4) 138-kV steel-pole transmission line extending approximately 2,100 feet along the right bank and across the Snake River to the 138-kV switchyard of the existing American Falls development of the Applicant; (5) tailrace; (6) recreational facilities consisting of a public parking area, three small landscaped parks with picnic tables, a potable water supply and sanitary facilities, a public access area on the west bank of the Snake River to accommodate bank fishing, and boat launching facilities; and (7) appurtenant facilities. The power will be used for public utility purposes.

The Honorable Cecil D. Andrus, Governor of the State of Idaho, petitioned to intervene in support of the application on January 28, 1974, stating that the water and power needs of all of Idaho's citizens would be best satisfied by the early issuance of a license. We granted intervention by order dated February 8, 1974.

The American Fall Reservoir District's (District) petition in support of application was filed January 25, 1974. Its stated interest was in the expeditious granting of a license.

The Idaho Fish and Game Commission (IFG) filed its petition on January 28, 1974, in order to be heard and report recommendations regarding the effect Project No. 2736 may have upon fish and wildlife resources. On September 3, 1974, IFG made motion to withdraw its intervention, as it was of the opinion that the July 2, 1974, agreement between itself and District, herein noted, provides satisfactory mitigation of potential adverse fisheries impact from the project. We herein grant IFG's motion.

The Idaho Public Utilities Commission (IPUC) filed its Notice of Intervention on January 10, 1974. By letter dated August 16, 1974, IPUC stated its unqualified support for the project, urging us to expeditiously issue the license herein. By our order dated February 20, 1974, we granted the petitions to intervene filed by the District and IFG.

On June 12, 1974, we allowed an intervention on the timely filed petition of the Shoshone-Bannock Tribes (Tribes) of the Fort Hall Indian Reservation, Idaho. The Tribes

alleged that there are tribal lands within the boundary of Project No. 2736, and that they are entitled to receive a reasonable annual charge for the use thereof under §10(e) of the Act. Applicant filed an answer on March 1, 1974, and stated that no tribal lands are encompassed within project boundaries.

We invited Interior to comment on the petition by the Tribes by letter dated February 21, 1974. By letter dated May 21, 1974, the Associate Solicitor for the Division of Indian Affairs stated his opinion that the operation of the American Falls Replacement Dam and Reservoir "affects the Fort Hall Indian Reservation."

We granted intervention to Tribes solely because of its status as a spaceholder in the Reservoir above American Falls Dam and as a landowner in the general area of Project No. 2736. In so doing, we specifically said that annual charges should be exacted only if Indian tribal lands are within the boundaries of the hydroelectric project subject to our jurisdiction. See 16 U.S.C. §§796(2); 797(e); 803(e). The proposed hydroelectric project includes only clearly defined areas downstream of the Replacement Dam, and does not include the dam or the reservoir. Our records further indicate that no tribal lands are included within the boundaries of the proposed hydroelectric project and, thus, no basis exists for assessing annual charges for such use.

Additionally, we note that Applicant has no control over the water releases at the Replacement Dam, nor can it affect Tribes' storage rights in the reservoir. In short, it is our opinion that Project No. 2736 will not affect tribal lands by its operation under the terms of the license issued herein.

By letter dated November 15, 1974, Applicant transmitted a copy of the Water Quality Certification issued by the State of Idaho pursuant to Section 401 of the Federal Water Pollution Control Act Amendments of 1972 (Amendments of 1972), 33 U.S.C. §1341. The Certification dated November 13, 1974, was issued upon certain conditions provided for herein to insure maintenance of water quality in the Snake River. By letter dated November 26, 1974, the Commission's Secretary transmitted the certification to the U.S. Environmental Protection Agency (EPA) pursuant to EPA's Regulations, 40 C.F.R. §123.11(b)(1974).

On the matter of water quality, two further permits are involved in the licensing of this project. By letter dated October 31, 1974, Applicant transmitted a National Pollutant Discharge Elimination System (NPDES) discharge permit under Section 402 of the Amendments of 1972, 33 U.S.C. §1342, by EPA

Region X, for the City of American Falls' municipal treatment plant's discharge into the Snake River. Under Article 4 of the license Applicant will submit "as-built" drawings of the project, which will show any major structures in the project area, including the above-mentioned treatment plant and the location of the discharge into the Snake River.

By letter dated February 11, 1975, Applicant transmitted a NPDES discharge permit issued by EPA Region X for a wastewater discharge from the project works. The permit became effective on March 6, 1975. Pursuant to Article 4 of the license, Applicant will also submit "as-built" information on this wastewater discharge into the Snake River.

This is not the only application for license for an American Falls project to have been before this Commission. There currently exists at American Falls a 27.5mW power facility owned by Idaho Power Company which was a part of application for major license in Project No. 2258, filed February 13, 1959. By letter dated December 16, 1969, the United States Department of the Interior (Interior) requested that we hold in abeyance the issuance of the license in Project No. 2258 until the problems arising out of the contemplated replacement of the American Falls Dam had been resolved. As such problems have been disposed of pursuant to the Act of December 28, 1973, we issued a license for the American Falls Project No. 2258 on March 31, 1975.

The existing American Falls Dam was constructed by Reclamation in 1927 as part of the Minidoka Reclamation Project. Within a short time an alkali/aggregate reaction took place in the dam, leading to abnormalities, cracking, and general deterioration over the years. At present, Reclamation has reduced the storage in the reservoir behind the dam to approximately 2/3 capacity for safety purposes.

The Act of December 28, 1973, 87 Stat. 704, in pertinent part authorizes the Secretary of the Interior (Secretary) to enter into agreements with the American Falls Reservoir District (District) authorizing the District to finance and construct a Replacement Dam at American Falls, title to which will pass to Reclamation upon its substantial completion. The Act of December 28, 1973, deems the Replacement Dam to be a Government dam, as defined in Section 3(10) of the Federal Power Act. 16 U.S.C. §796(10).

Pursuant to the 1973 Act the District, as constructing agency, may execute contracts with an appropriate non-Federal entity for use of the falling water leaving the dam for power

generation, which contract shall provide for a monetary return to the District to defray the cost of construction of the Replacement Dam. District may also contract with a non-Federal entity to coordinate construction of the hydroelectric facilities and the Replacement Dam, such facilities being the subject of this order.

Reclamation developed a Draft Environmental Impact Statement (DEIS) on the American Falls Dam Replacement Program to accompany the legislative process which led to the enactment of the Act of December 28, 1973. The DEIS was made available to the Council on Environmental Quality (CEQ) and a wide range of agencies, organizations, and individuals on May 17, 1973. Pursuant to §2.81 and §4.41 of the Commissions Rules, 18 C.F.R. §2.81 and §4.41, Applicant submitted its Exhibit W (environmental report). Reclamation and Commission Staff coordinated their independent analyses of the environmental impacts of the Replacement Dam Program, considered and reviewed comments received on the DEIS, and developed a Final Environmental Impact Statement (FEIS), designated as INT FES 74-60, which was made available to CEQ and the public on November 13, 1974. As Reclamation and Staff agreed that the major impacts of the Program would be attributable to the Replacement Dam itself, Reclamation served as lead agency for the FEIS, as suggested in CEQ's guidelines, 40 C.F.R. §1500.7(b) (1974). Staff contributed assistance with respect to this Commission's area of jurisdiction and expertise.

On the basis of the information in the FEIS and other data on file with the Commission, we believe that the beneficial effects to be derived from Project No. 2736 outweigh the adverse effects upon the environment. We discuss hereinafter the relevant environmental impacts which we have considered pursuant to Section 102(2)(c) of the National Environmental Policy Act of 1969, 42 U.S.C. §4432 (2)(c).

Construction of the Replacement Dam and power plant will result in the loss of a 14-acre forebay located between the existing powerhouse and dam. This area provides an important and substantial fishery for rainbow trout entering the forebay from the upstream reservoir. In 1971 alone the fishery provided fishermen with about 37,500 recreation hours and a take of 13,700 fish. The forebay fishery is a prime element in the lives of many local citizens, serving as a source of food, a recreation opportunity, and a social gathering place.

The area of the tailwater at the existing powerhouse provides a good sport fishery also. Without adequate oxygenation of water passing through the proposed penstocks, these fish would continue downstream in search of sufficient DO levels.

Through an agreement dated July 2, 1974, the District will provide the Idaho Fish and Game Commission (IFG) with $875,000 as mitigation for the loss of the forebay and the associated fishery. Of that sum, $575,000 will be for construction and $300,000 for operation and maintenance of facilities provided. Through the above agreement, IFG will provide for some or all of the following facilities:

a. Three 400' x 12' x 3' concrete raceways at the American Falls Hatchery owned and operated by IFG.

b. Acquisition, construction, and impoundment of an off-stream fishing area.

c. A fishing access bridge across the Snake River below American Falls Dam.

d. Improved access to the river below the project area and upstream of Lake Walcott.

While we recognize that the loss of the forebay will have a deleterious effect upon fishery resources, we believe that the agreement and the conditions required herein will substantially mitigate this loss.

During the summer months, diversion through the powerhouse of all or nearly all of the water passing the dam would result in a decrease in the quality of water in the Snake River downstream. During these warmer months, dissolved oxygen concentration in the storage reservoir would often fall below acceptable levels for fish. Under current operations, releases through the dam into the forebay result in extensive agitation and reoxygenation of the water prior to passage downstream. Elimination of the forebay and forebay releases of water would result in the direct passage of water from the reservoir through the proposed penstocks and turbines to the river downstream with little or no opportunity for improving oxygen conditions. When oxygen levels are low (3 to 4 mg/liter or lower) in the reservoir, water released into the river downstream via the powerhouse would not meet Idaho water quality standards for dissolved oxygen content (6 mg/liter or 90% saturation, whichever is greater). By letter dated July 1, 1974, the Idaho Department of Environmental and Community Services requested approval by

EPA of a variance to State water quality standards in the stretch of the Snake River between American Falls and downstream Lake Walcott whereby the 90% saturation requirement would be waived.

In order to meet Idaho's water quality standards for oxygen, the District will construct, maintain, and operate an oxygen injection system directly into the dam penstocks. As a part of this system the District will also construct, maintain, and operate a water quality monitoring system downstream of the dam and powerhouse. In addition, the District will test two other oxygen injection systems: (1) an injection by coarse bubble diffusers upstream of the penstocks, and (2) upstream injection by fine bubble diffusers. Based on the test results, either of the above alternate systems may replace the direct penstock injection systems or serve as a backup or supplementary system if needed. Whatever the system or systems employed, the oxygen injection rate will be controlled through the oxygen monitoring system to satisfy State water quality requirements and to ensure efficient system operation. We believe that any potential water quality problem attributable to the Replacement Dam Program would be adequately provided for by this system. By Article 46 we are requiring Applicant to cooperate in the installation, maintenance and operation of the system, and to assure that procedures exist so that Reclamation and the Idaho Department of Health and Welfare (IDHW) will be immediately notified if water quality drops below the approved State standard so that appropriate action may be taken to restore water quality.

Nearly all of the fish moving downstream from the reservoir after construction of the new dam and powerhouse will pass through the turbines. The mortality rate of these fish will be higher than it is for fish under the present situation. Estimates provided by the Applicant predict that smaller fish (12 inches or less) will experience approximately 5 to 10 percent mortality. Larger fish will encounter, however, a somewhat higher mortality rate on passage through the turbines. More than likely turbine mortality rates will be directly related to fish size, although absolute values cannot be determined without testing under actual conditions.

As the Applicant does not propose mitigation for fish losses resulting from turbine mortality, and since the impact could be substantial, we are requiring the Applicant to file for Commission approval plans for a 3-year turbine mortality study to commence after the new dam and powerhouse have been constructed and are fully operational. The Applicant will prepare the research plan in cooperation with appropriate State and Federal fishery agencies. We believe that by this approach we can best address the potential concerns which are not at this time adequately quantifiable.

During construction of the project works, turbidity from suspended solids will increase in the Snake River downstream. In addition to rendering the river less appealing from an aesthetic point of view, the suspended solids will tend to settle out and interfere with and reduce the production of food-chain aquatic organisms. Both impacts should be short-term and minor in nature.

Construction activities will require a maximum force of approximately 500 workers during the peak construction period lasting about two years. Some of these workers will come from the local area; the rest will move to this area and remain only temporarily. It would be expected that a portion of the workers' payrolls would be spent in surrounding towns and cities. The population increase will also be accompanied by needs for temporary housing, temporary increase on the existing educational facilities, additional water supplies, and increased load on the City of American Falls' (City) sewage treatment facilities and other services. Completion of construction activities will also result in a period of social and economic readjustment for the community.

The City has a 400,000-gallon-per-day secondary sewage treatment plant which discharges into the Snake River downstream from the existing power plant. This facility has an adequate capacity to handle the temporary increased load due to the influx of construction workers. Flows in the river downstream from the sewage outfall may be of poorer quality during construction due to possible reduced releases from the reservoir. However, reduced flows in the river are not expected at times critical to the fishery resources downstream. As herein noted, this plant has received a §402 permit under the Amendments of 1972, 33 U.S.C. §1342.

Several alternatives to the Replacement Dam Program were considered: leave the existing dam without change; replace the existing dam without a powerhouse; repair the existing dam; enlarge the dam and the reservoir; and develop storage at other sites. These were considered as alternatives to the program which Congress approved by its Act of December 28, 1973. We have also considered power source alternatives to the proposed project: exotic, other hydroelectric, nuclear, gas turbines, combined cycle, coal-fired steam, and geothermal.

Our review of the alternative sources of power production convinces us that they are less attractive than the proposed project. The adverse environmental impacts of such alternatives would include noise, visual impacts, emissions, and increased

heat rejection. In addition, the operation of alternative thermal power sources would deplete even further the Nation's critically short fossil-fuel supplies.

At the same time that we attempt to make the most efficient use of our non-depleting hydroelectric resources consistent with environmental protection, it is our opinion that electrical energy conservation practices are desirable and should be promoted vigorously. Though conservation cannot eliminate growth in energy demand and the need to expand electric generating capacity, such a program could effect a significant reduction in the need for new generating capacity over the next decade.

By letters dated May 17, 1974, the Secretary of the Commission requested comments pursuant to Section 4(e) of the Act and other relevant statutes from appropriate Federal, State and local agencies on the application for license. The comments received are discussed below.

The U.S. Department of the Interior (Interior) in letters dated September 5 and October 17, 1974, commented on the application and other supplemental information. Interior said that the license application provided that all falling water from the Replacement Dam would be used for hydroelectric generation purposes. Applicant's response dated September 25, 1974, acknowledged that under certain conditions it would not receive all falling water. We note that if the water quality monitoring program provided for in Article 46 herein shows substandard dissolved oxygen levels, Reclamation will be informed of the condition so that the powerplant may be bypassed. If Applicant defaults in any of its falling water payments, the powerplant will be bypassed. Further, Applicant will not receive releases when interruptions occur for inspections, maintenance, repair and emergency conditions at the Replacement Dam. In short, the United States is not obligated to operate the Replacement Dam in a manner to have water in the Replacement Dam at elevations for power generation or to operate to increase head for power generation. The Applicant noted still further that load and machinery capacities as well as the amount and timing of water releases for irrigation, flood control and other purposes would be limiting factors to the amount of water Applicant receives for hydroelectric generation.

Interior expressed concern that the application did not adequately recognize the major adverse environmental impacts of the proposed project: (1) the destruction of the existing forebay and its associated fishery without adequate mitigation;

(2) the degradation of water quality in the reach from American Falls Dam to Lake Walcott and its effect on the tailrace fishery, and (3) the fish mortality resulting from passage through the new turbines. These were also the chief concerns of the Idaho Wildlife Federation in its letter dated January 22, 1974.

Interior recommended that Applicant revise its exhibits to indicate (1) means to measure fish losses, (2) assignment of mitigation responsibility, and (3) the plan for mitigation. Additionally, inclusion of the standard stream gaging articles in any issued license was requested.

We concur with the specific recommendations above. By Article 40 we are requiring Applicant to continue consultation and cooperation with appropriate environmental agencies for the protection and development of the natural resources of the project area. By Article 45 Applicant shall submit for our approval a plan for a 3-year research study of fish mortality through the turbines, and at termination of the study recommend changes to alleviate the mortality problem. By Article 46 we require of Applicant consultation and cooperation with Reclamation and District in the installation, maintenance and operation of a dissolved oxygen and temperature monitoring system in the Snake River downstream from the project tailrace. Article 10 is the requested stream gaging article.

In addition, these requests have been partially satisfied through an agreement between District and Applicant dated August 21, 1973, setting forth that environmental costs related to the Replacement Dam and power plant are District's and a July 2, 1974, agreement between District and Idaho Fish and Game Commission, which establishes a mitigation plan and funding therefor. We are thus satisfied that sufficient measures have been taken to protect the resources involved.

Interior further recommended that recreation site No. 5, consisting of an existing gravel boat ramp, parking area, and access road, be included within the project boundary. Applicant's revised Exhibit R, filed July 15, 1974, which is approved in part by the terms of this license, includes this site within the project boundary. By Article 42 we are requiring Applicant to comply with Interior's recommendation that public access be provided from the new powerhouse access road, under the railroad bridge, to the west river bank.

Interior also recommended that a scenic overlook should be constructed above the Replacement Dam near the right abutment, to be operated and maintained by Reclamation. While we agree

that the recommendation may have merit, we do not believe that such a development outside the project should be the Applicant's responsibility and are not, therefore, requiring its development.

Interior noted that the area of the project may be of some historical significance. By Article 44 we require Applicant to coordinate with appropriate agencies to develop plans and procedures to protect and enhance historical values within the project boundary, including the Old Island Powerhouse.

Under Section 7 of the Act of December 28, 1973, $400,000 is authorized for construction of specific facilities for public recreation and fish and wildlife enhancement. Interior noted that Applicant's Exhibit R said that some of these funds would be available for enhancement in the tailrace area, whereas Interior's position is that the public funds will not be available for Applicant's use. We agree with the latter interpretation of the Act of December 28, 1973, and have specifically deleted all references to such funds in the Exhibit R we approve hereinafter.

Interior also recommended that the following articles requested for the existing Project No. 2258 be included in the license for Project No. 2736:

(a) The Project shall be operated in such manner as will not conflict with the future depletion in flow of the waters of Snake River and its tributaries, or prevent or interfere with the future upstream diversion and use of such water above the backwater created by the project for the irrigation of lands and other beneficial consumptive uses in the Snake River watershed.

(b) The Licensee shall not make any claims under the authority of this license against the United States or other parties claiming through the United States for any damages resulting from any future reduction in the flow of the waters of the Snake River and its tributaries for the irrigation of lands or other beneficial purposes.

Even though the Applicant would agree to insertion of the provision contemplated by Interior in (a) above, we consider it unnecessary from a practical standpoint and do not require its inclusion. The use of falling water releases for power generation is so thoroughly under the control of Reclamation

in its releases for irrigation and other purposes of the Minidoka Project that the Applicant would have no opportunity to operate the project in a manner to conflict with future depletion or diversion of the water of the Snake River. The use of the resource is a non-depleting one and under the Act of December 28, 1973, and related contracts, the operation of the hydroelectric facility shall not impair the efficiency of the Replacement Dam Program to serve the other purposes of the Minidoka Project.

While the Applicant did not address (b) above in its comments, we note that the recommendation is similar to Section 4.7 of the unexecuted Falling Water contract. Section 4.7 provides that:

> No liability shall accrue against the United States or any of its officers, agents, or employees, or against the Constructing Agency, for damage, direct or indirect, arising by reason of shortages in the quantity of water available through the Existing Dam or Replacement Dam or interruptions in water releases resulting from drought, inaccuracy in distribution, hostile diversion, prior or superior claims, accident to or failure of the Existing Dam or the Replacement Dam, whether or not attributable to negligence of the officers, agents or employees of the United States or the Constructing Agency, or other causes of whatsoever kind.

However, to adequately protect the Government from liability for water shortage or interruption, and in the absence of an executed agreement among the parties to that effect, Article 35 includes Interior's recommendations subject to the clarification that the license, as such, shall not be interpreted as affording greater rights to Licensee than it might otherwise have. See, Utah Power & Light Company, Project No. 2420, 41 F.P.C. 175 (1969).

Interior commented that the 138-kV transmission line from the powerplant to the switchyard traverses directly over a congested recreational area, and suggested that the line be relocated or modified to insure that it does not present a hazard. By Article 38 we require Applicant to complete, within one year, a study addressing the need for alternative alignment or clearance for the transmission line. By Article 39 we require Applicant in the design, construction and maintenance of the project works, including transmission lines, to follow the Commission's Guidelines relating to protection of certain values in the design and location of rights-of-way and transmission facilities, 18 C.F.R. §2.13 (1974).

Applicant in Exhibits C, D, and E of its application stated that a June 15, 1923, contract (Contract) between Applicant and Reclamation, entitled a "Contract...Relative to Power Rights at American Falls, Idaho.", will continue in effect without change. Interior commented that it is anticipated that some changes would be made to said contract.

We note that Article 36 of the Contract provides that its execution shall not be construed as waiving any authority, jurisdiction or control which this Commission may have over Applicant at American Falls, nor could it, of course. Likewise, we would expect that any changes negotiated to the Contract will not be inconsistent with terms of this order or any applicable administrative or statutory requirements.

The U.S. Army, Corps of Engineers (Corps) by letter dated July 18, 1974, reported that the project is not in conflict with any existing or proposed Corps projects, and that the plans of project structures are satisfactory from the standpoint of navigation interest. According to the Corps, the project will have no adverse effect on flood control on the Snake River.

The Corps recommended that any license issued should require the Applicant to consult prior to construction with the Corps' District Engineer Walla Walla District, concerning Department of Army permit requirements. We have adopted that recommendation in Article 37.

By letter dated July 26, 1974, the U.S. Environmental Protection Agency (EPA), requested that certain conditions relating to water quality be incorporated into the license. EPA recommended that the Applicant provide and operate facilities approved by the Idaho Department of Health and Welfare (IDHW) and EPA for reoxygenation of waters released from the project to meet established water quality standards, to monitor the quality of project releases, and to notify Reclamation when water quality falls below standard so that the project will be bypassed until such time as water quality standards are met.

Applicant responded by letter dated September 25, 1974, that EPA's recommendations are provided for in the overall contractual scheme discussed heretofore. In addition, the §401 certification requested by EPA and Article 46 responds to EPA's concerns. While we recognize that the chief responsibility for reoxygenation of the water passed downstream is that of the District's under the proposed contracts, we are requiring of Applicant that it consult and coordinate with interested parties and agencies to insure adequate water quality in the Snake River.

We have provided in Article 46 a framework for consultation and cooperation to insure maintenance of water quality at the project. Particulars such as those required under the §401 permit can be addressed within this format. Good faith consultation with interested agencies may reveal that more stringent requirements are desirable. In such a case, Article 46 provides a mechanism by which the natural resources involved will be protected.

The U.S. Department of Agriculture-Forest Service reported by letters dated July 25 and August 29, 1974, that this project would not affect National Forest land or resources, nor would it conflict with any project of which the Service is aware which should be or has been constructed by the United States.

The Department of Transportation-United States Coast Guard reported by letters dated July 23 and September 9, 1974, that it has no comments to offer nor any objection to the application.

Department of Commerce-National Marine Fisheries Service commented by letter dated June 28, 1974, that the project would have no direct effects on marine, estuarine, anadromous or inland commercial fisheries.

By letters dated May 31 and August 13, 1974, the U.S. Department of Health, Education and Welfare (HEW) said that it would be glad to comment on any draft environmental impact statement that the Commission might develop for this project. As we previously noted, Staff contributed to Reclamation's Final Environmental Statement on the American Falls Dam Replacement and Powerplant, which was made available to CEQ and the public on November 13, 1974, designated as INT-FES 74-60. */ Entities from whom comments were requested on that draft included HEW, but it did not choose to comment thereon.

The Chairman of the Pacific Northwest River Basins Commission reported by letter dated July 23, 1974, that the licensing of the project would be consistent with that Commission's approved comprehensive Columbia-North Pacific Framework Plan and that no significant historical or cultural assets are known to be involved in any environmental impacts.

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*/ Reclamation had previously developed and circulated a draft statement on the proposed legislation which became the Act of December 28, 1973.

The Idaho Department of Water Resources stated in letters dated July 18 and August 23, 1974, that inclusion of the project plant as part of the American Falls Dam Replacement Program is consistent with the objectives of the State Water Plan, and that it is in the public interest to support construction of the proposed power plant.

In a letter dated May 31, 1974, the Idaho Parks and Recreation Department (IPRD) stated that it supported any proposal which would result in early replacement of the dam. This support was qualified pending Idaho Fish and Game Commission (IFG) accepting a plan to mitigate the loss of the forebay fishery and approval of the project's impact on water quality by IDHW. As developed herein, we believe that their concerns have been satisfied. By further letter dated September 5, 1974, IPRD expressed its satisfaction that the public interest for recreation at the project is being fulfilled.

The Advisory Council on Historic Preservation suggested in a letter dated June 21, 1974, that the Environmental Impact Statement give evidence of contact with the Idaho Historic Preservation Officer and contain a copy of his comments on the effects of the project on historical, cultural, archaeological and architectural resources. Reclamation's Final Environmental Statement adopts both of these recommendations.

We have also received comments dated June 27, 1974, from the Idaho State Preservation Officer. He suggested that the 1902 power plant building would be an excellent interpretive center for Reclamation and noted that American Falls itself has long been of historic interest as a fur trade and Oregon Trail landmark.

We have consulted the National Register of Historical Places through February 4, 1975, and find no listed sites that would be affected by the project. By Article 44, however, we require Applicant to coordinate with Reclamation and the State Historic Preservation Officer for the future protection and enhancement of any historic resources within the project boundary.

The Idaho Department of Agriculture recommended by letter dated August 13, 1974, that the Exhibit R be approved and expressed the desire to see the entire rebuilding project implemented as soon as possible. With certain deletions noted herein we are approving the Exhibit R.

In a letter dated July 23, 1974, the State of Idaho, Division of Budget, Policy Planning and Coordination offered no comment on the application.

We believe that the licensing of American Falls Project No. 2736 best meets the standard of §10(a) of the Act, 16 U.S.C. §803(a). That section requires that a project approved shall "be best adapted to a comprehensive plan for improving or developing a waterway or waterways for the use or benefit of interstate or foreign commerce, for the improvement and utilization of waterpower development, and for other beneficial public uses, including recreational purposes...."

Utilization of added head from the Replacement Dam through additional units will increase power capacity of the existing site from 27.5 mW to 92.4 mW. This increase reflects a fuller development of the waterpower potential of the project than previously attained. Releases from storage for irrigation purposes will also occur at times of Applicant's greatest need to serve the area's electric loads, principal of which are pumping loads of irrigators. Better use will be made of recreational attributes of the area. Adequate mitigation measures have been provided for any adverse effects of the overall project, particularly in terms of the loss of the forebay fishery, potential turbine fish mortality, and water quality concerns.

The value of increased generation and its contribution to system reliability is great. Applicant is a member of the Western Systems Coordinating Council (WSCC), in addition to having its own interconnected system. In these times of increasing need for reliable power, the addition of this potential is necessary. Of course, the energy source is of a non-depleting nature, which contributes to its efficacy in terms of conservation of natural resources.

Further, we have evaluated the cost and benefits of this project in comparison with those of alternative thermal generating sources, which would require the utilization of supplies from diminishing sources of fossil fuels. We are persuaded, as indicated previously, that no better alternative exists to the licensing of this project, and that the action we take today best serves the public interest.

Our records show that Applicant is financially qualified to undertake the development of this project. We conclude that the project structures as proposed in the application would be safe and adequate if constructed in accordance with sound engineering practice.

Among the several contracts contemplated under the Act of December 28, 1973, is the unexecuted Falling Water Contract between the District and the Applicant, subject to the approval of the Secretary of the Interior to insure that the contract will not impair the efficiency of the dam to serve the other purposes of the Federal Minidoka project. In essence, the proposed Falling Water Contract provides for the Applicant to retire District bonds in the amount of $19,550,000 plus interest as payment for the use of "falling water" to help defray the cost of the Replacement Dam. Additional construction costs of over $19 million are proposed to be borne by spaceholders in the reservoir and, in certain instances, by the Government.

Apart from this obligation, it is also proposed that Applicant will also make supplemental falling water payments in the event that any of the spaceholders are in default of payment of their obligations. Applicant would assume under the contract the obligation to pay 33% of the operation and maintenance costs of the Replacement Dam. The proposed contract would provide for the use of standard Commission accounting procedures, and would terminate upon expiration of this license.

The proposed Falling Water contract also contemplates the possibility that the District may be required to issue Interim Notes in order to meet the construction schedule for the Replacement Dam and Reservoir. In such an event, the Applicant under the proposed contract would execute a guaranty agreement to the purchasers of such Interim Notes, upon approval by the appropriate regulatory agencies, among others. This licensing order shall not be construed as giving any approval required of the Commission under the Act, including Section 204 (16 U.S.C. §824c(a)), for such an issuance.

Pursuant to Section 10(e) of the Federal Power Act, 16 U.S.C. §803(e), we are required to fix a reasonable annual charge for the use of a Government dam, subject to readjustment by the Commission at the end of twenty years after the project is available for service and at periods of not less than ten years thereafter upon notice and opportunity for hearing. The Applicant's obligation to pay for falling water in accordance with the terms of the proposed Falling Water Contract is in essence payment for benefits received from the Government's American Falls Replacement Dam. At 1974 costs, the forty annual payments of principal and interest spread over fifty years of the license would require an estimated annual payment of $1,506,765 for falling water. In addition, the Applicant's payment of one-third of the annual operation and maintenance expenses of the Replacement Dam is estimated to average $10,000 annually and is in the nature of further annual charges. In light of the substantial nature of the proposed payments to be made by the Applicant toward the construction, maintenance and operation of the Replacement Dam we believe Applicant would in essence be paying an annual charge for the use of a Government dam within the meaning of Section 10(e) of the Act. However, we will defer our determination of reasonable annual charges until we can review, in light of any revised costs, the financial obligations assumed by the Applicant. Copies

of executed contracts and other documents relating to such financial obligations are to be promptly filed with the Commission under Article 36 of this license.

We believe that the record relative to the instant application had been fully developed and considered by this Commission. The facts have been fully developed in Reclamation's DEIS and comments thereon, as set out in the Final Environmental Impact Statement, public staff meetings, pleadings and other data on file with the Commission. Therefore, we do not believe that a trial-type hearing will contribute any new and relevant information and conclude that it is not in the public interest to hold such a hearing in this proceeding.

We conclude on the basis of the record before us that a power license should be issued to the Applicant for a term of fifty years effective on the first day of the month in which this order is issued.

Applicant filed several exhibits as part of its application. Exhibit J, General Map of the Project Area, and Exhibit K, Detail Maps of the Project Area, substantially conform to the Regulations and are approved as part of this license for Project No. 2736, subject to the provisions of Article 4, whereby Applicant will submit "as-built" Exhibits upon completion of construction or at such time as the Commission may require.

Of the 11 sheets filed as part of Exhibit L, General Design Drawings, we have included FPC No's 2736-18 through 22 as hereinafter described in this license. The remaining sheets were of an informational nature only and are not relevant to the design of the project.

Exhibit M, General Description and Specifications of Equipment is approved only as to those parts which describe part of the licensed project itself. Paragraph "1. Intake" was submitted for informational purposes only and equipment described therein is not a part of Project No. 2736 but rather of the Replacement Dam.

The revised Exhibit R filed July 15, 1974, is approved and made part of this license with the exception of portions of the text relating to expenditures of public funds authorized under the Act of December 28, 1973. Exhibit S is also approved. While we recognized previously that the primary responsibility for mitigation of any adverse environmental impacts from the Replacement Dam Program rests with District, we are requiring Applicant to consult and cooperate with appropriate agencies to help insure that the natural resources involved are protected. In this regard we note but do not include in the license the July 2, 1974, agreement between District and IFG, which Applicant filed as part of Exhibit R.

No conflicting applications are before the Commission at this time. We note that the license issued March 20, 1975, in Project No. 2258 is for the existing American Falls project.

One of the provisions of that order requires Applicant to make application to surrender Project No. 2258 when its generation is rendered inoperable by a more comprehensive hydroelectric development at American Falls.

Finally, Applicant noted in its Exhibits C, D, and E that application would be made to the Idaho State Department of Water Administration for a change in the point of diversion of the water at American Falls, to obtain permits for any additional water used, to construct project works in the river channel, and to remove certain of the existing facilities.

The Commission finds:

(1) The American Falls Powerplant Project No. 2736 would affect lands of the United States and the United States Department of the Interior Bureau of Reclamation American Falls Replacement Dam and would be located on a navigable waterway of the United States.

(2) Applicant is a corporation organized under the laws of the State of Maine and is authorized to do business in the State of Idaho.

(3) Public notice of the filing of the application for major license was given on December 5, 1973. Notice of intervention was filed by the Idaho Public Utilities Commission pursuant to section 1.8(d)(1) of this Commission's Rules of Practice and Procedure. Interventions were granted based on petitions filed by the Governor of Idaho, Honorable Cecil D. Andrus; Idaho Fish and Game Commission; American Falls Reservoir District; and the Shoshone-Bannock Tribes of the Fort Hall Indian Reservation, Idaho.

(4) Intervenor Idaho Fish and Game Commission should be permitted to withdraw its petition to intervene.

(5) A trial-type hearing is neither warranted nor in the public interest, as the record before this Commission is sufficient for decision.

(6) No conflicting application is before the Commission.

(7) Subject to the terms and conditions hereinafter imposed, the project does not adversely affect a Government dam, nor will the issuance of a license therefor, as hereinafter provided, affect the development of any water resources for public purposes which should be undertaken by the United States.

(8) Subject to the terms and conditions hereinafter imposed, the project will be best adapted to a comprehensive plan for improving or developing a waterway or waterways for the use or benefit of interstate or foreign commerce, for the improvement and utilization of waterpower development, and for other beneficial public uses, including recreational purposes.

(9) The estimated cost of developing the project compared to the estimated cost of developing suitable alternative sources of power is reasonable.

(10) The installed horsepower capacity of the project hereinafter authorized for the purpose of computing the capacity component of the administrative annual charge is 123,000 horsepower, and the amount of annual charges based on such capacity to be paid under the license for the project for the cost of administration of Part I of the Act is reasonable.

(11) The amount of annual charges to be paid under the license for recompensing the United States for the use, occupancy, and enjoyment of its lands is reasonable, as hereinafter fixed and specified.

(12) It is appropriate in the administration of the Federal Power Act to defer the question of reasonable annual charges to be assessed for the use of a Government dam.

(13) The plans of the structures affecting navigation have been approved by the Corps of Engineers.

(14) The term of the license hereinafter authorized is reasonable.

(15) The Exhibits designated and described in paragraph (B) below conform to the Commission's Rules and Regulations and should be approved as part of the license for the project.

(16) The Applicant has demonstrated satisfactory evidence that it has the necessary financial capabilities to undertake the development and operation of the project.

(17) Federal development of this project has been precluded by the Act of December 28, 1973.

The Commission orders:

(A) This license is hereby issued to Idaho Power Company (hereinafter Licensee) under the Federal Power Act for a fifty year period commencing the first day of the month in which this order is issued, for the construction, operation and maintenance of the American Falls Project No. 2736, located on the Snake River, in Power County, Idaho, and which occupies lands of the United States, will utilize water from and affect the American Falls Replacement Dam of the United States Department of the Interior Bureau of Reclamation, and further would affect navigable waters of the United States, subject to the terms and conditions of the Federal Power Act, which is incorporated herein by reference as part of this license, and subject to such rules and regulations as the Commission has issued or prescribed under the provisions of the Act.

(B) The American Falls Project No. 2736, consists of:

(i) all lands constituting the project area and enclosed by the project boundary, the limits of which are otherwise defined, and/or interests in such lands necessary or appropriate for the purposes of the project, whether such lands or interests therein are owned or held by the Licensee or the United States; such project area and project boundary being shown and described by certain exhibits which form part of the application for license which are designated and described as follows:

Exhibit	FPC No.	Showing
Exhibit J, Sheet 1 of 1	2736-32	General Map
Exhibit K, Sheet 1 of 2	2736-27	Detail Map
Exhibit K, Sheet 2 of 2	2736-28	Detail Map

(ii) project works consisting of: (1) three 18-ft. steel-lined penstocks extending approximately 240 ft. downstream from a connection with similar penstocks and intake works to be constructed as part of the Government's American Falls Replacement Dam to the centerline of project turbines; (2) a reinforced concrete powerhouse containing three adjustable-blade turbines each rated 42,000 hp at 88-ft. net head connected to three vertical-shaft, semi-outdoor type generators each rated 34.2 mVA (30.8 mW at 0.9 p.f.), a 175-ton gantry crane, and other related electrical and mechanical equipment; (3) a switchyard upstream from the powerhouse containing one three-phase transformer rated approximately 125 mVA, 13.8/138

kV, with circuit breakers and disconnect switches; (4) a 138-kV steel-pole transmission line extending approximately 2,100 ft. along the right bank and across the Snake River to the 138-kV switchyard of the existing American Falls Project No. 2258 of the Idaho Power Company; (5) a tailrace; (6) recreation facilities consisting of a public parking area, three small landscaped parks with picnic tables, a potable water supply and sanitary facilities, a public access area on the West bank of the Snake River to accommodate bank fishing, and boat launching facilities; and (7) appurtenant facilities: -- the location, nature and character of which are more specifically shown and described by the exhibits hereinbefore cited and by certain other exhibits which also form part of the application for license and which are designated and described as follows:

Exhibit L	FPC No	Showing
Sheet 1 of 10	2736-18	Project Layout-Plan & Section
Sheet 2 of 10	2736-19	Powerhouse General Arrangement-Top Deck & Generator Floor
Sheet 3 of 10	2736-20	Powerhouse General Arrangement-Turbine Floor & Inspection Gallery
Sheet 4 of 10	2736-21	Powerhouse General Arrangement-Transverse Sections
Sheet 5 of 10	2736-22	Powerhouse General Arrangement-Longitudial Section

Exhibit M: Consisting of three typewritten pages, filed February 6, 1974, entitled "General Description and Specification of Equipment", except for paragraph "1" on page 1.

Exhibit R (revised): Filed July 15, 1974 and consisting of:

(1) seven typewritten pages of text, except for the second paragraph on page 1 and the third full paragraph on page 5 thereof, and

(2) one map Exhibit R, page 1 of 1 (revised) (FPC No. 2736-29) entitled "Location Map - Recreational Facilities," insofar as it describes existing and proposed recreation sites.

Exhibit S (revised): Filed March 18, 1974, and consisting of five typewritten pages of text.

(iii) all of the structures, fixtures, equipment or facilities used or useful in the maintenance and operation of the project and located on the project area, and such other property as may be used or useful in connection with the project or any part thereof, whether located on or off the project area, if and to the extent that the inclusion of such property as part of the project is approved or acquiesced in by the Commission; together with all riparian or other rights, the use or possession of which is necessary or appropriate in the maintenance or operation of the project.

(C) This license is also subject to the following terms and conditions set forth herein as articles:

Article 1. The entire project, as described in this order of the Commission, shall be subject to all the provisions, terms, and conditions of the license.

Article 2. No substantial change shall be made in the maps, plans, specifications, and statements described and designated as exhibits and approved by the Commission in its order as a part of the license until such change shall have been approved by the Commission: Provided, however, That if the Licensee or the Commission deems it necessary or desirable that said approved exhibits, or any of them, be changed, there shall be submitted to the Commission for approval revised, or additional exhibit or exhibits covering the proposed changes which, upon approval by the Commission, shall become a part of the license and shall supersede, in whole or part, such exhibit or exhibits theretofore made a part of the license as may be specified by the Commission.

Article 3. The project works shall be constructed in substantial conformity with the approved exhibits referred to in Article 2 herein or as changed in accordance with the provisions of said article. Except when emergency shall require for the protection of navigation, life, health, or property, there shall not be made without prior approval of the Commission any substantial alteration or addition not in conformity with the approved plans to any dam or other project works under the license or any substantial use of project lands and waters not authorized herein; and any emergency alteration, addition, or use so made shall thereafter be subject to such modification and change as the Commission may direct. Minor changes in uses of project land and waters or in the project works or

divergence from such approved exhibits may be made if such changes will not result in decrease in efficiency, in material increase in cost, in an adverse environmental impact, or in impairment of the general scheme of development; but any of such minor changes made without the prior approval of the Commission, which in its judgment have produced or will produce any of such results, shall be subject to such alteration as the Commission may direct.

Article 4. Upon the completion of the project, or at such other time as the Commission may direct, the Licensee shall submit to the Commission for approval revised exhibits insofar as necessary to show any divergence from or variations in the project area and project boundary as finally located or in the project works as actually constructed when compared with the area and boundary shown and the works described in the license or in the exhibits approved by the Commission, together with a statement in writing setting forth the reasons which in the opinion of the Licensee necessitated or justified variations in or divergence from the approved exhibits. Such revised exhibits shall, if and when approved by the Commission, be made a part of the license under the provisions of Article 2 hereof.

Article 5. The construction, operation, and maintenance of the project and any work incidental to additions or alterations shall be subject to the inspection and supervision of the Regional Engineer, Federal Power Commission, in the region wherein the project is located, or of such other officer or agent as the Commission may designate, who shall be the authorized representative of the Commission for such purposes. The Licensee shall cooperate fully with said representative and shall furnish him a detailed program of inspection by the Licensee that will provide for an adequate and qualified inspection force for construction of the project and for any subsequent alterations to the project. Construction of the project works or any feature or alteration thereof shall not be initiated until the program of inspection for the project works or any such feature thereof has been approved by said representative. The Licensee shall also furnish to said representative such further information as he may require concerning the construction, operation, and maintenance of the project, and of any alteration thereof, and shall notify him of the date upon which work will begin, as far in advance thereof as said representative may reasonably specify, and shall notify him promptly in writing of any suspension of work for

a period of more than one week, and of its resumption and completion. The Licensee shall allow him and other officers or employees of the United States, showing proper credentials, free and unrestricted access to, through and across the project lands and project works in the performance of their official duties. The Licensee shall comply with such rules and regulations of general or special applicablility as the Commission may from time to time prescribe for the protection of life, health, or property.

Article 6. The Licensee within five years from date of issuance of the license shall acquire title in fee or the right to use in perpetuity all lands, other than lands of the United States, necessary or appropriate for the construction, maintenance and operation of the project. The Licensee, its successors and assigns shall, during the period of the license, retain the possession of all project property covered by the license as issued or as later amended, including the project area, the project works, and all franchises, easements, water rights, and rights of occupancy and use; and none of such properties shall be voluntarily sold, leased, transferred, abandoned, or otherwise disposed of without the prior written approval of the Commission, except that the Licensee may lease or otherwise dispose of interests in project lands or property without specific written approval of the Commission pursuant to the then current regulations of the Commission. The provisions of this article are not intended to prevent the abandonment or the retirement from service of structures, equipment, or other project works in connection with replacements thereof when they become obsolete, inadequate, or inefficient for further service due to wear and tear; and mortgage or trust deed or judicial sales made thereunder, or tax sales, shall not be deemed voluntary transfers within the meaning of this article.

Article 7. In the event the project is taken over by the United States upon the termination of the license, as provided in Section 14 of the Act, or is transferred to a new license or to a non-power licensee under the provisions of Section 15 of the Act, the Licensee, its successors and assigns will be responsible for and will make good any defect of title to or of right of occupancy and use in any of such project property which is necessary or appropriate or valuable and serviceable in the maintenance and operation of the project, and will pay and discharge, or will

assume responsibility for payment and discharge, of all liens or incumbrances upon the project or project property created by the Licensee or created or incurred after the issuance of the license: Provided, That the provisions of this article are not intended to require the Licensee, for the purpose of transferring the project to the United States or to a new Licensee, to acquire any different title to or right of occupancy and use in any of such project property than was necessary to acquire for its own purposes as Licensee.

Article 8. The actual legitimate original cost of the project, and of any addition thereto or betterment thereof, shall be determined by the Commission in accordance with the Act and the Commission's Rules and Regulations thereunder.

Article 9. After the first 20 years of operation of the project under the license, six percent per annum shall be the specified rate of return on the net investment in the project for determining surplus earnings of the project for the establishment and maintenance of amortization reserves, pursuant to Section 10(d) of the Act; one-half of the project surplus earnings, if any, accumulated after the first 20 years of operation under the license, in excess of six percent per annum on the net investment, shall be set aside in a project amortization reserve account as of the end of each fiscal year: Provided, that, if and to the extent that there is a deficiency of project earnings below six percent per annum for any fiscal year or years after the first 20 years of operation under the license, the amount of such deficiency shall be deducted from the amount of any surplus earnings accumulated thereafter until absorbed, and one-half of the remaining surplus earnings, if any, thus cumulatively computed, shall be set aside in the project amortization reserve account; and the amounts thus established in the project amortization reserve account shall be maintained therein until further order of the Commission.

Article 10. For the purpose of determining the stage and flow of the stream or streams on which the project is located, the amount of water held in and withdrawn from storage, and the effective head on the turbines, the Licensee shall install and thereafter maintain such gages and stream-gaging stations as the Commission may deem necessary and best adapted to the requirements; and shall provide for the required readings of such gages and for

the adequate rating of such stations. The Licensee shall also install and maintain standard meters adequate for the determination of the amount of electric energy generated by said project works. The number, character, and location of gages, meters, or other measuring devices, and the method of operation thereof, shall at all times be satisfactory to the Commission and may be altered from time to time if necessary to secure adequate determinations, but such alteration shall not be made except with the approval of the Commission or upon the specific direction of the Commission. The installation of gages, the ratings of said stream or streams, and the determination of the flow thereof, shall be under the supervision of, or in cooperation with, the District Engineer of the United States Geological Survey having charge of stream-gaging operations in the region of said project, and the Licensee shall advance to the United States Geological Survey the amount of funds estimated to be necessary for such supervision or cooperation for such periods as may be mutually agreed upon. The Licensee shall keep accurate and sufficient record of the foregoing determinations to the satisfaction of the Commission, and shall make return of such records annually at such time and in such form as the Commission may prescribe.

Article 11. The Licensee shall install additional capacity or make other changes in the project as directed by the Commission to the extent that it is economically sound and in the public interest to do so, after notice and opportunity for hearing.

Article 12 The Licensee shall, after notice and opportunity for hearing, coordinate the operation of the project, electrically and hydraulically, with such other projects or power systems and in such manner as the Commission may direct in the interest of power and other beneficial public uses of water resources, and on such conditions concerning the equitable sharing of benefits by the Licensee as the Commission may order.

Article 13. Whenever the Licensee is directly benefited by the construction work of another licensee, a permittee, or of the United States of a storage reservoir or other headwater improvements, the Licensee shall reimburse the owner of the headwater improvement for such part of the annual charges for interest, maintenance, and depreciation thereof as the Commission shall determine to be equitable, and shall pay to the United States the cost of making such determination as fixed by the Commission. For benefits provided by a storage reservoir or

other headwater improvements of the United States the Licensee shall pay to the Commission the amounts for which it is billed from time to time for such headwater benefits and for the costs of making the determinations pursuant to the then current Commission Regulations under the Federal Power Act.

Article 14. The United States specifically retains and safeguards the right to use water in such amount, to be determined by the Secretary of the Army, as may be necessary for the purposes of navigation on the navigable waterway affected; and the operations of the Licensee, so far as they affect the use, storage and discharge from storage of waters affected by the license, shall at all times be controlled by such reasonable rules and regulations as the Secretary of the Army may prescribe in the interest of navigation, and as the Commission may prescribe for the protection of life, health, and property, and in the interest of the fullest practicable conservation and utilization of such waters for power purposes and for other beneficial public uses, including recreational purposes, and the Licensee shall release water from the project reservoir at such rate in cubic feet per second, or such volume in acre-feet per specified period of time, as the Secretary of the Army may prescribe in the interest of navigation, or as the Commission may prescribe for the other purposes hereinbefore mentioned.

Article 15. On the application of any person, association, corporation, Federal agency, State or municipality, the Licensee shall, after notice and opportunity for hearing, permit such reasonable use of its project properties, including works, lands and water rights, or parts thereof, as may be ordered by the Commission in the interest of comprehensive development of the waterway or waterways involved and the conservation and utilization of water resources of the region, for water supply, or for the purpose of steam-electric, irrigation, industrial, municipal or similar uses. The Licensee shall receive reasonable compensation, at least full reimbursement for any damages or expenses which the joint use causes him to incur, for use of its reservoir or other project properties or parts thereof for such purposes, any such compensation to be fixed by the Commission either by approval of an agreement between the Licensee and the party or parties benefiting or after notice and opportunity for hearing. Applications shall contain information in sufficient detail to afford a full understanding of the proposed use, including satisfactory evidence that the applicant possesses necessary

water rights pursuant to applicable State law, or a showing of cause why such evidence cannot be concurrently submitted, and a statement as to the relationship of the proposed use to any State or municipal plans or orders which may have been adopted with respect to the use of such waters.

Article 16. In the construction or maintenance of the project works, the Licensee shall place and maintain suitable structures and devices to reduce to a reasonable degree the liability of contact between its transmission lines and telegraph, telephone and other signal wires or power transmission lines constructed prior to its transmission lines and not owned by the Licensee, and shall also place and maintain suitable structures and devices to reduce to a reasonable degree the liability of any structures or wires falling or obstructing traffic or endangering life. None of the provisions of this article are intended to relieve the Licensee from any responsibility or requirement which may be imposed by other lawful authority for avoiding or eliminating inductive interference.

Article 17. The Licensee shall, for the conservation and development of fish and wildlife resources, construct, maintain, and operate, or arrange for the construction, maintenance and operation of such reasonable facilities and comply with such reasonable modifications of the project structures and operation as may be ordered by the Commission upon its own motion or upon the recommendation of the Secretary of the Interior or the fish and wildlife agency or agencies of any State in which the project or a part thereof is located, after notice and opportunity for hearing.

Article 18. Whenever the United States shall desire, in connection with the project, to construct fish and wildlife facilities or to improve the existing fish and wildlife facilities at its own expense, the Jcensee shall permit the United States or its designated agency to use, free of cost, such of Licensee's lands and interest in lands, reservoirs, waterways and project works as may be reasonably required to complete such facilities or such improvements thereof. In addition, after notice and opportunity for hearing, the Licensee shall modify the project operation as may be reasonably prescribed by the Commission in order to permit the maintenance and operation of the fish and wildlife facilities constructed or improved by the United States under the provisions of this article.

This article shall not be interpreted to place any obligation on the United States to construct or improve fish and wildlife facilities or to relieve the Licensee of any obligation under this license.

Article 19. The Licensee shall construct, maintain and operate, or shall arrange for the construction, maintenance and operation of such reasonable recreational facilities, including modifications thereto, such as access roads, wharves, launching ramps, beaches, picnic and camping areas, sanitary facilities and utilities, giving consideration to the needs of the physically handicapped, and shall comply with such reasonable modifications of the project as may be prescribed hereafter by the Commission during the term of this license upon its own motion or upon the recommendation of the Secretary of the Interior or other interested Federal and State agencies, after notice and opportunity for hearing.

Article 20. So far as is consistent with proper operation of the project, the Licensee shall allow the public free access, to a reasonable extent, to project waters and adjacent project lands owned by the Licensee for the purpose of full public utilization of such lands and waters for navigation and for outdoor recreational purposes, including fishing and hunting: Provided, That the Licensee may reserve from public access, such portions of the project waters, adjacent lands, and project facilities as may be necessary for the protection of life, health, and property.

Article 21. The Licensee shall be responsible for and shall take reasonable measures to prevent soil erosion on lands adjacent to the stream(s) and to prevent stream siltation or other forms of water or air pollution resulting from construction, operation or maintenance of the project. The Commission upon request, or upon its own motion, may order the Licensee to take such measures as the Commission may find to be necessary for these purposes, after notice and opportunity for hearing.

Article 22. Licensee shall dispose of all temporary structures, unused timber, brush, refuse, or other unneeded material resulting from the clearing of lands or from the maintenance or alteration of the project works. Disposal of the material shall be done with due diligence and to the satisfaction of the authorized representative of the Commission and in accordance with appropriate Federal, State, and local laws and regulations.

Article 23. Insofar as any material is dredged or excavated in the prosecution of any work authorized under the license, or in the maintenance of the project, such material shall be removed and deposited in such a manner as to reasonably preserve the project environmental values and so as not to interfere with traffic, both land and water. Dredging and filling in a navigable water of the United States will also be done to the satisfaction of the District Engineer, Department of the Army, in charge of the locality.

Article 24. Whenever the United States shall desire to construct, complete, or improve navigation facilities in connection with the project, the Licensee shall convey to the United States, free of cost, such of its lands and its rights-of-way and such right of passage through its dams or other structures, and permit such control of pools as may be required to complete and maintain such navigation facilities.

Article 25. The operation of any navigation facilities which may be constructed as a part of or in connection with any dam or diversion structure constituting a part of the project works shall at all times be controlled by such reasonable rules and regulations in the interest of navigation, including the control of the level of the pool caused by such dam or diversion structure, as may be made from time to time by the Secretary of the Army.

Article 26. The Licensee shall furnish free of cost to the United States power for the operation and maintenance of navigation facilities in the vicinity of the project at the voltage and frequency required by such facilities and at a point adjacent thereto whether said facilities are constructed by the Licensee or by the United States.

Article 27. The Licensee shall for the protection of navigation, construct, maintain and operate at its own expense such lights and other signals on fixed structures in or over navigable waters of the United States as may be directed by the Secretary of the Department in which the Coast Guard is operating.

Article 28. The Licensee shall be liable for injury to, or destruction of, any buildings, bridges, roads, trails, lands, or other property of the United States, occasioned by the construction, maintenance, or operation of the project works or of the works appurtenant or accessory thereto under the license. Arrangements to meet such

liability, either by compensation for such injury or destruction, or by reconstruction or repair of damaged property, or otherwise, shall be made with the appropriate department or agency of the United States.

Article 29. The Licensee shall allow any agency of the United States, without charge, to construct or permit to be constructed on, through, and across those project lands which are lands of the United States such conduits, chutes, ditches, railroads, roads, trails, telephone and power lines, and other means of transportation and communication not inconsistent with the enjoyment of said lands by the Licensee for the purposes of the license. This license shall not be construed as conferring upon the Licensee any right of use, occupancy, or enjoyment of the lands of the United States other than for the construction, operation, and maintenance of the project as stated in the license.

Article 30. In the construction and maintenance of the project, the location and standards of roads and trails on lands of the United States and other uses of lands of the United States, including the location and condition of quarries, borrow pits, and spoil disposal areas, shall be subject to the approval of the department or agency of the United States having supervision over the lands involved.

Article 31. The Licensee shall make provision, or shall bear the reasonable cost, as determined by the agency of the United States affected, of making provision for avoiding inductive interference between any project transmission line or other project facility constructed, operated, or maintained under the license, and any radio installation, telephone line, or other communication facility installed or constructed before or after construction of such project transmission line or other project facility and owned, operated, or used by such agency of the United States in administering the lands under its jurisdiction.

Article 32. The Licensee shall cooperate with the United States in the disposal by the United States of mineral and vegetative materials, under the Act of July 31, 1947, 61 Stat. 681, as amended (30 U.S.C. §601, et seq.) from lands of the United States occupied by the project or any part thereof: Provided, That such disposal has been authorized by the Commission and that it does not unreasonably interfere with the occupancy of such lands by the

Licensee for the purposes of the license: Provided further, That, in the event of disagreement, any question of unreasonable interference shall be determined by the Commission after notice and opportunity for hearing.

Article 33. If the Licensee shall cause or suffer essential project property to be removed or destroyed or to become unfit for use, without adequate replacement, or shall abandon or discontinue good faith operation of the project or refuse or neglect to comply with the terms of license and the lawful orders of the Commission mailed to the record address of the Licensee or its agent, the Commission will deem it to be the intent of the Licensee to surrender the license. The Commission, after notice and opportunity for hearing, may require the Licensee to remove any or all structures, equipment and power lines within the project boundary and take any such other action necessary to restore the project stream(s), lands, and facilities remaining within the project boundary to a condition satisfactory to the United States agency having jurisdiction over its lands or the Commission's authorized representative, as appropriate, or provide for the continued operation and maintenance of non-power facilities and fulfill such other obligations under the license as the Commission may prescribe. The Commission, in its discretion, may also terminate the license.

Article 34. The right of the Licensee and of its transferees and successors to use or occupy waters, over which the United States has jurisdiction, or lands of the United States under the license, for the purpose of maintaining the project works or otherwise, shall absolutely cease at the end of the license period, unless Licensee has obtained a new license pursuant to the then existing laws and regulations, or an annual license under the terms and conditions of this license.

Article 35. This license shall not be construed as affecting in any way any claim the licensee may have concerning its water rights acquired pursuant to State law. Those rights, not this license, shall govern any claim the licensee may advance against the United States or other parties claiming through the United States for any damages resulting from any future depletion in the flow of the waters of the Snake River and its tributaries for the irrigation of lands or other beneficial consumptive uses.

Article 36. Licensee shall promptly file for Commission information copies of all executed contracts

and other documents relating to any financial obligations assumed by it with respect to the American Falls Replacement Dam and Reservoir.

Article 37. During the planning and design period prior to construction of the project, the Licensee shall consult with the District Engineer, Corps of Engineers, Walla Walla District, concerning the Department of the Army permit requirements.

Article 38. Licensee shall within 1 year from the effective date of this license: (1) complete a study, in consultation with appropriate Federal, State and local agencies, to determine the need, if any, of an alternative alignment and/or clearance for the 138-kV transmission line extending from the powerhouse to the American Falls switchyard necessary for the safety and protection of persons using the reservoir for navigational and recreational purposes, and (2) file a revised Exhibit F and submit for Commission approval revised Exhibits J, K, M, and L, reflecting any change in alignment or clearance of the 138-kV transmission line, in conformance with the Commission's rules and regulations.

Article 39. Licensee shall in the design, construction and maintenance of the project works, including transmission lines, follow the Commission's "Guidelines for the Protection of Natural, Historic, Scenic and Recreational values in the Design and Location of Rights-of-Way and Transmission Facilities" of Commission Order No. 414 and other recognized engineering and landscaping practices as may be needed to protect and preserve the environmental values of the project.

Article 40. The Licensee shall, during the development and operation of the project, continue to consult and cooperate with the U.S. Fish and Wildlife Service, U.S. Environmental Protection Agency, Idaho Department of Fish and Game, Idaho Department of Water Resources, and other appropriate environmental agencies for the protection and development of the natural resources of the project area.

Article 41. The Licensee shall, to the satisfaction of the Commission's authorized representative, install and operate such signs, lights, sirens or other devices

below the powerhouse to warn the public of fluctuations in flow from the project, as may be reasonably needed to protect the public in its recreational use of project lands and waters.

Article 42. The Licensee shall, in cooperation with the U.S. Department of the Interior, State and local agencies, construct, maintain and operate, or arrange for the construction, maintenance and operation thereof, a parking area along the access road to the powerhouse; a foot trail to provide public access, extending from this road, under the railroad bridge, to the west riverbank tailrace area; and a boat dock (Development 6) adjacent to the existing park (Development 1, as shown on the Exhibit R drawing FPC No. 2763-29).

Article 43. Licensee shall consult and cooperate with the Idaho Department of Health and Welfare and comply with State and local regulations in planning and providing for the collection, storage, and disposal of solid wastes generated through public access and use of project lands and waters, and, within one year after issuance of this license, shall file with the Commission a solid waste management plan which has been approved by the Idaho Department of Health and Welfare. This plan shall provide: (a) the location of solid waste receptacles to be provided at public areas, picnicking areas, and boat access areas; (b) schedules of collection for the above receptacles; (c) provisions for including in the subject plan any public use areas as they may be developed; and (d) disposal sites and methods of disposal.

Article 44. The Licensee shall cooperate with the U.S. Department of the Interior's Bureau of Reclamation and the Office of the Idaho State Historic Preservation Officer: (1) in developing plans or procedures for the protection, during and after project construction, of any historic resources identified as being within the project boundaries including the Old Island Powerhouse, and (2) in developing and executing plans for the improvement of such structures in the interest of recreation, education, and historic preservation, including the provision of public access to such resources.

Article 45. The Licensee, within 1 year of the date of issuance of the license and following consultation and cooperation with the U.S. Department of the Interior's Bureau of Reclamation and Fish and Wildlife Service, and

the Idaho Department of Fish and Game, shall prepare and submit for Commission approval plans for a comprehensive, 3-year research study devised to determine the mortality rate of fish passed downstream via the turbines. The Licensee shall file annual progress reports with the Commission and at the termination of the study, shall file with the Commission a final report to include recommendations for any changes in project structures or operations as indicated desirable from the study, or the need for any continuation of the study.

Article 46. The Licensee, following consultation with appropriate Federal and State water quality agencies, shall cooperate with the Bureau of Reclamation and the American Falls Reservoir District in the installation, maintenance, and the continuous operation of a dissolved oxygen and temperature monitoring system in the Snake River immediately downstream from the project tailrace. Licensee will insure that procedures exist whereby water releases from the Replacement Dam will bypass the project when the D.O. levels as measured by the system fail to meet the approved State standards. The Licensee shall maintain records of the data gathered and shall file with the State Health and Welfare and Fish and Game Departments and the Commission annual summaries, or summaries for other intervals when requested, reporting observed daily minimum, maximum, and average dissolved oxygen concentrations and temperatures, and any actions taken when the D.O. levels were below the approved State Standard.

Article 47. The Licensee shall commence construction of the project within two years from the effective date of the license and shall thereafter in good faith and with due diligence prosecute such construction, and shall complete construction of such project works within four years from the effective date of the license.

Article 48. The Licensee shall pay the following annual charges, effective as of the first day of the month in which this license is issued:

(i) For the purpose of reimbursing the United States for the cost of administration of Part I of the Act, a reasonable annual charge as determined by the Commission in accordance with the provisions of its regulations, in effect from time to time. The authorized installed capacity for such purposes is 123,000 horsepower; and

Capacity & generation

(ii) For the purpose of recompensing the United States for the use, occupancy, and enjoyment of 10.31 acres of its lands, $24.74, or such amount as may be determined from time to time pursuant to the Commission's Regulations; and

use of U.S. land

(iii) For the purpose of recompensing the United States for the use, occupancy, and enjoyment of the American Falls Replacement Dam, an amount to be hereafter determined by the Commission. Upon receipt from the Licensee of the executed contracts, as provided for in Article 36 herein, the Commission will determine the amount of reasonable annual charges to be paid by Licensee for the purpose of recompensing the United States for the use, occupancy, and enjoyment of the American Falls Replacement Dam.

Article 49. The terms and conditions expressly set forth in the license shall not be construed as impairing any terms and conditions of the Federal Power Act which are not expressly set forth herein.

(D) The Exhibits designated and described in Paragraph (B) above are hereby approved and made a part of the license to the extent heretofore noted.

(E) Intervenor Idaho Fish and Game Commission is hereby permitted to withdraw its petition to intervene.

(F) This order shall become final 30 days from the date of its issuance unless application for rehearing shall be filed as provided in Section 313(a) of the Act, and failure to file such an application shall constitute acceptance of this license. In acknowledgment of the acceptance of this license it shall be signed for the Licensee and returned to the Commission within 60 days from the date of issuance of this order.

By the Commission.

(S E A L)

Kenneth F. Plumb,
Secretary.

IN TESTIMONY of its acknowledgment of acceptance of all of the provisions, terms and conditions of this license, Idaho Power Company, this ____ day of _____, 1975, has caused its corporate name to be signed hereto by _____, its _____ President, and its Corporate Seal to be affixed hereto and attested by _____, its _____ Secretary, pursuant to a resolution of its Board of Directors duly adopted on the _____ day of _____, 1975, a certified copy of the record which is attached hereto.

Idaho Power Company

By _____
President

Attest:

_____
Secretary

(Executed in Quadruplicate)

12-12-1975 BOR Memo to DC re AF Replacement Dam

United States Department of the Interior
BUREAU OF RECLAMATION

FEDERAL BUILDING & U.S. COURTHOUSE
BOX 043-550 WEST FORT STREET
BOISE, IDAHO 83724

IN REPLY
REFER TO: 440
832.

Dec. 12, 1975

Memorandum

To: Commissioner, Washington, D.C.
Attention: 400

From: Regional Director, Boise, Idaho

Subject: Proposed Contracts for the Accomplishment of the American Falls Replacement Dam Program, Minidoka Project, Idaho-Wyoming

Enclosed for your consideration and approval as to form are three copies of the proposed contractual documents to provide for the financing, construction, operation, and maintenance of the American Falls Replacement Dam Program. Also enclosed are four copies of a draft of approval memorandum and a copy of the previous contracts sent to you by letter of September 13, 1975, in which we have indicated the revisions made since the September 3, 1975, drafts.

The package of contractual documents consists of (1) the contract between the United States and the American Falls Reservoir District (Government Contract); (2) the contract between the American Falls Reservoir District and the Idaho Power Company (Falling Water Contract); (3) the form of contract to be used (a) among the United States, the American Falls Reservoir District and each district, canal company, and individual (Spaceholder Contracts), and (b) between the United States on behalf of its Michaud Division of the Fort Hall Indian Reservation and the American Falls Reservoir District (Spaceholder Contract); and (4) the agreement between the American Falls Reservoir District and the Idaho Power Company concerning the water quality facilities (Water Quality Facilities Agreement).

A Spaceholder Contract will also be executed with the Idaho Power Company for the 45,000 acre-feet of space which it presently has under contract. While the form will be similar to other Spaceholder Contracts there will be some deviations. We are still working on this contract and will attempt to have it in your hands prior to the time of submittal of the contract package to the Secretary.

Pursuant to the April 25, 1957, memorandum of agreement between the Bureau of Reclamation and the Bureau of Indian Affairs, the Michaud

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Let's Clean Up America For Our 200th Birthday

Division of the Fort Hall Indian Reservation is entitled to the use of water accruing to 47,700 acre-feet of the reservoir's active capacity. The Spaceholder Contract for the Michaud Division of the Fort Hall Indian Project has been prepared for signature by the Regional Director on behalf of the United States and the American Falls Reservoir District. As the result of discussions between the Field Solicitor and the Associate Solicitor--Energy and Resources, it was concluded that the approval of this contract should be handled at the Washington office level between Reclamation and the Bureau of Indian Affairs and we have not pursued this matter with the Tribal Council.

Excluding the 47,700 acre-feet of space retained by the United States for the Fort Hall Indian Reservation, we have received resolutions from 22 of the 34 contractors indicating that they will call an election on the form of contract. This represents about 91 percent of the reservoir space. All of the nine lower valley reservoir water users, which hold 76 percent of the space, have provided resolutions while 13 of the 25 upper valley water users have responded, 68 percent of the remaining 24 percent of the reservoir space. However, we have been advised that each water-user organization except one has orally indicated that they will proceed to call elections.

The districts are scheduling the elections for the middle of January 1976, and while it is not necessary to have the form of contracts approved by this date, any contract matter which would result in an increase in the financial obligation of the entity would have to be resolved prior to that time as the entities are voting on a maximum obligation. We have been advised that if the bill concerning the tax-exempt status of the bonds has not been passed by December 31, 1975, the elections will probably be delayed. We believe that Congress plans to recess after December 19 and if this is so, the bill would have to be passed before that date. Continued delays in the enactment of this legislation could drastically affect the ability to let a contract in order to initiate construction in 1976.

This office has not evaluated the benefits which the Idaho Power Company will realize from the use of the falling water and the monetary compensation being made by the company. While we have been involved in the review of the plans, designs, and specifications, we have not prepared cost estimates for the American Falls Replacement Dam Program nor have we reviewed those prepared by Bechtel Incorporated.

The Field Solicitor, Boise, Idaho, has participated quite extensively in the contract discussion and preparation. His views concerning the legal sufficiency of the contractual documents are contained in the memorandum to the Associate Solicitor--Energy and Resources which will be transmitted under separate letter.

If we can assist you in any way to expedite the approval of these documents please advise.

Rod Kissee

Enclosures
Contractual Documents, 9-3-75, Rev. 11-24-75 (3)
Approval Memorandum (4)
Sept. 3, 1975, Contracts Marked with Revisions (1)
Mag Cards for Approval Memorandum

cc: Chief, Div. of Water O&M, E&R Center
(w/encls: Contractual Documents (1), Approval Memorandum (2),
Pages from Sept. 3, 1975, Contracts which have been revised)
Director of Design & Construction, E&R Center
(w/encls: Contractual Documents (1), Approval Memorandum (1),
Pages from Sept. 3, 1975, Contracts which have been revised)
Field Solicitor, Boise, Idaho
(w/encls: Contractual Documents (1), Approval Memorandum (1),
Pages from Sept. 3, 1975, Contracts which have been revised)
Project Superintendent, Burley, Idaho
(with Contractual Documents)

1-6-1976 BOR Memo to DC re: Proposed Contracts for AF Dam

United States Department of the Interior

BUREAU OF RECLAMATION

ENGINEERING AND RESEARCH CENTER

P.O. BOX 25007
BUILDING 67, DENVER FEDERAL CENTER
DENVER, COLORADO 80225

IN REPLY
REFER TO: 430
832.

JAN 8 1976

Memorandum

JAN 6 1976

To: Commissioner
Attention: 440

From: Chief, Division of Water Operation and Maintenance

Subject: Proposed Contracts for the Accomplishment of the American Falls Replacement Dam Program, Minidoka Project, Idaho-Wyoming
(Regional Director's Memorandum Dated December 12, 1975)

The proposed contractual documents, PN Region, 9-3-75, Rev. PN 11-24-75, for the financing, construction, operation, and maintenance of the American Falls Replacement Dam Program have been reviewed by the Office of Design and Construction and the Division of Water Operation and Maintenance. We believe the following revisions should be made to the Government contract:

Page 5. - Insert the following between lines 17 and 18:
"Director of Design and Construction" shall mean the Director of Design and Construction, United States Department of Interior, Bureau of Reclamation, Office of Design and Construction, Engineering and Research Center, P.O. Box 25007, Building 67, Denver Federal Center, Denver, Colorado 80225.

Page 12, line 22 should be revised to - (IV) appropriate controls of spillway, intake and sluiceway gates for operation of the Replacement Dam in the event of an emergency at the powerplant; and

Otherwise, to us the proposed contracts are satisfactory.

Editorial comments follow:

Government Contract

Page 1, line 13, comma should precede "and".

Page 12, line 17, should read "*** U.S.C. and G.S. ***".

Page 15, line 10, revise to "*** shall be submitted to the Director of Design and Construction and his determination shall be final ***".

Page 20, line 4, revise to "*** be decided by the Director of Design and Construction, who shall provide his decision promptly in writing ***".

Page 25, line 11. - We believe it would be better to say "*** prevention of beach erosion ***".

Falling Water Contract

Page 2, line 6, revise to "*** top eleven and three-tenths (11.3) feet ***".

Page 20, line 16. - We do not believe the phrase "hydrometric system and stream gauges" is correct. We suspect "hydrologic and meteorologic data collection facilities" may have been meant, but we are not sure enough to suggest a specific revision.

Page 28, line 6. - Again we believe it would be best to say "*** prevention of beach erosion ***".

Page 76, line 24. - "Agenty" should be "Agency".

Spaceholder Contract (a)

Page 12, line 14. - Again, we do not believe the phrase "hydrometric system and stream gauges" is correct.

Page 40, line 1. - revise to "*** U.S.C. and G.S. ***".

Spaceholder Contract (b)

Page 27, line 3. - revise to "*** U.S.C. and G.S. **".

This memorandum has the concurrence of the Director of Design and Construction.

Bill Pickard

Copy to: Regional Director, Boise, Idaho, Attention: 440
Director of Design and Construction, E&R Center

2-25-1976 BOR Memo to Secretary of Interior re: Proposed Contracts for AF Dam

United States Department of the Interior

BUREAU OF RECLAMATION
WASHINGTON, D.C. 20240

IN REPLY
REFER TO: 440
510.

FEB 25 1976

Memorandum

To: Secretary of the Interior

From: Commissioner of Reclamation

Subject: Proposed Contracts for the Replacement of American Falls Dam--Minidoka Project, Idaho-Wyoming

1. Introduction: The Act of December 28, 1973 (87 Stat. 904), authorized the American Falls Reservoir District to undertake the construction and financing of a dam to replace the existing American Falls Dam on the Snake River, Idaho, on behalf of all of the water users who have previously contracted for storage in the American Falls Reservoir. The work to be accomplished by the district consists of the construction of a replacement dam with a two-lane highway on the crest and a bridge immediately downstream, facilities for recreation and fish and wildlife mitigation, water quality facilities, and other related facilities, hereinafter referred to collectively as the American Falls Replacement Dam Program. Upon completion, the United States will take title to the dam as a feature of the Minidoka Project.

Before construction may be initiated, it is necessary, as provided by the Act of December 28, 1973, that the following documents be executed or approved in behalf of the United States:

a. A contract to be executed between the United States and the American Falls Reservoir District (Government contract).

b. A contract to be approved by the United States between the American Falls Reservoir District and the Idaho Power Company (Falling Water contract).

c. Contracts to be executed among the United States, the American Falls Reservoir District, and the 34 individual districts, companies, and individuals which have contracts with the United States

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440 project file

for storage of water in the existing dam and reservoir (Spaceholder contracts). A contract will also be required for space which the United States holds for the Michaud Division of the Fort Hall Indian Reservation.

d. An agreement, to be approved by the United States, between the American Falls Reservoir District and the Idaho Power Company concerning the construction, operation, and maintenance of the water quality facilities (Water Quality Facilities agreement).

2. Contracting Entities:

a. American Falls Reservoir District: The formation of the American Falls Reservoir District was approved by the shareholders of the Aberdeen-Springfield, Martin, North Side, Twin Falls, and Woodville Canal Companies on January 16, 1923. The district was organized for the purpose of selling bonds to finance the component canal companies' shares of the cost of constructing the original dam. The district is essentially an administrative and not an operating organization. It has 460,170 acre-feet of space in American Falls Reservoir under contract on behalf of the five canal companies. More than 400,000 of the 900,000 irrigated acres receiving water from American Falls Reservoir lie within the boundaries of the American Falls Reservoir District.

For the replacement dam, the American Falls Reservoir District will act on behalf of the spaceholders with respect to contractual arrangements with the United States and with the Idaho Power Company. The district will secure financing for the construction program and will act as the constructing agency.

b. Idaho Power Company: The Idaho Power Company began operations with nine hydroelectric generating plants in August 1916. Currently, the company has assets of more than $600 million. It operates 14 major generating facilities and some smaller facilities with a maximum system capacity of about 1 million kilowatts. About 19,000 miles of transmission and distribution lines are also owned and operated by the company.

c. Spaceholders: Contracts for a water supply from the existing American Falls Dam and Reservoir were executed by the United States with 14 districts, 18 companies, 2 individuals, and on behalf of the Michaud Division of the Fort Hall Indian Reservation.

3. Project History: American Falls Dam, a feature of the Minidoka Project, is centrally located within the project service area and is adjacent to the city of American Falls, Idaho. The dam was constructed by the Bureau of Reclamation in 1927 and forms a reservoir with 1.7 million acre-feet of capacity. Nearly half of the usable main-stem storage in the upper Snake River Basin of the Minidoka Project results from the impoundment. The upper Snake River Basin reservoirs (Jackson Lake, Palisades, American Falls, and Lake Walcott) are operated as a coordinated system to provide irrigation water to lands throughout the basin and to serve flood control, recreation, fish and wildlife, and power generation.

As of June 30, 1975, $6,979,335 had been repaid of the total construction charge obligation of $7,511,087 for the dam and reservoir. In March 1975, departmental approval was received for the form of a proposed repayment contract covering a $1.5 million rehabilitation and betterment program to modernize facilities of the Burley Irrigation District, which holds some 9 percent of active capacity in the existing dam and reservoir. The repayment contract was executed in January 1976, and funds are available to initiate the program this fiscal year.

Abnormal cracking throughout the concrete portion of the dam was reported as early as 1929 and has become progressively more severe so that the safety of the dam is impaired. As a result of stability analyses conducted in 1972 and studies by a private board of consultants, reservoir filling has been restricted to 11.3 feet below full pool at elevation 4,354.5 feet mean sea level. This restriction limits storage to 1.125 million acre-feet. The use of 575,000 acre-feet, or 34 percent of the reservoir capacity, is precluded.

4. Federal Authorization, Subsequent Actions, and Estimated Cost: In December 1972, the Regional Director, Bureau of Reclamation, Boise, Idaho, completed a preliminary special report which identified a plan to replace the American Falls Dam with a new concrete and earthfill dam immediately downstream from the existing dam. Following a request of the water users, the Idaho Power Company, in consultation with Bechtel Incorporated, evaluated alternatives to the proposed Federal replacement dam. The major objectives were to reduce costs to the water users and to facilitate earlier construction.

The following findings were presented to the water users: (1) A replacement dam utilizing portions of the existing dam could be constructed for about $20,700,000; (2) The replacement dam could be completed in about 15 months following initiation of construction; and (3) The Idaho Power Company would pay to the spaceholders an amount equal to the annual

requirements for amortization of the spaceholders' bonds over a 40-year period, up to the actual cost of the dam but not to exceed $19 million plus interest, if the company were permitted to utilize the irrigation water released annually from the replacement dam for power generation. Such use would be at a new powerplant to be constructed, operated, and maintained by the Idaho Power Company at the replacement dam.

As the result of the findings by Bechtel Incorporated and the financing proposal by the Idaho Power Company, the water users supported legislation to authorize non-Federal construction. The Act of December 28, 1973, authorized the American Falls Reservoir District to: finance and construct the American Falls Replacement Dam Program; transfer the completed replacement dam and the related facilities to the United States to operate and maintain; contract with the present water users for the repayment of costs incurred in such construction; and contract with a non-Federal entity to use the water released from the replacement dam for power generation.

Subsequently, it was necessary to obtain approval from State and other Federal entities which have jurisdiction over various aspects of the proposed program. The following actions have now been consummated, contingent upon execution of the enclosed contracts:

(1) Approval by the State of Idaho and the Environmental Protection Agency of an amended water quality standard for dissolved oxygen content for a portion of the Snake River below American Falls Dam.

(2) A license from the Federal Power Commission (FPC) permitting the Idaho Power Company to construct and operate a new powerplant at American Falls.

(3) Agreements with the State concerning fish and wildlife mitigation.

(4) Enactment, on December 23, 1975, of Public Law 94-164 (89 Stat. 970). Section 7 of that act amends section 103 of the Internal Revenue Code of 1954 to provide tax-exempt status for the interest on bonds that the American Falls Reservoir District will issue to finance the construction program. The uncertain tax status of such obligations had been a major factor in delaying the construction start beyond the scheduled date of late 1974.

Another difficulty has been opposition by some of the water users to the magnitude of the payments to be made by the Idaho Power Company for the use of "falling water." After further negotiations with the Idaho Power Company, the amount of those payments was increased so that the company's

annual payments to the district will be sufficient to retire, with interest, over a 40-year period the sum of (a) $19,550,000, (b) the costs of the water quality facilities, and (c) approximately one-half of all construction costs in excess of $38 million.

The total cost of the American Falls Replacement Dam Program, including fish and wildlife mitigation costs, water quality costs, financing costs, and other items not included in the original estimate, is now estimated at $40,750,000. To assure, to the extent possible, that sufficient bonds would be authorized in the spaceholder elections, that amount was increased to $44,750,000, of which $21,784,266 will be repaid by the spaceholders and $22,965,734 as falling water payments by the Idaho Power Company.

The financing and repayment arrangements were developed by a negotiating committee formed by the water user organizations. Although the Bureau of Reclamation participated in the negotiating sessions, it did not participate in determining the program cost estimates nor has it evaluated the benefits resulting from the use of the water for power generation to determine if the falling water payments are equitable.

5. Contractual Arrangements:

GOVERNMENT CONTRACT

The contract between the United States and the American Falls Reservoir District will authorize the district to finance and provide for the construction of the American Falls Replacement Dam Program; upon completion, to transfer the replacement dam and the related facilities to the United States to operate and maintain; and to provide for the utilization of water released from the replacement dam for power generation by the Idaho Power Company.

The contract is divided into six parts.

Part I defines terminology used in the contract and sets forth the term of the contract which will continue until mutually terminated. However, after April 1, 1977, either party may terminate the contract unless, prior to notice of termination or within 60 days after such notice by the contracting officer, the district has contracted to sell bonds to construct or equip the replacement dam.

Part II pertains to preconstruction and construction activities and:

(1) Requires the district to develop plans, designs and specifications, and a construction work schedule for the American Falls Replacement Dam Program. The district must also develop a plan of operation for the storage and release of water during the construction period. Each of these items must have been approved by the United States prior to the issuance of final designs and specifications for a facility.

(2) Provides for the issuance of permits by the United States for the construction of the replacement dam on lands under its jurisdiction and for access by the United States, the district, and the company on lands of each entity.

(3) Provides for the supervision, inspection, and review of construction by the United States, the submission of construction progress reports, the handling of disputes between the contracting officer and the constructing agency, and other related matters.

(4) Indicates the intention of the United States to enter into an agreement with the State of Idaho for the use and the operation and maintenance of the two-lane highway on the crest of the dam.

Part III provides for operation and maintenance of the existing dam and coordination of water releases during the construction period. It also provides for transfer to the United States of title to the completed replacement dam, the related facilities, and the water quality facilities. The United States will operate and maintain the replacement dam and related facilities; the American Falls Reservoir District will be responsible for operation and maintenance of the water quality facilities. Under a proposed agreement, the Idaho Power Company will operate and maintain those facilities on behalf of the district.

In accordance with the authorizing act, the United States will continue an annual program for the correction and prevention of erosion along the reservoir. The costs of that program, as well as costs associated with operation and maintenance of the replacement dam, the related facilities, and the water quality facilities, will be paid by the spaceholders.

The general operating criteria for the replacement dam contains provisions of the authorizing act retaining the proportionate storage rights of the present water users who sign spaceholder contracts, the water surface elevation at the level created by the existing dam prior to the storage restriction, and the primary irrigation and incidental purposes of the project. It provides that the United States is not obligated to operate the replacement dam for power generation to the detriment of other project purposes or to maintain water elevations in the reservoir specifically for power generation.

Part IV deals with the contracts among the United States, the American Falls Reservoir District, and the spaceholders (Spaceholder contracts) and the contract between the American Falls Reservoir District and the Idaho Power Company (Falling Water contract). In this part, the continued delivery of water to the present water users is made contingent upon the execution of spaceholder contracts and each

spaceholder's continued fulfillment of its contractual obligations. The right of the Idaho Power Company to utilize the water released from the replacement dam for hydroelectric generation at its powerplant to be attached to the dam is, in addition, contingent upon the fulfillment of the company's obligations under the Falling Water contract.

Procedures applicable to the storage space of present water users which do not execute spaceholder contracts (nonparticipating water users) or which fail to make the contractual payments as they become due (defaulted spaceholders), as well as the disposition of such water, are specified in this part of the contract. Within 30 days after execution of the Government contract, the United States is required to notify each nonparticipating water user of the conditions precedent to continued delivery of water. In summary, these are as follows:

a. Nonparticipating Water Users: Any nonparticipating water users will be placed in either of two categories: (1) those which called an election in which the electorate failed to approve the program, and (2) all others. A water user which fails to call an election (category 2) may not receive water during the year that the initial spaceholder payments become due (1977 under the present construction schedule), even though, at that date, water storage and delivery will still be from the existing dam; and unless a spaceholder contract is signed by April 1 of the second year that spaceholder payments are due, the right to the use of such space will terminate. A nonparticipating water user in category 1 may preserve its right to space until April 1 of the third year that spaceholder payments are due by executing a water rental contract the first year that spaceholder payments are due; however, this rental agreement will not permit the water user to use space or to obtain water service during the second year. In other words, permanent arrangements are required after the first year of water rental.

The authority for this arrangement is section 3 of the Act of December 28, 1973, which states ". . . the delivery of water to the spaceholders shall be contingent upon the execution of such contracts and the fulfillment of the obligations thereunder . . . ." That language was suggested in the Department of the Interior's legislative comments to cover the situation where a water user may be satisfied with the partial water supply it now receives with restricted operation of American Falls Dam and Reservoir.

b. Defaulted Spaceholders: In the event that a water user executes a spaceholder contract and subsequently fails to make the payments thereunder, the right to use that space or to take water will be immediately suspended. If the space is not redeemed within 1 year, by payment of delinquent charges plus a penalty for delinquent payment, the spaceholder contract will terminate.

c. Disposition of Water: The United States will arrange for the use of the water accruing to the space of a nonparticipating water user or defaulted spaceholder, on a temporary or permanent basis as appropriate to the circumstances: first, for irrigation water use by other spaceholders not in default; second, for irrigation water use by nonspaceholders; and third, for use by the United States. If by May 15 of any year the United States has not arranged for the use of such space and reimbursed the Idaho Power Company for the supplemental falling water payments which the company is required to make on behalf of the nonparticipating water users and defaulted spaceholders, the water accruing to such space will be made available to the company for power generation.

The Act of December 23, 1975, provides tax exemption for interest on obligations for "A dam for the furnishing of water for irrigation purposes which has a subordinate use in connection with the generation of electric energy by water . . ." if "substantially all of the stored water is contractually available for release from such dam for irrigation purposes . . . ." In reporting the bill (Report No. 94-531 dated October 3, 1975), the Committee on Ways and Means stated: "The committee intends that subordinate use of water for generating electric energy means that less than 10 percent of the normal supply of stored water may contractually be scheduled for release by the power company and used for generating electric energy . . . ." To assure retention of the tax-exempt status of the initial bonds and any future issues, the United States is precluded from marketing more than 8 percent of the active storage capacity to the Idaho Power Company. In accordance with the committee report, this limitation does not apply to water which the company may acquire under 1-year arrangements resulting from its making the supplemental falling water payments.

The Idaho Power Company is guaranteed the right to utilize the water released from the replacement dam for power generation at the new powerplant so long as its FPC license is in effect and it has not defaulted on the Falling Water contract. In addition, the company may schedule for release, subject to specific reservations on use and scheduling, any water it acquires as the result of the United States not marketing water accruing to the space of a nonparticipating water user or a defaulted spaceholder.

The installation of water quality facilities is required because a change in the manner of releasing water from the reservoir may cause a degradation of the dissolved oxygen content of the water downstream which may be detrimental to the fishery resource. The water quality facilities will inject oxygen into the water passing through the powerplant at such times as the dissolved oxygen content approaches the amended State water quality standard of 6 parts per million.

Should the United States determine that the water being released from the replacement dam through the powerplant does not meet the amended State water quality standard for dissolved oxygen content, the United States may bypass part or all of the water around the powerplant to the extent necessary to meet the standard. The operation of the water quality facilities, including the bypassing of water around the powerplant, is to be in accordance with operating criteria developed by the United States, the American Falls Reservoir District, and the Idaho Power Company.

That part of the contract also provides that the United States will submit schedules of anticipated water releases to the Idaho Power Company. Subsequently, the company will submit to the United States a schedule of the amount of such water to be used for power generation. Provision is made for emergency operating conditions and scheduled inspections, maintenance, and repairs to the replacement dam.

Part V provides for the payment of $293,978.17 of the cost incurred in the construction of the existing dam which had heretofore been allocated for return by the proposed Federal power generating facility which was not (and will not be) constructed. Since the costs cannot be written off without congressional authorization, the annual billing to the spaceholders for operation and maintenance costs will include an amount to return that unpaid construction obligation within 40 years. In addition, provision is made for quarterly advances of funds by the American Falls Reservoir District to cover costs to the United States in connection with its contractual responsibilities during construction of the replacement dam.

Part VI contains general contract provisions concerning books, records, and reports; rules, regulations, and determinations; nonliability for water shortages and claims relating to the American Falls Replacement Dam Program; contract confirmation; notices; and other standard contract provisions.

FALLING WATER CONTRACT

The contract between the American Falls Reservoir District and the Idaho Power Company covers the company's use of the water released from the replacement dam for power generation. It provides for determining the cost of the American Falls Replacement Dam Program payable by the company as falling water payments in recognition of the use of such water, coordinating construction of the powerplant with construction of the replacement dam, and other matters of mutual concern.

Although the United States is not a party, the proposed contract will be approved by the Regional Director on behalf of the Secretary of the Interior, as required by section 4 of the Act of December 28, 1973. Provisions of the proposed contract are summarized below.

Articles I and II, respectively, contain the explanatory recitals and definition of contract terms and set forth the representations of the American Falls Reservoir District and the Idaho Power Company, reciting the district's compliance with the stipulations of the Act of December 28, 1973.

Article III pertains to the falling water payments to be made by the company in 40 annual installments to retire with interest the costs of the American Falls Replacement Dam Program assigned to the company for its use of the water released from the replacement dam. In addition, upon 10-day written notification from the American Falls Reservoir District or the United States, as the case may be, the Idaho Power Company will pay the amount of the annual payments which would be due from nonparticipating water users had they executed spaceholder contracts or which are due from any delinquent spaceholder. Such payments are referred to as "supplemental falling water payments."

The spaceholder payments are due April 1 and are considered delinquent after that time. Subsequently, the party to which the payment is delinquent (the American Falls Reservoir District or the United States) will notify the other parties of the delinquency. Within 10 days, the company will make the supplemental falling water payments, and the United States will have until May 15 to lease the space for that year to other parties or to arrange to retain the space for its use. If the United States does not consummate such arrangements and reimburse the company for its supplemental falling water payments, the company may, during that year, use the water accruing to such space for power generation. Such water may be used at any time from May 15 through December 31; however, its use during the period from November 1 through December 31 is restricted to a schedule that does not result in releases of water at Minidoka Dam in excess of the hydrologic capacity of Minidoka Powerplant, which is about 4,700 cubic feet per second at that time of year.

Article IV concerns the contract between the United States and the American Falls Reservoir District. It includes the obtaining of permits or interests in lands as necessary for construction of the replacement dam, the approval by the United States of the designs and specifications, the operation and maintenance of the replacement dam by the United States, and the manner of operation as it relates to the release of water and

its use for power generation. It also covers the conveyance to the United States of title to the replacement dam, the related facilities, and the water quality facilities and the suspension or termination by the United States of the company's right to use the released water in the event of default in the falling water or supplemental falling water payments to the American Falls Reservoir District.

Article V refers to the 50-year license issued by FPC on March 31, 1975, for the construction and the operation and maintenance of a powerplant by the Idaho Power Company immediately downstream from the replacement dam. This article also relates the actions required if FPC fails to renew that license.

Article VI covers the designation and duties of three "authorized representatives," one each representing the American Falls Reservoir District, the Idaho Power Company, and the spaceholders. The authorized representatives will approve the award of construction and equipment contracts in connection with the American Falls Replacement Dam Program, establish general policies for administering the Falling Water contract and for coordinating construction of the powerplant with the replacement dam, handle matters pertaining to the determination of the cost of the program, and perform other similar duties as specified in the contract.

Article VII requires that construction of the powerplant (by the Idaho Power Company) be coordinated with construction of the replacement dam (by the American Falls Reservoir District) and provides for assignment of construction costs between the two. That arrangement is necessary because some of the work items for one structure can effect cost savings for work on the other. The article further provides for a final reimbursement of costs initially paid by one party which subsequently may be determined to be wholly or partly the responsibility of the other party.

Article VIII concerns the construction aspects of the American Falls Replacement Dam Program including: preparation of designs and specifications; issuance of bids; preparation of a final cost estimate; determination of the obligations of the Idaho Power Company and each spaceholder and the amount of bonds to be issued and deposited in a construction fund; and award or rejection of construction bids.

Article IX pertains to the sale of bonds to finance the construction program. Due to existing and anticipated market conditions, it may be advisable to secure interim notes in lieu of issuing long-term bonds. In that event, the Idaho Power Company will act as guarantor to improve the financing conditions of the interim notes.

The board of directors of the American Falls Reservoir District is responsible for determining the amount, maturity, and redemption of the long-term bonds to be sold, the due date of first payments by the spaceholders and the Idaho Power Company, and related matters. Such determinations will be made upon the recommendations of, or in consultation with, the authorized representatives (article VI).

The falling water payments from the Idaho Power Company are to be determined by first computing the combined principal and interest installments due on all of the bonds issued for the project. That portion of the annual installments, as is represented by the following formula, will be assigned the Idaho Power Company under the proposed contract: $19,550,000 + A + (B x C).

A = Estimated cost of water quality facilities.

B = Amount in excess of $38 million for the American Falls Replacement Dam Program.

C = Factor to be determined on the basis of the company's entitlement to storage space adjusted for those costs identified to the company which are in excess of $38 million and for costs to other water users if the replacement program exceeds $38 million; computed to be .486405 for a program costing $40,750,000.

The balance of the combined principal and interest payments will be the responsibility of the spaceholders, including the Idaho Power Company, which is also a spaceholder as the result of an existing contract for 45,000 acre-feet of space. Provision is also made for a redetermination of the obligations if it is necessary to issue additional bonds.

Article X sets forth the responsibility of the Idaho Power Company for the financing and construction of the powerplant. Any joint facilities must first be approved by the authorized representatives. The financing, construction, ownership, and operation of such facilities shall be covered by special agreement subject to approval by the United States.

The Idaho Power Company will pay 33 percent of the annual direct costs incurred by the United States for operation and maintenance of the replacement dam. The remaining operation and maintenance costs incurred by the United States will be allocated to all of the spaceholders, including the Idaho Power Company, to the extent of its share as a spaceholder.

Article XI concerns defaults. Article XII pertains to special covenants; i.e., compliance with laws, rules and regulations, right of access by the American Falls Reservoir District and the United States to the powerplant and to lands within the powerplant project area as defined in the FPC license. Financial reports and nonarbitrage provisions are included too.

Article XIII relates to contract assignments. Article XIV establishes the termination date of the contract as March 31, 2025, 50 years from the date of the FPC license, with renewal contingent upon renewal of that license.

SPACEHOLDER CONTRACT

The proposed contracts among the United States, the American Falls Reservoir District, and the spaceholder entities provide for each spaceholder to repay a proportionate share of the total costs incurred in the American Falls Replacement Dam Program. The form of the proposed contracts reaffirms the existing storage entitlements of each entity which (a) had previously contracted with the United States for a water supply from American Falls Dam and Reservoir, and (b) executes a spaceholder contract. While the existing contracts remain in full force and effect, the provisions of the proposed spaceholder contracts shall prevail wherever they may conflict with the existing contracts.

The construction charge obligation of each spaceholder will be determined as illustrated below:

Estimated total obligation for designing, constructing, and financing the American Falls Replacement Dam Program	$44,750,000
Less: Falling water payments by the Idaho Power Company	-22,965,734
Total obligation of all spaceholders	$21,784,266

Each spaceholder's obligation: $21,784,266 x $\frac{\text{Spaceholder's Storage Entitlement}}{\text{1.7 million acre-feet}}$

The spaceholder has the option of paying its obligation either as a lump-sum prepayment or in annual installments, with interest, over a 40-year period. The prepayment option must be exercised within 10 days after contract execution.

In addition, the spaceholders are required to pay annually: (1) the costs incurred by the United States for the operation and maintenance of the replacement dam and the related facilities, including (a) costs of an erosion control program, and (b) the deferred project costs identified to the unconstructed Federal powerplant; and (2) the costs that will be incurred by the American Falls Reservoir District for operation and maintenance of the water quality facilities. Billings will be handled by the United States and the American Falls Reservoir District, respectively.

The proposed contracts provide the procedures to be followed in the event of default on the annual payments. If a default in 1 year is not corrected by April 1 of the next year, the contract can be terminated, leaving the spaceholder without further rights to the use of water from the reservoir. Remedies against the spaceholder are available to the United States and the American Falls Reservoir District in the event that the Idaho Power Company should then default under the Falling Water contract. Also included are the usual general provisions, somewhat modified to accommodate the contractual arrangements with the Idaho Power Company and the requirements of the bond counsel.

The form of the contracts is essentially identical for all spaceholders except:

(1) Modifications are provided for the type of entity or individual entering into the contract. (See inserts A and B following page 71 of the proposed contract form enclosed.)

(2) The contract with the American Falls Reservoir District also recognizes the district's role as the constructing agency.

(3) The enclosed contract with the Idaho Power Company, while reaffirming the existing contract, recognizes that certain provisions of that contract are no longer applicable and states the intent of the United States and the company to meet and review the existing contract for possible revision.

(4) The enclosed contract for water storage by the United States on behalf of its Michaud Division of the Fort Hall Indian Reservation contains several significant differences from the contracts with other spaceholders. It is included here for illustrative purposes only and will be discussed in a separate memorandum requesting your approval for the form of that contract. The Michaud Division has rights to 47,700 acre-feet of the active storage capacity in the existing dam pursuant to the Act of August 31, 1954 (68 Stat. 1026), and the April 25, 1957, Memorandum of Agreement between the Bureau of Reclamation

and the Bureau of Indian Affairs. The Act of December 28, 1975, specifically recognizes those rights and authorizes payments by the United States, consonant with the Leavitt Act (47 Stat. 564), for that share of the cost of constructing and financing the American Falls Replacement Dam Program.

WATER QUALITY FACILITIES AGREEMENT

The agreement between the American Falls Reservoir District and the Idaho Power Company delineates the responsibilities of the American Falls Reservoir District on behalf of the spaceholders and the Idaho Power Company and covers the financing, construction, operation, and maintenance of the water quality facilities to be installed in connection with the American Falls Replacement Dam Program. The agreement will be approved by the United States, and a copy will be attached to each spaceholder contract.

6. Environmental Considerations: A draft legislative environmental impact statement was prepared in May 1973 and reviewed by all public and private organizations and individuals indicating an interest in the American Falls Replacement Dam Program. On November 13, 1974, a final legislative environmental statement (FES 74-60) was filed with the Council on Environmental Quality.

Pursuant to an agreement of July 2, 1974, between the Idaho Fish and Game Department and the American Falls Reservoir District, the State will construct, operate, and maintain facilities to mitigate the anticipated loss of existing recreational and fish and wildlife resources. The costs associated with such facilities are included as a part of the American Falls Replacement Dam Program. As previously discussed, water quality facilities are included in the program to permit the injection of oxygen, when necessary, to enhance the quality of water being released from the replacement dam through the powerplant. Provision is also made for bypassing water around the powerplant.

Recreation and fish and wildlife enhancement facilities are authorized for construction by the Act of December 28, 1973, in accordance with the provisions of the Federal Water Project Recreation Act (79 Stat. 213) and the provisions of the Land and Water Conservation Fund Act of 1965 (78 Stat. 897), as amended. A memorandum of agreement covering those arrangements will be forwarded for your approval at the appropriate time.

In addition, the FPC license for the powerplant requires that the Idaho Power Company develop certain recreation areas.

7. Legal Considerations: The Field Solicitor, Boise, Idaho, and the Associate Solicitor - Energy and Resources have concluded that the proposed contracts are in proper legal form.

8. Findings and Recommendations: The proposed contracts will allow the replacement of a deteriorating Federal structure at a minimal cost to the Federal Government. The program and the proposed contracts will assure the continued availability of water supplies to a major agricultural area and help meet regional energy requirements. Accordingly, we believe that the contractual arrangements are in the best interests of the United States, the water users, and the Idaho Power Company.

The forms of the Government contract and the Falling Water contract have been approved by the respective boards of directors for the American Falls Reservoir District and the Idaho Power Company. The Spaceholder contracts have been approved by 20 of the 35 existing contractors after a two-thirds favorable vote at irrigation district elections pursuant to Idaho statute. Including the 47,700 acre-feet of space retained by the United States for the Fort Hall Indian Reservation, that approval represents rights to 1,357,633 acre-feet of space or 79.9 percent of the active reservoir capacity. This percentage could increase following action by the remaining eight entities holding 2.9 percent of the reservoir space.

We recommend that you approve the form of the following proposed contracts (dated or revised 11-24-75) in the enclosed document dated December 1975, with addendum dated February 20, 1976. This includes: (1) the contract between the United States and the American Falls Reservoir District (Government contract); (2) the contract between the American Falls Reservoir District and the Idaho Power Company (Falling Water contract); (3) the contract among the United States, the American Falls Reservoir District, and the spaceholders (Spaceholder contract), limited to the form for districts, canal companies, and individuals; and (4) the Water Quality Facilities agreement between the American Falls Reservoir District and the Idaho Power Company. We also recommend your approval of the form of the Spaceholder contract with the Idaho Power Company designated 1/5/76.

Your approval should be with the understanding that minor revisions, consistent with overall contract objectives, may be made prior to execution of the formal contracts. After execution by the other parties, the Regional Director, Boise, Idaho, will execute the Government contract and the Spaceholder contracts in behalf of the United States. He will also approve the Falling Water contract and the Water Quality Facilities agreement and will serve as contracting officer on your behalf for all of the contracts.

9. Urgency of Approval: In the Senate debate on December 17, 1975, of the amendment that was enacted as section 7 of the Act of December 23, 1975, the need to proceed early in 1976 with the American Falls Dam Replacement Program was strongly emphasized. With your approval of the forms of the proposed contracts, the American Falls Reservoir District will proceed with marketing the bonds or interim notes, now scheduled for March 1, 1976. At that time, the district will also issue the construction specifications so that contracts may be awarded by June 1, 1976.

Such timing will permit scheduling of the construction program to minimize the adverse effects of evacuating stored water from the existing dam to permit the beginning of storage behind the replacement dam. That operation is expected to result in a temporary shortage of water for downstream users. Under the approved plan of operation during construction, the critical water period should occur late in the 1977 irrigation season, at which time the existing dam will be breached.

Accordingly, your early approval is requested.

Enclosures

Approved:

(Sgd) Jack O. Horton
ASSISTANT
Secretary of the Interior

MAR 5 1976
Date

bcc: Secretary's Reading File--RECLAMATION (2)
Associate Solicitor - Energy and Resources
Assistant Secretary - LW
Regional Director, Boise, Idaho
Field Solicitor, Boise, Idaho
E&R Center, Code 200, 400
Wyoming Reclamation Representative, Cheyenne, Wyoming
W.O. Code 140, 200, 300, 600, 700
(each w/o enclosures)
LBR:PR Gallagher:ss 2/3/76

February 20, 1976

ADDENDUM
Contracts for the Construction and
Operation and Maintenance of the
AMERICAN FALLS REPLACEMENT DAM PROGRAM

Government Contract

Article 17(c). The period at the end of line 7, page 33, is changed to a semicolon and the following added:

"Provided however, That in the event Bonds in excess of the initial authorization must be issued to complete the American Falls Replacement Dam Program as provided in Article 27 of the Spaceholder Contracts, the Contracting Officer shall not be obligated to withhold the delivery of water to a Spaceholder which has not executed a supplement to its Spaceholder Contract until it is judicially determined that the Spaceholder is obligated to pay its proportionate share of the total cost of the American Falls Replacement Dam Program as contemplated in Article 27 of the Spaceholder Contracts."

Article 17(a). The following new article is added to page 35:

"(g) Although the parties hereto do not believe that any grounds exist for the awarding of damages to a Non-Participating Wateruser, if as a result of the application of this Article 17 a final determination of a court of competent jurisdiction holds that a Non-Participating Wateruser whose use of space is permanently terminated is nevertheless entitled to damages from the United States for the loss of such space, money in the construction fund, as defined in the Falling Water Contract, not necessary to pay other costs of construction of the American Falls Replacement Dam Program shall be used for such purpose, otherwise such amount shall be reimbursed to the United States as part of the Spaceholder Replacement Dam Operation and Maintenance Payments. In all other instances to the extent related to the cost of the American Falls Replacement Dam Program where a final determination of a court of competent jurisdiction holds that a Non-Participating Wateruser is entitled to damages from the United States as a result of the application of this Article 17 such amount shall be reimbursed to the United States as part of the Spaceholder Replacement Dam Operation and Maintenance Payments."

Article 25. The period at the end of line 11, page 45, is changed to a semicolon and the following added:

> "but does not include any claims of Non-Participating Waterusers for damages arising from the execution of this Government Contract."

Falling Water and Spaceholder Contracts

Item (13) (page 80 of the Falling Water Contract and page 24 of the Spaceholder Contracts) is revised to read as follows:

> "(13) Payments required to be made pursuant to Article 17(g) of the Government Contract.

The previous item (13) of both contracts is renumbered (14).

3-31-1976 Falling Water Contract

[CONFORMED COPY]

FALLING WATER CONTRACT

Dated as of March 31, 1976

by and between

AMERICAN FALLS RESERVOIR DISTRICT

and

IDAHO POWER COMPANY

CONTRACT

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(This Table of Contents is not a part of this Contract and is only for convenience of reference.)

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FALLING WATER CONTRACT

BY AND BETWEEN

AMERICAN FALLS RESERVOIR DISTRICT

AND

IDAHO POWER COMPANY

THIS CONTRACT, entered into this 31st day of March, 1976, between the AMERICAN FALLS RESERVOIR DISTRICT, an instrumentality of the State of Idaho, with its offices located in Twin Falls, Idaho, hereinafter referred to as the "Constructing Agency", and the IDAHO POWER COMPANY, a corporation organized under the laws of the State of Maine, authorized to do business in the State of Idaho, with its principal office therein located in Boise, Idaho, hereinafter referred to as "Idaho Power Company";

WITNESSETH:

WHEREAS, the existing American Falls Dam and Reservoir ("Existing Dam") was constructed on the Snake River in southern Idaho adjacent to the City of American Falls, Idaho, by the United States ("United States"), and was placed in operation in 1927 as a part of the Minidoka Project, Idaho-Wyoming, and the United States contracted with certain organizations and individuals ("Waterusers") for various amounts of the storage space of the Existing Dam and which Waterusers agreed to pay the United States their proportionate share of the cost of the Existing Dam and the United States has retained ownership of the Existing Dam and has operated and maintained the Existing Dam primarily for the furnishing of water for irrigation purposes; and

WHEREAS, the Existing Dam provides irrigation storage water for beneficial use on approximately 900,000 acres of land in southern Idaho to which said water is appurtenant; and

WHEREAS, the United States has determined the Existing Dam to be no longer structurally competent, and in 1972 restricted storage in the top 11.3 feet of the Existing Dam on a year-round basis for safety reasons, and additional restrictions may possibly be required to continue to meet applicable safety standards as the deterioration of the Existing Dam advances, which present and future storage restrictions have and will cause severe economic losses to the Waterusers, reductions in recreational benefits and adverse effects on fish and wildlife facilities associated with the Existing Dam; and

WHEREAS, Chapter 22 of Title 43, Idaho Code, as amended, ("State Act"), authorizes the Constructing Agency, for the purpose of preserving, restoring, protecting and maintaining rights of storage, diversion and delivery of water necessary and appurtenant to the purposes for which the Constructing Agency and other like similarly situated irrigation districts were organized: (1) to reconstruct, rehabilitate, replace and improve dams and other related structures and works together with all necessary appurtenances related thereto whether located within or without its boundaries and whether or not legal title thereto is owned by it, including without limitation as a part thereof the reconstruction and relocation of all roads, bridges and highways made necessary by reason of such reconstruction, rehabilitation, replacement and improvement, the construction of penstocks and other facilities related to hydroelectric production plant which are made necessary in order to carry out the provisions of this Falling Water Contract and facilities for flood control, public recreation and fish and wildlife mitigation purposes made necessary in order to comply with applicable state and Federal requirements; (2) to enter into all necessary agreements, contracts and other legal arrangements with the United States and its agencies and departments, the State of Idaho and its agencies, departments and political subdivisions, and public and private persons, firms, corporations and associations in order to carry out such reconstruction, rehabilitation, replacement and improvement; and (3) to issue its Bonds ("Bonds") in the manner provided therein for the purpose of paying all or part of the cost of such reconstruction, rehabilitation, replacement and improvement, together with all expenses preliminary and incidental thereto; and

WHEREAS, the State Act provides that any Bonds issued and sold pursuant to the provisions thereof shall be payable solely out of a special fund into which the Constructing Agency shall be obligated to deposit, as from time to time received: (1) the proceeds of the collection of certain assessments to be levied and collected by the Constructing Agency on lands contained within its boundaries; (2) payments pursuant to contracts to be entered into by the Constructing Agency with other irrigation districts; (3) payments pursuant to contracts to be entered into by the Construction Agency with other public or private persons, firms, corporations and associations; and (4) when so authorized by Act of Congress, the proceeds from the sale or use of falling water released from the dam to be so reconstructed, rehabilitated, replaced and improved, pursuant to a contract for the use of such falling water for power generation to be entered into by the Construction Agency with a public or private person, firm, corporation or association; and

WHEREAS, pursuant to the provisions of the Act of Congress of December 28, 1973 ("Act of December 28, 1973"), the United States, acting through the Regional Director, Pacific Northwest Region, Bureau of Reclamation ("Contracting Officer") upon authorization of the United States Secretary of the Interior ("Secretary") has entered into an agreement with the Constructing Agency ("Government Contract") of even date herewith, authorizing the Constructing Agency to finance and provide for the construction of a new dam ("Replacement Dam") and related structures and works to replace the Existing Dam (which Replacement Dam and related structures and works, together with the storage reservoir to be created behind the Replacement Dam, are hereinafter collectively referred to as the "American Falls Replacement Dam Program"); and

WHEREAS, the Government Contract provides that delivery of water is to be contingent upon the execution by each Wateruser of a contract with the Constructing Agency and the United States (which contracts are collectively referred to as "Spaceholder Contracts") providing for the repayment by such Wateruser of its proportionate share of the total costs to be incurred by the Constructing Agency for engineering, financing, designing and constructing the American Falls Replacement Dam Program not returned by this Falling Water Contract, and providing that the delivery of water to each Wateruser shall be contingent upon the fulfillment of the obligations thereunder, said Spaceholder Contracts being otherwise consistent with the terms of the various existing contracts between the Secretary and the Waterusers for the delivery of water from and the payment of costs associated with the Existing Dam; and

WHEREAS, an appropriate number of the Waterusers satisfactory to the Secretary and the Constructing Agency have entered into Spaceholder Contracts of even date herewith to pay their proportionate share of the cost of the American Falls Replacement Dam Program (which Waterusers which have entered into Spaceholder Contracts being herein referred to as "Spaceholders"); and

WHEREAS, the Act of December 28, 1973, also authorizes the Constructing Agency to contract with a non-Federal entity, as herein provided, for the use by such non-Federal entity for power generation of the falling water released from the Replacement Dam for irrigation and other purposes incidental thereto, which contract shall provide for a monetary return to the Constructing Agency to defray in part the costs of financing and constructing the American Falls Replacement Dam Program and for the coordination of the construction of hydroelectric power facilities with the construction of the Replacement Dam, provided said contract shall be approved by the Secretary and shall not impair the efficiency of the Replacement Dam to serve the other purposes of the Minidoka Project; and

WHEREAS, the State Act provides that the contract for the use of falling water may contain such provisions as are contemplated in the Act of December 28, 1973, providing for the reconstruction, rehabilitation, replacement and improvement of such dam and other related structures and works and appurtenances, the coordination of the construction of the hydroelectric power facilities, the conditions under which the non-Federal entity shall make payments to the Construction Agency, the rights and remedies of the parties to such contract in the event of a failure of the non-Federal entity to make the required payments, and the securing of all necessary permits and licenses required in connection therewith; and

WHEREAS, the Idaho Power Company is a Wateruser and is also the owner and operator of a hydroelectric generating powerplant located on the Snake River below the Existing Dam adjacent to the City of American Falls, Idaho pursuant to a license issued by the Federal Power Commission on March 31, 1975, for Project No. 2258; and

WHEREAS, the construction and operation by Idaho Power Company of a new hydroelectric generating facility ("Powerplant") attached to the Replacement Dam will increase power generation over that produced by the existing powerplant by utilizing the additional head and more of the water released from the Replacement Dam for irrigation and other purposes incidental thereto; and

WHEREAS, as contemplated in Section 4 of the Act of December 28, 1973 and in the State Act (Section 43-2201(D)(4), Idaho Code), the Idaho Power Company heretofore proposed to pay an amount necessary to amortize, at a tax exempt interest rate in 40 approximately equal annual installments, for utilization by it for power generation at the Powerplant of falling water released from the Replacement Dam for irrigation and other purposes incidental thereto, within the limitations specified in the Government Contract, $19,550,000 of the principal amount of the cost of financing and constructing the American Falls Replacement Dam Program, and subsequently further agreed to increase such amount by the cost of the facilities included in the American Falls Replacement Dam Program for the purpose of meeting the amended State of Idaho water quality dissolved oxygen standard as approved on April 17, 1975, by the United States Environmental Protection Agency for water released from the Replacement Dam ("Water Quality Facilities") and if necessary by approximately 50% of the costs of financing and constructing the American Falls Replacement Dam Program in excess of $38,000,000; and

WHEREAS, under the provisions of Section 4 of the Act of December 28, 1973, and the provisions of the State Act (Section 43-2201(D)(4), Idaho Code), the Constructing Agency and the Idaho Power Company have agreed to enter into this falling water contract (hereinafter referred to as the "Falling Water Contract"), but only upon satisfaction of the conditions set forth herein; and

WHEREAS, the Constructing Agency has made provision for the estimation of the cost of financing and constructing the American Falls Replacement Dam Program, and, as required in the State Act, the allocation of the costs of financing and constructing the American Falls Replacement Dam Program as between the sums to be paid pursuant to this Falling Water Contract and the Spaceholder Contracts, and has made provision for a determination as to the actual amount of Bonds of the Constructing Agency to be issued, depending upon the amounts to be prepaid pursuant to the provisions of the several Spaceholder Contracts, it being contemplated that the United States will, pursuant to Section 7 of the Act of December 28, 1973, pay, as provided in the Michaud Division, Fort Hall Indian Reservation Spaceholder Contract entered into between the Constructing Agency and the United States, the proportionate share of the Michaud Division, Fort Hall Indian Reservation of the total cost of financing and constructing the American Falls Replacement Dam Program not returned pursuant to this Falling Water Contract; and

WHEREAS, pursuant to authority contained in the State Act the Constructing Agency has heretofore authorized the issuance of not to exceed $44,750,000 Bonds of the Constructing Agency for the purpose of paying all or part of the costs of financing and constructing the American Falls Replacement Dam Program, and further the Constructing Agency has called and held an election at which the Constructing Agency was authorized to impose assessments on lands within the Constructing Agency, approving said assessments, and was authorized to execute a Spaceholder Contract with the United States and to execute the Government Contract; and

WHEREAS, the Constructing Agency will institute proceedings pursuant to the provisions of the State Act for the purpose of obtaining confirmation decrees approving this Falling Water Contract, the Spaceholder Contracts, the Government Contract, and the levy and collection of the assessments, which confirmation proceedings will, prior to the issuance of the Bonds, be completed in accordance with the provisions of the State Act; and

WHEREAS, the Constructing Agency has entered into an agreement dated November 27, 1974, with the State of Idaho, acting by and through the Department of Transportation, Division of Highways, providing for construction of a two-lane highway on the crest of the Replacement Dam and construction of a two-lane highway bridge located immediately downstream from the Replacement Dam, and providing for the payment by the Constructing Agency of 50% of the total cost of the construction of said highway and bridge as part of the American Falls Replacement Dam Program; and

WHEREAS, the Constructing Agency has entered into an agreement dated July 2, 1974, with the Idaho Fish and Game Department providing for the payment by the Constructing Agency of costs relating to the mitigation of anticipated loss of existing recreational and fish and wildlife resources and constituting the Recreation and Fish and Wildlife Mitigation Facilities (as hereinafter defined); and

WHEREAS, it is provided in the Act of December 28, 1973, that this Falling Water Contract shall be approved by the Secretary and all requirements and conditions of the Act of December 28, 1973 have or will have been satisfied prior to the delivery of any of the Bonds of the Constructing Agency herein contemplated to be issued; and

WHEREAS, the Idaho Power Company has received a fifty (50) year license for Project No. 2736 issued March 31, 1975 by the Federal Power Commission authorizing it to construct, operate, and maintain the Powerplant; and

WHEREAS, the Constructing Agency has executed the Government Contract with the United States, as contemplated in the Act of December 28, 1973, to which Government Contract a copy of this Falling Water Contract is attached as an exhibit, and by the execution of the Government Contract the Secretary, in accordance with the provisions of the Act of December 28, 1973, approves this Falling Water Contract as though incorporated in and made a part of the Government Contract; and

WHEREAS, the Constructing Agency and the Idaho Power Company desire to provide that the issuance, sale and delivery by the Constructing Agency of its Bonds pursuant to the authority contained in the State Act, in an amount which shall be sufficient to pay the estimated cost of financing and constructing the American Falls Replacement Dam Program not paid in advance by Spaceholders pursuant to the Spaceholder Contracts, shall be a condition precedent to the obligation of the Idaho Power Company to make the payments to the Constructing Agency provided for in this Falling Water Contract in consideration of the utilization by the Idaho Power Company at the Powerplant for power generation, within the limitations specified in the Government Contract, of the falling water released from the Replacement Dam for irrigation and other purposes incidental thereto; and

WHEREAS, the Idaho Power Company and the Constructing Agency desire to enter into an arrangement hereunder whereby the Constructing Agency, having entered into the Spaceholder Contracts and the Government Contract, and as a Spaceholder having imposed assessments on lands within its boundaries, will issue and sell its Bonds for the purpose of paying the costs of financing and constructing the American Falls Replacement Dam Program not paid in advance by the Spaceholders, and whereby the Idaho Power Company in accordance with the provisions of the Federal Power Commission license, will finance, construct and own the Powerplant, and will make the payments to the Constructing Agency contemplated hereunder; and

WHEREAS, the Constructing Agency and the Idaho Power Company wish to delineate their mutual responsibilities and to set forth the terms and conditions for the use of the Falling Water by the Idaho Power Company, for the engineering, financing, construction, ownership and operation of the American Falls Replacement Dam Program and the Powerplant and the coordination of the construction of the Powerplant with the construction of the Replacement Dam;

NOW, THEREFORE, in consideration of the mutual and dependent stipulations and covenants herein contained, it is agreed by and between the parties hereto as follows:

ARTICLE I

DEFINITIONS

The following words and phrases shall have the following meanings, unless the context clearly indicates to the contrary:

"Act of December 28, 1973" shall mean the Act of Congress approved December 28, 1973 (87 Stat. 904).

"Additional Bonds" shall mean any additional parity Bonds authorized to be issued by the Constructing Agency pursuant to the terms and conditions of Section 207 of the Indenture.

"American Falls Replacement Dam Program" shall mean the program to be undertaken by the Constructing Agency consisting of the Replacement Dam including the two-lane highway on the crest of the Replacement Dam, the two-lane highway bridge located immediately downstream from the Replacement Dam, the Related Facilities, the Recreation and Fish and Wildlife Mitigation Facilities, and the Water Quality Facilities, to be accomplished pursuant to the Act of December 28, 1973, and under the authority of Section 43-2201(A), Idaho Code, which provides for the reconstruction, rehabilitation, replacement, and improvement of dams and other related structures and works together with all necessary appurtenances related thereto.

"Assessments" shall mean the Assessments to be levied pursuant to Title 43, Idaho Code, as contemplated in the State Act (Section 43-2201(D)(1) and (2), Idaho Code), representing the amount of benefits to accrue to each tract or subdivision in an irrigation district based upon the allocation of the Cost of Construction of the American Falls Replacement Dam Program, in the proportion that the right to the storage, diversion and delivery of water appurtenant to each such tract or subdivision bears to the total right to the storage, diversion and delivery of water from the Replacement Dam.

"Authorized Company Representative" shall mean the person at the time designated to act in behalf of the Idaho Power Company by written certificate furnished to the Contracting Officer, the Constructing Agency and the Trustee, containing the specimen signature of such person, and signed on behalf of the Idaho Power Company by its President or any Vice President thereof. Such certificate shall designate an alternate or alternates. The Authorized Company Representative may be an employee of the Idaho Power Company.

"Authorized Constructing Agency Representative" shall mean the person at the time designated to act in behalf of the Constructing Agency by written certificate furnished to the Contracting Officer, the Idaho Power Company and the Trustee, containing the specimen signature of such person, and signed on behalf of the Constructing Agency by the President of the Board, or the Vice President thereof. Such certificate shall designate an alternate or alternates. The Authorized Constructing Agency Representative may be an employee of the Constructing Agency.

"Authorized Representatives" shall mean collectively the Authorized Company Representative, the Authorized Constructing Agency Representative, and the Authorized Spaceholder Representative.

"Authorized Spaceholder Representative" shall mean the person at the time designated to act in behalf of the Spaceholders, pursuant to the provisions of Article 46 of the Spaceholder Contracts, by written certificate furnished to the Contracting Officer, the Constructing Agency, the Idaho Power Company, and the Trustee, containing the specimen signature of such person, and signed on behalf of the Spaceholders by the Chairman of the meeting of the Spaceholders at which such representative is designated. Such certificate shall designate an alternate or alternates. The Authorized Spaceholder Representative may be an employee of a Spaceholder.

"Board" shall mean the Board of Directors of the Constructing Agency.

"Bond Fund" shall mean the Bond Fund created in Section 502 of the Indenture for the purpose of paying principal of and interest on the Bonds.

"Bonds" shall mean bonds issued, and to be issued, by the Constructing Agency under authority contained in the State Act, pursuant to the Indenture to pay the costs of the American Falls Replacement Dam Program.

"Completion Date" shall mean the date of completion of the construction of the Replacement Dam, the Related Facilities and the Water Quality Facilities within the meaning of the Act of December 28, 1973, which shall be deemed to be the date upon which the Constructing Agency, the Idaho Power Company and the Trustee are given the completion notice by the Secretary as provided in Article 14(d) of the Government Contract.

"Constructing Agency" shall mean the American Falls Reservoir District, an instrumentality of the State of Idaho, being an irrigation district organized and existing under the provisions of Title 43, Idaho Code, as amended, and its successors and assigns.

"Construction Fund" shall mean the Construction Fund created by Section 602 of the Indenture for the purpose of paying the cost of financing and constructing the American Falls Replacement Dam Program.

"Construction Period" shall mean the period commencing upon the initiation of construction of the American Falls Replacement Dam Program and ending on the Completion Date.

"Construction Work Schedule" shall mean a schedule showing each item of major construction activity of the American Falls Replacement Dam Program including detailed coordination arrangements for the construction of the Powerplant with the construction of the Replacement Dam, and the time period within which each item is proposed to be started and concluded.

"Contracting Officer" shall mean the Regional Director, Pacific Northwest Region, Bureau of Reclamation, or his duly authorized representative.

"Cost of Construction" shall mean all or part of the total cost of the engineering, financing, designing and constructing of the American Falls Replacement Dam Program, and all expenses preliminary and incidental thereto, including all engineering, fiscal, and legal expenses, and costs of issuance, printing and advertising, as authorized in the Act of December 28, 1973 and the State Act and for which funds may be disbursed from the Construction Fund pursuant to Section 8.4 hereof.

"Defaulted Spaceholder(s)" shall mean the Spaceholders determined to be in default in all or any part of the Spaceholder Payments required to be made under a Spaceholder Contract, in accordance with the provisions of Article 29(a) thereof.

"Designs and Specifications" shall mean the final Designs and Specifications of any facility required pursuant to Article 10(a) of the Government Contract to be constructed by the Constructing Agency as a part of the American Falls Replacement Dam Program, as approved by the Contracting Officer pursuant to Article 10(b) of the Government Contract.

"Existing Dam" shall mean the American Falls Dam and Reservoir owned by the United States located on the Snake River in southern Idaho adjacent to the City of American Falls, Idaho.

"Falling Water" shall mean the water released from the Replacement Dam for irrigation and other purposes incidental thereto, the utilization of which during the Original Term of this Falling Water Contract, within the limitations specified in the Government Contract, is granted to the Idaho Power Company for power generation at the Powerplant in return for the Falling Water Payments to the Constructing Agency, which utilization shall be subordinate to the furnishing of water for irrigation purposes.

"Falling Water Contract" shall mean this contract entered into between the Constructing Agency and the Idaho Power Company as the same may be supplemented or amended.

"Falling Water Payments" shall mean the principal amount, plus applicable interest, to be paid to the Constructing Agency in 40 approximately equal annual Installments by the Idaho Power Company pursuant to this Falling Water Contract as a part of the consideration for the utilization for power generation at the Powerplant of the Falling Water released from the Replacement Dam.

"Government Contract" shall mean the contract of even date herewith entitled: "Contract between the United States of America and the American Falls Reservoir District for the Construction and Operation and Maintenance of the American Falls Replacement Dam Program" as the same may be supplemented or amended.

"Idaho Power Company" shall mean the Idaho Power Company, a Maine corporation authorized to do business in the State of Idaho, and its permitted successors and assigns.

"Indenture" shall mean the Indenture of Trust to be entered into between the Constructing Agency and the Trustee in connection with the issuance of the Series 1976 Bonds (including any indenture supplemental thereto).

"Independent Engineer" shall mean an engineer or engineering firm registered or licensed to practice the profession of engineering under the laws of Idaho, together with an appropriate staff and supporting equipment and who or which is not a full-time engineer of either the Constructing Agency or the Idaho Power Company.

"Interim Notes" shall mean interim notes of the Constructing Agency issued, and to be issued, under authority contained in the State Act, for the purpose of borrowing funds on a temporary basis in advance of the issuance of the Series 1976 Bonds.

"Installment" shall mean an annual payment of the principal and interest of the Falling Water Payments as such Installments are set forth in the Schedule of Falling Water Payments to be filed with the Idaho Power Company and the Trustee pursuant to the provisions of Section 9.8 hereof and which are assigned to the Trustee pursuant to Section 501 of the Indenture.

"License" shall mean the license for Project No. 2736 issued by the Federal Power Commission on March 31, 1975, and expiring on March 31, 2025, and any continuation or renewal thereof, authorizing the Idaho Power Company to construct, operate, and maintain the Powerplant.

"Minidoka Project" shall mean the Minidoka Reclamation Project of the United States, located on the Snake River in the States of Idaho and Wyoming.

"Non-Participating Wateruser(s)" shall mean the Waterusers which have not executed Spaceholder Contracts. The initial Non-Participating Waterusers are set forth in *Exhibit II* hereto. Upon the execution of a Spaceholder Contract by a Non-Participating Wateruser, such Non-Participating Wateruser shall be deemed to be a Spaceholder.

"Original Term" shall mean the duration of this Falling Water Contract, as specified in Section 14.1 hereof, ending concurrent with the expiration of the initial 50 year term of the License.

"Plan of Operation" shall mean a schedule of the storage and release of water from the Existing Dam and the Replacement Dam during the construction of the Replacement Dam.

"Plans, Designs and Specifications" shall mean the plans for the American Falls Replacement Dam Program, as set forth in Section 4.1 hereof, the Designs and Specifications, the Plan of Operation and the Construction Work Schedule.

"Powerplant" shall mean the hydroelectric generating facility, attached to the Replacement Dam, to be constructed, operated, and maintained by the Idaho Power Company in accordance with the License.

"Prepayment Fund" shall mean the Prepayment Fund created by Article 23(c) of the Spaceholder Contracts for the purpose of holding prepayments made by Spaceholders pursuant to Article 23 of the Spaceholder Contracts.

"Recreation and Fish and Wildlife Mitigation Facilities" shall mean the facilities to be included in the American Falls Replacement Dam Program pursuant to that certain agreement between the Constructing Agency and the Idaho Fish and Game Department dated July 2, 1974, to mitigate the anticipated loss of existing recreational and fish and wildlife resources.

"Related Facilities" shall mean the facilities included in the American Falls Replacement Dam Program which are required by the United States as part of the construction of the Replacement Dam and which are to be transferred to the United States to operate and maintain, consisting of the warehouse, shop, offices, scenic overlook including health and safety facilities, hydrologic and meteorologic data collection facilities.

"Renewal Term" shall mean any term following the Original Term of this Falling Water Contract, as specified in Section 14.2 hereof.

"Replacement Dam" shall mean the new dam, including the reservoir, to be constructed by the Constructing Agency on the Snake River in southern Idaho adjacent to the City of American Falls, Idaho, to replace the Existing Dam.

"Schedule of Falling Water Payments" shall mean that schedule supplied to the Idaho Power Company, pursuant to the provisions of Section 9.8 of this Falling Water Contract, showing the annual Installments to be paid to the Trustee for deposit into the Bond Fund.

"Schedules of Spaceholder Bond Payments" shall mean the schedules supplied to the Spaceholders, pursuant to the provisions of Section 9.8 of this Falling Water Contract, showing the annual sums to be paid to the Trustee for deposit into the Bond Fund.

"Secretary" shall mean the Secretary of the Interior.

"Series 1976 Bonds" shall mean the initial series of Bonds to be issued by the Constructing Agency under the State Act for the purpose of paying all or part of the Cost of Construction of the American Falls Replacement Dam Program pursuant to the terms and conditions of Section 202 of the Indenture.

"Spaceholder(s)" shall mean the Waterusers which have executed Spaceholder Contracts, together with their successors and assigns. The initial Spaceholders are set forth in *Exhibit I* hereto.

"Spaceholder Bond Payments" shall mean the payments obligated to be made by the Spaceholders to the Constructing Agency pursuant to the Spaceholder Contracts to pay the Spaceholders' portion of the principal of and interest on the Bonds and which are assigned to the Trustee.

"Spaceholder Contracts" shall mean the contracts of even date herewith entered into among the United States, the Constructing Agency, and the Spaceholders for storage in the Replacement Dam and the payment of construction, operation, and maintenance costs of the American Falls Replacement Dam Program, as the same may be supplemented or amended.

"Spaceholder Payments" shall mean collectively the payments to be made by the Spaceholders pursuant to the Spaceholder Contracts as follows:

1. Spaceholder Bond Payments.
2. Spaceholder Replacement Dam Operation and Maintenance Payments.
3. Spaceholder Water Quality Facilities Operation and Maintenance Payments.
4. The fees, charges and expenses of the Trustee and any paying agent bank.

"Spaceholder Replacement Dam Operation and Maintenance Payments" shall mean the payments obligated to be made pursuant to the Spaceholder Contracts by the Spaceholders to the United States to pay the annual costs of operation and maintenance of the Replacement Dam and the Related Facilities, and to return the unpaid costs of the Existing Dam as set forth in Article 19 of the Government Contract.

"Spaceholder Water Quality Facilities Operation and Maintenance Payments" shall mean the payments obligated to be made by the Spaceholders to the Constructing Agency in accordance with paragraph 13 of the Water Quality Facilities Agreement.

"State Act" shall mean Chapter 22, Title 43, Idaho Code, as enacted by Chapter 1, Session Laws of Idaho, 1974, as amended by Chapter 48, Session Laws of Idaho, 1975.

"Supplemental Falling Water Payments" shall mean the supplemental amounts agreed to be paid to the Constructing Agency by the Idaho Power Company pursuant to this Falling Water Contract representing the obligations of Defaulted Spaceholders or of Non-Participating Waterusers, or both.

"Trustee" shall mean the bank, Trustee or bank co-trustee, or either, at the time serving as such under the Indenture.

"Underwriter" or "Underwriters" shall mean Kidder, Peabody & Co. Incorporated, an investment banking firm, located in the City of New York, New York, which has agreed to submit a proposal for the purchase of the Series 1976 Bonds and, if such proposal is accepted, shall be the Underwriter of the Series 1976 Bonds, but if such proposal is not accepted, then, any investment banking firm or firms with whom the Constructing Agency shall execute a bond purchase agreement for the purchase of the Series 1976 Bonds or any Bonds issued pursuant to the provisions hereof.

"Water Quality Facilities" shall mean facilities included in the American Falls Replacement Dam Program for the purpose of meeting the amended State of Idaho water quality dissolved oxygen standard, as approved on April 17, 1975, by the United States Environmental Protection Agency, for water released from the Replacement Dam through the Powerplant, including necessary monitoring equipment to be installed immediately downstream from the tailrace of the Powerplant to measure the dissolved oxygen in the water.

"Water Quality Facilities Agreement" shall mean the agreement of even date herewith between the Constructing Agency and the Idaho Power Company providing for the construction, operation, and maintenance of the Water Quality Facilities, as the same may be supplemented or amended.

"Wateruser(s)" shall mean the organizations and individuals which have heretofore contracted for storage space in the Existing Dam.

ARTICLE II

REPRESENTATIONS

SECTION 2.1. *General Representations.* The Constructing Agency and the Idaho Power Company represent and warrant, one to the other, that:

(a) This Falling Water Contract is the contract contemplated to be entered into by the Constructing Agency, with the approval of the Secretary, with an appropriate non-Federal entity for the utilization of the Falling Water at the Powerplant for power generation, and the coordination of the construction of the Powerplant with the construction of the Replacement Dam, in accordance with Section 4 of the Act of December 28, 1973, and the State Act (Section 43-2201(D)(4), Idaho Code).

(b) This Falling Water Contract, having been approved by the Secretary as required by the Act of December 28, 1973, shall not in any way impair the efficiency of the Replacement Dam to serve the other purposes of the Minidoka Project.

(c) The Constructing Agency herein proposes to contract with the Idaho Power Company for the utilization by the Idaho Power Company of the Falling Water at the Powerplant for power generation within the limitations specified in the Government Contract and in accordance with the conditions set forth in the License, and in consideration thereof the Idaho Power Company shall make the Falling Water Payments to the Constructing Agency to help defray the Cost of Construction and shall make the Supplemental Falling Water Payments as herein contemplated. The Idaho Power Company and the Constructing Agency shall coordinate the construction of the Powerplant with the construction of the American Falls Replacement Dam Program to the mutual benefit of the Idaho Power Company and the Constructing Agency, including joint bidding if such shall be deemed desirable. As provided in Section 4 of the Act of December 28, 1973, this Falling Water Contract shall not be the subject of the limitations of Section 9(c) of the Reclamation Project Act of 1939 (53 Stat. 1194), or of any similar limitations in any other applicable Acts of Congress.

(d) The utilization by the Idaho Power Company of the Falling Water at the Powerplant for power generation is and shall continue to be subordinate to the furnishing of water from the Replacement Dam for irrigation purposes.

(e) Less than ten per cent (10%) of the water accruing to the active storage capacity in the Replacement Dam may be contractually scheduled for release from the Replacement Dam by the Idaho Power Company, except for temporary increases following a default by a Non-Participating Wateruser or a Spaceholder as provided in Section 3.5 hereof or arising from unusually wet or dry weather in the service area of the Replacement Dam.

SECTION 2.2. *Representations of the Constructing Agency.* The Constructing Agency represents and warrants as follows:

(a) The Constructing Agency is a lawfully organized and existing irrigation district, pursuant to the provisions of Title 43, Idaho Code, as amended by the State Act, and has been such since June 1, 1923. The Constructing Agency is the "constructing agency" which is authorized to finance and provide for the construction of the American Falls Replacement Dam Program pursuant to the provisions of the Act of December 28, 1973, and the provisions of the Government Contract.

(b) The Constructing Agency is authorized to enter into the Government Contract and into this Falling Water Contract for the purpose of accomplishing the construction of the American Falls Replacement Dam Program pursuant to the provisions of the Act of December 28, 1973 and the State Act. The Constructing Agency intends to issue its Bonds pursuant to the State Act in reliance upon the obligation of Idaho Power Company during the Original Term to make the Falling Water Payments and the Supplemental Falling Water Payments and it is, therefore, necessary to recognize and provide for the rights of the holders, from time to time, of the Bonds of the Constructing Agency contemplated to be issued for the purpose of paying all or part of the Cost of Construction of the American Falls Replacement Dam Program. The Idaho Power Company, within the limitations specified in the Government Contract, will utilize for power generation at the Powerplant the Falling Water during the Original Term and it is, therefore, necessary in the Government Contract, to recognize and provide for the right of the Idaho Power Company for the continued utilization of the Falling Water after title to the Replacement Dam, the Related Facilities, and the Water Quality Facilities shall be taken by the United States, pursuant to the requirements of the Act of December 28, 1973.

(c) The Constructing Agency will not construct the Replacement Dam so as to result in an increase in the elevation of the water surface of the Replacement Dam above that maintained for the Existing Dam, *i.e.*, 4354.5 feet above mean sea level U.S.C.& G.S. datum.

(d) The Constructing Agency has made adequate provision in the Government Contract for the correction and prevention of erosion related to the Replacement Dam or for the payment, from lawfully available funds arising from sources other than the Falling Water Payments or the Spaceholder Bond Payments, for full and adequate compensation of the adjacent landowners, including owners of land subject to a flowage easement, if such erosion cannot be corrected or prevented.

(e) Construction of the Replacement Dam will in no way alter or change the present proportionate storage rights of the Waterusers, except as provided in the Government Contract and the Spaceholder Contracts, and constitutes a reaffirmation by the United States of the existing contract rights between the Secretary and the Waterusers, except as otherwise provided in the Act of December 28, 1973.

(f) The Constructing Agency, together with the State of Idaho, has provided for compliance with the provisions of Section 2(b) and (c) of the Act of December 28, 1973 by the execution of that certain agreement dated November 27, 1974, by and between the Constructing Agency and the State of Idaho, providing for the inclusion in the American Falls Replacement Dam Program of: (i) a river crossing, consisting of a bridge for two-lane traffic, downstream from the Replacement Dam; (ii) an additional two lanes on top of the Replacement Dam; and (iii) the maintenance of an adequate two-lane, two-way crossing at or near the site of the Existing Dam during construction of the Replacement Dam.

(g) The Constructing Agency, together with the Idaho Fish and Game Department, has provided for compliance with the provisions of the Government Contract by the execution of that certain agreement dated July 2, 1974, providing for the payment by the Constructing Agency to the Idaho Fish and Game Department of the costs of the Recreation and Fish and Wildlife Mitigation Facilities included in the American Falls Replacement Dam Program.

(h) All requirements of the Act of December 28, 1973, the State Act, and the Government Contract will be complied with by the Constructing Agency in connection with the financing and construction of the American Falls Replacement Dam Program.

(i) The Constructing Agency will use its best efforts to authorize, pursuant to the provisions of the State Act as then in force, and issue the Bonds in an amount which shall be sufficient to pay the Cost of Construction not prepaid by the Spaceholders and when issued such Bonds shall be payable solely from a special fund into which the Constructing Agency will be obligated to deposit: (a) the payments by the Constructing Agency under its Spaceholder Contract of sums arising from Assessments to be levied by the Constructing Agency, pursuant to the provisions of the State Act as a Spaceholder on lands within its boundaries for its proportionate share of the Cost of Construction and allocated to such lands by the Construction Agency pursuant to the requirements of the State Act; (b) the payments by other irrigation districts under their respective Spaceholder Contracts of sums arising from Assessments to be levied by said irrigation districts, pursuant to the provisions of the State Act, representing their respective proportionate shares of the Cost of Construction and allocated to each such irrigation district by the Constructing Agency pursuant to the requirements of the State Act; (c) the payments by the remaining Spaceholders under their respective Spaceholder Contracts of their respective proportionate shares of the Cost of Construction; and (d) the Falling Water Payments and Supplemental Falling Water Payments contemplated to be paid to the Constructing Agency by the Idaho Power Company, pursuant to the provisions of Article III hereof.

(j) The Constructing Agency will, at no additional expense to it, cooperate with the Idaho Power Company in its studies of fish mortality through the turbines and in its consultation and cooperation with other state and Federal agencies in the protection and development of the natural resources of the area of the "project" as defined in the License.

(k) The Constructing Agency will, at no additional expense to it, cooperate with the Idaho Power Company in the making of a project study of the feasibility of including the Old Island Powerhouse as a historical resource.

(l) The Constructing Agency agrees to recommend to the Fish and Game Department of the State of Idaho that the Department consider construction of a foot trail to provide public access from the Powerplant parking area under the railroad bridge to the west river bank of the tailrace area, with a portion of the funds to be provided by the Constructing Agency to the Idaho Fish and Game Department for the purpose of mitigating the anticipated loss of existing recreational and fish and wildlife resources.

(m) The Constructing Agency is not in default under any of the provisions contained in any agreement to which it is a party, and, by proper action, the Board has duly authorized its President to execute and deliver this Falling Water Contract, and its Secretary to attest and affix the seal of the Constructing Agency to this Falling Water Contract, all on behalf of the Constructing Agency.

(n) No additional or further approval, consent or authorization of any governmental unit, public agency or authority not already obtained is required by the Constructing Agency in connection with the execution of this Falling Water Contract.

SECTION 2.3. *Representations of the Idaho Power Company.* The Idaho Power Company represents and warrants as follows:

(a) The Idaho Power Company is a corporation duly incorporated under the laws of, and is in good standing in, the State of Maine; is duly qualified to do business as a foreign corporation and is in good standing in the State of Idaho; has power under the laws of Main and Idaho and its charter and by-laws to enter into this Falling Water Contract and by proper corporate action has been duly authorized to execute and deliver this Falling Water Contract.

(b) No additional or further approval, consent or authorization of any governmental unit, public agency or authority not already obtained is required by the Idaho Power Company in connection with the execution of this Falling Water Contract, except those recognized in subsection (c) hereof.

(c) The power of the Idaho Power Company to enter into the transactions contemplated by this Falling Water Contract and to carry out its obligations hereunder with respect to the Falling Water Payments and Supplemental Falling Water Payments contemplated hereunder is subject to the obtaining, by the Idaho Power Company, of approvals by any and all state and Federal regulatory agencies having jurisdiction thereof, and the Idaho Power Company covenants that it will use its best efforts to obtain such approvals prior to the issuance of any of the Series 1976 Bonds or any Interim Notes.

(d) There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best of the Idaho Power Company's knowledge and information, threatened against or affecting the Idaho Power Company, or, to the best of the Idaho Power Company's knowledge and information, any basis for any such action, suit, proceeding or investigation, wherein an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of this Falling Water Contract.

(e) Neither the execution and delivery of this Falling Water Contract, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Falling Water Contract, conflict with or result in a breach of any of the terms, conditions or provisions or any corporate restriction or any agreement or instrument to which the Idaho Power Company is now a party or by which it is bound, or constitute a default under any of the foregoing, or result in the creation or imposition of any lien, charge or encumbrance of any

nature whatsoever upon any of the property or assets of the Idaho Power Company under the terms of any instrument or agreement.

(f) The Idaho Power Company is able to and will obtain funds necessary for the construction of the Powerplant pursuant to the provisions of Article X hereof.

(g) Under date of April 25, 1975, the Idaho Power Company acknowledged acceptance of all of the provisions, terms and conditions of the License; that the License is in full force and effect, has not been rescinded or amended in any way; and, except with respect to the provisions of Articles 38, 43 and 45 hereof as to which an application for an extension of time has been filed with the Federal Power Commission, the Idaho Power Company is in compliance with all the provisions, terms and conditions of the License.

(h) That the Idaho Power Company shall commence construction of the Powerplant and complete construction of the project works described in the License within the period specified in the License or any amendment thereto.

(i) So long as any of the Bonds or Interim Notes are outstanding and unpaid, the Idaho Power Company will not acquire, on a permanent contractual basis, an additional amount of the water accruing to the active storage capacity in the Replacement Dam for the purpose of scheduled releases for generating electric energy, which together with the amount of active storage capacity presently owned by the Idaho Power Company under its Spaceholder Contract (2.6471%) would exceed eight per cent (8%) of the active storage capacity of the Replacement Dam.

ARTICLE III

USE OF FALLING WATER

SECTION 3.1. *Falling Water Payments; Use of Falling Water.* Unless sooner terminated as provided in Section 4.11 hereof, and subject only to the issuance by the Constructing Agency of its Series 1976 Bonds as contemplated by Section 9.1 hereof, in consideration of the utilization by the Idaho Power Company of the Falling Water at the Powerplant for power generation within the limitations specified in the Government Contract, the Idaho Power Company shall pay the Falling Water Payments determined in accordance with the provisions of Article IX hereof directly to the Trustee for the account of the Constructing Agency, in lawful money of the United States, at the times as determined in Section 9.3 hereof and at the Trustee's address shown in the Indenture, or at such other place as the Trustee from time to time shall designate. The Falling Water Payments, pursuant to this Falling Water Contract, shall constitute the monetary return to the Constructing Agency to defray in part the Cost of Construction contemplated to be paid in the Act of December 28, 1973. So long as the Idaho Power Company is not in default under the provisions hereof, the Idaho Power Company shall be entitled to utilize, during the term of the License or any continuation or renewal thereof, the Falling Water in accordance with the provisions of the License, at the Powerplant for power generation in connection with the operation by the United States of the Replacement Dam, within the limitations specified in Articles 16 and 18 of the Government Contract. The Secretary has, by his approval of this Falling Water Contract, evidenced his consent to such utilization, provided, that such approval does not preclude the Secretary from making any recommendations or comments in respect to the License or any continuation or renewal thereof.

SECTION 3.2. *Trustee and Paying Agent Costs.* The Idaho Power Company shall pay to the Trustee annually at the same time as it pays the Installments of the Falling Water Payments that portion of the yearly fees, charges and expenses of the Trustee and any paying agent bank contemplated in Section 1002 of the Indenture as determined in accordance with the provisions of Article IX hereof.

SECTION 3.3. *Interest on Overdue Installments of Falling Water Payments.* In the event of the failure of the Idaho Power Company to pay all or any part of any Installment of the Falling Water

Payments, such overdue Installment or portion thereof shall bear interest at the rate of the lesser of eight per cent (8%) per annum or the maximum interest rate then permitted by Idaho law.

SECTION 3.4. *Supplemental Falling Water Payments.* (A) The Constructing Agency and the Idaho Power Company recognize that a higher investment quality rating for the Bonds will be obtained from the respective rating agencies by the Constructing Agency (resulting in a lower net interest cost on the Bonds), if the Idaho Power Company would agree to make to the Trustee on behalf of the Constructing Agency, Supplemental Falling Water Payments in the manner contemplated in this Section 3.4, in the event that Waterusers fail to execute Spaceholder Contracts thereby becoming Non-Participating Waterusers or in the event that Spaceholders to which Article 17 of the Government Contract applies default in the making of all or any part of a Spaceholder Payment. Accordingly, within seven (7) days after the occurrence thereof, the Constructing Agency, or the Trustee on behalf of the Constructing Agency, or the Contracting Officer, as the case may be, shall give notice to the Idaho Power Company, the Contracting Officer, the Constructing Agency, the Defaulted Spaceholder and the Non-Participating Wateruser as the case may be, in the manner provided in Section 14.6 hereof, of:

(1) any default by any Spaceholder to which Article 17 of the Government Contract applies under a Spaceholder Contract of its obligation to make all or any part of a Spaceholder Payment, or

(2) failure to receive all or any part of a Spaceholder Payment which would have been due with respect to the space of a Non-Participating Wateruser had the Non-Participating Wateruser executed a Spaceholder Contract.

(B) The Idaho Power Company shall make a Supplemental Falling Water Payment to the Trustee, within ten (10) days after the notice provided for in (A) of this Section 3.4 has been given, which shall be sufficient:

(1) to pay all Spaceholder Payments including penalties and interest, or any portion thereof, then in default and due under any Spaceholder Contract, and

(2) to pay all Spaceholder Payments, including penalties and interest, or any portion thereof, which would have been due and payable with respect to the space of a Non-Participating Wateruser had the Non-Participating Wateruser executed a Spaceholder Contract and defaulted on the Spaceholder Payments becoming due and payable thereunder, as contemplated in Article 17(b) of the Government Contract.

The Supplemental Falling Water Payments shall be made by the Idaho Power Company to the Trustee at the same place as the Constructing Agency would make such payments pursuant to the Spaceholder Contracts.

(C) The Trustee shall apply the Supplemental Falling Water Payments as follows:

(1) that portion of the Supplemental Falling Water Payment represented by Spaceholder Bond Payments attributable either to a Defaulted Spaceholder or to a Non-Participating Wateruser shall be applied to the payment of principal of and interest on the Bonds as the same become due and payable (such portion of the Supplemental Falling Water Payments shall be credited separate and apart from the obligation of the Idaho Power Company to make the Installments of Falling Water Payments);

(2) that portion of the Supplemental Falling Water Payment represented by Spaceholder Replacement Dam Operation and Maintenance Payments attributable either to a Defaulted Spaceholder or to a Non-Participating Wateruser shall be paid to the Contracting Officer to be accounted for in accordance with the applicable provisions of the Government Contract and of the Spaceholder Contracts; and

(3) that portion of the Supplemental Falling Water Payment represented by Spaceholder Water Quality Facilities Operation and Maintenance Payments attributable either to a Defaulted

Spaceholder or to a Non-Participating Wateruser shall be paid to the Constructing Agency to be accounted for in accordance with the applicable provisions of the Spaceholder Contracts and the Water Quality Facilities Agreement.

(D) As provided in Article 17(d) of the Government Contract, if by May 15 of each year in which the Idaho Power Company shall have made a Supplemental Falling Water Payment to the Trustee pursuant to this Section 3.4, the Contracting Officer has not repaid to the Idaho Power Company the amount of the Supplemental Falling Water Payment made by the Idaho Power Company in that year, plus interest at the lesser of eight per cent (8%) per annum or the maximum then permitted under Idaho law, the water accruing to the space of the Defaulted Spaceholders or Non-Participating Waterusers will be made available to the Idaho Power Company for power generation as provided in Section 3.5 hereof, pursuant to Article 18(b) of the Government Contract.

(E) If the use of space by any Non-Participating Wateruser is terminated as provided in Article 17 of the Government Contract or if any Spaceholder Contract is terminated as provided in Article 29 thereof, and a Spaceholder Contract providing for the disposition of such space shall have been executed, as contemplated in Article 17(e) of the Government Contract, the Idaho Power Company and the Trustee shall be notified by the Constructing Agency of the execution of such Spaceholder Contract. Whenever a Non-Participating Wateruser executes a Spaceholder Contract, the Idaho Power Company and the Trustee shall be notified by the Constructing Agency of the execution of such Spaceholder Contract. Upon the execution of any such Spaceholder Contract, the Idaho Power Company will make Supplemental Falling Water Payments with respect to a default pursuant to such Spaceholder Contract, as though such Spaceholder Contract were one of the Spaceholder Contracts initially executed by the Contracting Officer and the Constructing Agency and will treat such Spaceholder Contract as a Spaceholder Contract for all purposes of this Falling Water Contract.

SECTION 3.5. *Use by Idaho Power Company of Space of Defaulted Spaceholder or Non-Participating Wateruser.* The Idaho Power Company shall, subject to the limitations of Article 16 and Article 18 of the Government Contract, be entitled to schedule for release and to utilize for power generation at the Powerplant and at the downstream powerplants of the Idaho Power Company the water accruing to the storage space of a Defaulted Spaceholder or a Non-Participating Wateruser that is made available under the procedures of Article 17 of the Government Contract; provided, however, that any such water may be utilized only during the period of May 15 through December 31 of the year in which such water is made available and only under a schedule of release so that the quantity of such water released during the period of November 1 through December 31 without regard to other released water, will not result in releases of water at the Minidoka Dam and Reservoir in excess of the hydraulic capacity of the Minidoka Powerplant as it now exists or as it may be enlarged in the future.

The Idaho Power Company agrees to make the Supplemental Falling Water Payments contemplated herein, whether or not the Idaho Power Company actually uses the water for power generation during the period it has the right to use such water or whether or not any or all of such water is actually available in the Replacement Dam as a result of failure to completely fill the reservoir in the preceding storage seasons due to inadequate streamflow or as a result of the occurrence of any of the events described in Section 4.8 hereof.

SECTION 3.6. *Net Contract; Non-Terminability.* This is a "net contract," and the Falling Water Payments and the Supplemental Falling Water Payments required to be made hereunder or pursuant hereto by the Idaho Power Company shall be paid without notice (other than the notice contemplated by the second sentence of Section 3.4(A) hereof), or demand and without any offset, counterclaim, deduction, defense, abatement, suspension, deferment or diminution of any kind or for any reason.

SECTION 3.7. *Non-Termination of Falling Water Contract or Idaho Power Company Obligation.* This Falling Water Contract shall not terminate, nor shall the Idaho Power Company have any right to

terminate this Falling Water Contract or its obligations under this Falling Water Contract, or be entitled to the abatement, deferment or diminution of any Installment of the Falling Water Payments or of any of the Supplemental Falling Water Payments required to be made by the Idaho Power Company hereunder, nor shall the obligations of the Idaho Power Company be affected by reason of:

(A) any defect or impairment of the Constructing Agency's title to the Replacement Dam, or any portion thereof, during the construction of the American Falls Replacement Dam Program or the failure to complete substantially the construction of the Replacement Dam, the Related Facilities or the Water Quality Facilities;

(B) any defect or impairment of the Construction Agency's right to contract with the Idaho Power Company for the use of the Falling Water or to any right provided or intended to be provided by Constructing Agency to Idaho Power Company hereunder;

(C) the damage to or destruction of the Replacement Dam, the Water Quality Facilities or the Powerplant, or any portion thereof, by any cause, including without limitation, fire, earthquake, explosion, wind, hail or flood;

(D) the taking of the Replacement Dam or the Powerplant, or any portion thereof, or the use thereof, by any condemnation or other eminent domain proceeding;

(E) the prohibition, limitation or restriction on the construction, operation or maintenance of the Replacement Dam, the construction, operation or maintenance of the Water Quality Facilities, the construction, operation or maintenance of the Powerplant, or of the Idaho Power Company's rights hereunder to the utilization of the Falling Water at the Powerplant for power generation or the interference with the operation by the Idaho Power Company of the Powerplant or with any such right of use by any person;

(F) any eviction of the Construction Agency or the Idaho Power Company from the Replacement Dam or the Powerplant, or any portion thereof, by paramount title or otherwise or the loss of the License by the Idaho Power Company;

(G) any default on the part of the Constructing Agency under this Falling Water Contract, or under any other contract;

(H) any claim as a result of the transactions contemplated by the Indenture, the Spaceholder Contracts, the Government Contract, or of any other business dealings of the Constructing Agency or the Idaho Power Company;

(I) any mortgage, pledge, sale, assignment or transfer by the Idaho Power Company of the Powerplant or the use of the Falling Water, or any portion or portions thereof, or any portion of its rights under this Falling Water Contract, or under any contract;

(J) the impossibility or illegality of performance by any or all of the parties hereto, the parties to the Spaceholder Contracts, or the parties to the Government Contract;

(K) force majeure;

(L) any action or pending action of any court, administrative agency or other governmental authority;

(M) any order or decision of a court of competent jurisdiction, either state or Federal, which shall hold that the provisions of the Government Contract which provide for the disposition of the water accruing to the space of a Non-Participating Wateruser are invalid or in whole or in part unenforceable;

(N) any order of the Federal Power Commission pursuant to Article 48 of the License requiring the Idaho Power Company to pay annual charges for the purpose of recompensing the United States for the use, occupancy and enjoyment of the Replacement Dam; or

(O) any other cause, whether similar or dissimilar to the foregoing, any present or future law notwithstanding.

ARTICLE IV

GOVERNMENT CONTRACT

SECTION 4.1. *Plans for the Construction of the American Falls Replacement Dam Program.* Pursuant to the provisions of Article 10(a) of the Government Contract, the Constructing Agency is responsible for the preparation of the plans for the American Falls Replacement Dam Program. Such plans for the Replacement Dam shall be substantially in accordance with the construction plans for the Replacement Dam contemplated at the Engineering Review Session in San Francisco, California, on October 8 and 9, 1974, and shall provide, among other things, for the following:

(A) The construction of a Replacement Dam having:

(1) a reservoir with an active capacity of 1,700,000 acre-feet;

(2) a spillway, outlet works, and power penstocks capable of passing an approved design flood without exceeding a maximum water surface elevation of 4354.5 feet above mean sea level U.S.C.&G.S. datum;

(3) a two-lane highway on the crest of the Replacement Dam adequate to meet the then current United States Department of Transportation Standards for Federal-Aid Secondary Highway Two-Lane Traffic;

(4) appropriate controls of spillway, intake, and sluiceway gates for operation of the Replacement Dam in the event of an emergency at the Powerplant; and

(5) sufficient portions of the Existing Dam removed to permit evacuation of the total active capacity of the Replacement Dam at a satisfactory rate to permit full utilization of the storable water.

(B) The construction of the Related Facilities.

(C) The construction, operation, and maintenance of the Water Quality Facilities.

(D) The construction, operation, and maintenance of the Recreation and Fish and Wildlife Mitigation Facilities.

(E) Provision for the relocation or replacement of the residence occupied by the Falls Irrigation District's personnel. The plan for the construction of the Replacement Dam and the Powerplant shall be such as not to interfere with the Falls Irrigation District pumping plant, nor to destroy the Old Island Powerplant unless first approved by the Contracting Officer.

(F) A proposed Construction Work Schedule and a proposed Plan of Operation.

(G) Provision for power intake structures, power penstocks, and attachment facilities to the penstocks of the Powerplant with a precise boundary line between the Replacement Dam and the Powerplant.

(H) The two-lane highway bridge located immediately downstream from the Replacement Dam adequate to meet the then current United States Department of Transportation Standards for Federal-Aid Secondary Highway Two-Lane Traffic, pursuant to the agreement dated November 23, 1973, between the United States and the State of Idaho, and the agreement dated November 27, 1974, between the Constructing Agency and the State of Idaho, and which two-lane highway bridge shall be utilized to satisfy the requirements of Section 2(c) of the Act of December 28, 1973.

SECTION 4.2. *Permits for Construction.* The Constructing Agency, pursuant to Article 11(a) of the Government Contract, has obtained from the Contracting Officer such special use permits and will, in accordance with Article 11(c) and (d) of the Government Contract, secure title to all lands not owned by the United States, or such interest therein, and all permits and licenses which are required for the Construction Agency to construct the Replacement Dam, the Related Facilities and the Water Quality Facilities designated in the Plans, Designs and Specifications approved by the Contracting Officer, as contemplated in this Falling Water Contract and in the Government Contract. The Idaho Power Company hereby grants to the Constructing Agency such licenses, permits and easements over and through the lands of the Idaho Power Company adjacent to the Replacement Dam which are within the project area as defined in the License as shall be necessary for the Constructing Agency to construct the Replacement Dam, the Related Facilities and the Water Quality Facilities according to the Plans, Designs and Specifications approved by the Contracting Officer, as contemplated in this Falling Water Contract and in the Government Contract.

SECTION 4.3. *Approval of Designs and Specifications.* As provided in the Act of December 28, 1973, and the Government Contract, the Idaho Power Company acknowledges that construction of the Replacement Dam, of each of the Related Facilities and of the Water Quality Facilities shall not be initiated until the Contracting Officer has approved in writing the Plan of Operation, the Construction Work Schedule and the applicable portion of the Designs and Specifications. The Constructing Agency and the Idaho Power Company shall abide by such Designs and Specifications, the Plan of Operation and the Construction Work Schedule.

SECTION 4.4. *Operation of Replacement Dam During Construction.* As provided in Article 13 of the Government Contract, the United States shall continue to operate and maintain the Existing Dam during the construction of the Replacement Dam. The Contracting Officer shall coordinate the storage and release of water to facilitate the construction of the Replacement Dam under the approved Plan of Operation. Daily operations under the approved Plan of Operation shall be determined by the Contracting Officer after consultation with the Constructing Agency and the Idaho Power Company, taking into account weather conditions, anticipated peak floodflows, irrigation water requirements, and construction activities.

If the Contracting Officer determines that the construction of the Replacement Dam or the Powerplant is interfering with the operation of the Existing Dam contrary to the approved Plan of Operation, the Constructing Agency, or the Idaho Power Company, or both, upon notification, shall immediately modify construction to permit the Contracting Officer to operate the Existing Dam or the Replacement Dam, or both, as contemplated in the approved Plan of Operation.

The proposed Plan of Operation provides for the evacuation of stored water from the Existing Dam and the passing of inflow in lieu of storing. The Idaho Power Company has heretofore advised the Constructing Agency and the Contracting Officer that such operation is acceptable to the Idaho Power Company.

At such time during the construction of the Replacement Dam that water control at the Existing Dam is transferred to water control at the Replacement Dam, the United States shall assume operation of the facilities which control the storage and release of water through the Replacement Dam.

SECTION 4.5. *Title to Replacement Dam, Related Facilities and Water Quality Facilities in United States upon Completion.* The Act of December 28, 1973, and the Government Contract provide that the United States shall take title to the Replacement Dam, the Related Facilities, and the Water Quality Facilities upon the determination by the Secretary that construction is substantially complete. Such title shall remain in the United States until otherwise provided by Congress. Upon substantial completion of the construction of the Replacement Dam and the Related Facilities the United States will operate and maintain the Replacement Dam and the Related Facilities as part of the Minidoka Project for the beneficial use of the water on the land within the service areas of the Spaceholders pursuant to Section 8 of the Reclamation Act of June 17, 1902 (32 Stat. 388).

The Constructing Agency will execute such conveyances of title of the Replacement Dam, the Related Facilities, and the Water Quality Facilities as shall be necessary to vest title thereto in the United States, pursuant to the requirements of the Act of December 28, 1973, and the Government Contract. The Constructing Agency agrees that it will recognize, in any such instruments or conveyances of title to the Replacement Dam, the Related Facilities and the Water Quality Facilities, the continued right of the Idaho Power Company during the term of its License or any continuation or renewal thereof, to utilize the Falling Water at the Powerplant for power generation in accordance with the provisions of the License or any continuation or renewal thereof, within the limitations specified in the Government Contract, pursuant to Section 4 of the Act of December 28, 1973, and Articles 18(a) and (b) of the Government Contract, so long as the Idaho Power Company is not in default under the provisions of this Falling Water Contract. The Idaho Power Company recognizes that title to the Replacement Dam during the term of its License or any continuation or renewal thereof, shall be vested in the United States.

As provided in Article 14(d) of the Government Contract, upon the acceptance of the final transfer review memoranda, the correction of any construction deficiencies therein specified, the submission of the documents and equipment specified in Article 14(c) of the Government Contract and the giving of notice by the Secretary to the Constructing Agency, the Trustee and the Idaho Power Company, construction of the Replacement Dam, the Related Facilities and the Water Quality Facilities shall be deemed to have been completed. The determination of completion of construction by the Secretary in accordance with the applicable provisions of the Government Contract shall be binding upon the Idaho Power Company. The Idaho Power Company agrees to cooperate with the Constructing Agency, the Secretary and the Authorized Representatives in the furnishing of any or all of the documents or copies thereof and equipment set forth in Article 14(c) of the Government Contract as shall be necessary to aid in the determination of the Secretary that construction of the Replacement Dam, the Related Facilities and the Water Quality Facilities is complete.

SECTION 4.6. *Operation and Maintenance of Replacement Dam by United States.* The Idaho Power Company agrees to the provisions of the Government Contract governing operation and maintenance of the Replacement Dam. The following Articles of the Government Contract are incorporated herein and made a part hereof as follows:

(A) Article 16 which reads:

The Replacement Dam will be operated by the United States in a manner so that (1) the present proportionate storage rights of the Spaceholders shall not be altered or changed except as provided herein and in the Spaceholder Contracts, (2) the water surface elevation of the Replacement Dam shall not exceed a maximum of 4354.5 feet above mean sea level U.S.C. & G.S. datum, and (3) the primary irrigation purpose and the incidental purposes of the Minidoka Project shall not be impaired by the subordinate utilization for power generation at the Powerplant of the water released from the Replacement Dam. The United States is not obligated to operate the Replacement Dam in a manner to have water in the Replacement Dam at elevations for power generation or to operate to increase the head in the Replacement Dam for power generation.

(B) Article 18(d) which reads:

In the event that the Contracting Officer determines that the water being released from the Replacement Dam through the Powerplant does not meet the amended State of Idaho water quality dissolved oxygen standard, as approved on April 17, 1975, by the United States Environmental Protection Agency, the Contracting Officer, after oral notice to the Idaho Power Company's American Falls Powerplant Chief Operator, may bypass part or all of such water around the Powerplant until satisfactory arrangements are made to meet such standard. The Contracting Officer in such circumstances will attempt to bypass only the amounts of water necessary to meet such standard. As contemplated in the Water Quality Facilities Agreement the Constructing Agency, the Contracting Officer, and the Idaho Power Company shall develop

operating criteria for the Water Quality Facilities and following mutual agreement on such criteria, the operation of the Water Quality Facilities or the bypassing of the water which is being released from the Replacement Dam around the Powerplant, or both, shall be in accordance with such criteria.

(C) Article 18(e) which reads:

The entitlement of the Idaho Power Company to utilize for power generation at the Powerplant the water released from the Replacement Dam under the provisions of this Article is subject at all times to scheduled interruptions for inspections, maintenance, and repairs of the Replacement Dam and at all times for any emergency operating situations relating to the Replacement Dam. In any such event, the Contracting Officer, in cooperation with the Constructing Agency and the Idaho Power Company, will endeavor to correct expeditiously such situations to permit the utilization for power generation at the Powerplant of the water released from the Replacement Dam.

(D) Article 18(f) which reads:

The Contracting Officer during the period that water is being released from the Replacement Dam for irrigation use by the Spaceholders, will provide to the Idaho Power Company from time to time schedules of anticipated water releases from the Replacement Dam in such form and detail as shall be mutually determined from time to time between the Contracting Officer and the Idaho Power Company and the Idaho Power Company will provide to the Contracting Officer its schedule of the amount of such releases anticipated by the Idaho Power Company to be used for power generation at the Powerplant. In the event the Idaho Power Company changes its schedule or in the event of an emergency, the Idaho Power Company shall promptly inform the Contracting Officer, so that the Contracting Officer can cause appropriate adjustments to be made in the outlet gates of the Replacement Dam. The providing to the Idaho Power Company by the Contracting Officer of schedules of anticipated water releases in no way guarantees that such schedules will be followed and the right to utilize the water released from the Replacement Dam for power generation at the Powerplant is subject to the provisions hereof, particularly to the limitation that the water releases from the Replacement Dam are to be determined at all times by the Contracting Officer. The Idaho Power Company, however, shall retain the right to schedule its stored water under its Spaceholder Contract and the water available to the Idaho Power Company, if any, under the provisions and limitations of (b) of this Article and schedules for the release of such water shall be provided by the Idaho Power Company.

(E) Article 22(a) which reads:

The Contracting Officer, after an opportunity has been offered to the Constructing Agency for consultation, shall have the right to make rules and regulations consistent with the provisions of this Government Contract and the laws of the United States, to add to or to modify such rules and regulations as may be deemed proper and necessary to carry out this Government Contract, and to supply necessary details of its administration which are not covered by express provisions hereof. Such rules and regulations shall (i) not limit the right of the Idaho Power Company, pursuant to the provisions of the Falling Water Contract, to utilize for power generation at the Powerplant the water released from the Replacement Dam so long as the Idaho Power Company is not in default thereunder, (ii) not limit the right of any Spaceholder to the stored water pursuant to the provisions of a Spaceholder Contract so long as the Spaceholder is not in default thereunder, or (iii) not limit the right of the Constructing Agency under the laws of the State of Idaho to collect the Falling Water Payments or the Supplemental Falling Water Payments under the Falling Water Contract or the payments due to the Constructing Agency from the Spaceholders under the Spaceholder Contracts. The Constructing Agency shall observe such rules and regulations.

SECTION 4.7. *Operation of Water Quality Facilities.* The Water Quality Facilities shall be operated and maintained in accordance with the provisions of the Water Quality Facilities Agreement as the same may be from time to time amended. The Constructing Agency shall notify the Administrator, Environmental Services Division, Idaho Department of Health and Welfare, when construction of the Replacement Dam has been commenced. The Constructing Agency shall notify the Regional Administrator, U. S. Environmental Protection Agency, Region X, upon receipt of the notice from the Contracting Officer pursuant to Section 14(d) of the Government Contract, that construction of the Replacement Dam, the Related Facilities, and the Water Quality Facilities has been completed.

SECTION 4.8. *No Liability for Water Shortage or Interruption.* No liability shall accrue against the United States or any of its officers, agents, or employees, or against the Constructing Agency, for damage, direct or indirect, arising by reason of shortages in the quantity of water available through the Existing Dam or the Replacement Dam or interruptions in water releases resulting from drought, inaccuracy in distribution, hostile diversion, prior or superior claims, accident to or failure of the Existing Dam or the Replacement Dam, or the bypassing of water around the Powerplant pursuant to Article 18(d) of the Government Contract, whether or not attributable to negligence of the officers, agents, or employees of the United States or the Constructing Agency, or other causes of whatsoever kind; nor shall the obligations of the Idaho Power Company to the Constructing Agency under this Falling Water Contract be reduced by reason of such shortages or interruptions.

SECTION 4.9. *Idaho Power Company Spaceholder Contract.* The Idaho Power Company's rights, duties and obligations as a Spaceholder are governed exclusively by the Spaceholder Contract of even date herewith entered into among the United States, the Constructing Agency, and the Idaho Power Company, and not by the terms and conditions of this Falling Water Contract, except as provided in Section 2.3(i) hereof.

SECTION 4.10. *Suspension or Termination of Use of Falling Water by Idaho Power Company upon Default.* In the event of the failure of the Idaho Power Company to pay when due all or any part of any Installment of the Falling Water Payments or any Supplemental Falling Water Payment as contemplated in this Falling Water Contract, the Trustee, on behalf of the Constructing Agency, or the Constructing Agency, shall request the Contracting Officer to take such steps pursuant to Article 18(c) of the Government Contract as shall be necessary to suspend all rights of the Idaho Power Company to the use of the Falling Water or any water accruing to the storage space of a Defaulted Spaceholder or of a Non-Participating Wateruser. The Secretary has, by his approval of this Falling Water Contract, acknowledged his duty, upon request of the Trustee on behalf of the Constructing Agency, or the Constructing Agency, to implement, or to cause to be implemented, the provisions of this Falling Water Contract and of the Government Contract which provide for the suspension or termination of the Idaho Power Company's right to the use of the Falling Water or water accruing to the storage space of a Defaulted Spaceholder or of a Non-Participating Wateruser.

SECTION 4.11. *Termination of Government Contract and Falling Water Contract.* The Constructing Agency will not, during the Original Term or any Renewal Term, consent to the termination of the Government Contract pursuant to Article 9(b) of the Government Contract, so long as the Idaho Power Company is not in default under any of the provisions of this Falling Water Contract and so long as the License or any continuation or renewal thereof is in full force and effect.

The Constructing Agency shall promptly advise the Idaho Power Company of the receipt of notice of termination of the Government Contract given pursuant to the provisions of Article 9(c) of the Government Contract, in which event this Falling Water Contract shall be deemed to have been terminated unless within 60 days after the giving of such notice by the Contracting Officer, the Constructing Agency has contracted to sell the Series 1976 Bonds or Interim Notes to construct or equip the Replacement Dam.

Either the Constructing Agency or the Idaho Power Company may terminate this Falling Water Contract after April 1, 1977, by the giving of notice to the other, unless prior to the giving of such

notice or within 60 days after the giving of such notice by the Idaho Power Company the Constructing Agency has contracted to sell the Series 1976 Bonds or Interim Notes to construct or equip the Replacement Dam.

ARTICLE V

Federal Power Commission License

SECTION 5.1. *Federal Power Commission License.* The Idaho Power Company has received a fifty (50) year License from the Federal Power Commission for the construction, operation, and maintenance by the Idaho Power Company of the Powerplant attached to the Replacement Dam, which License was initially conditioned upon commencement of construction of the Powerplant within two years from the effective date of the License, and completion within four years from the effective date of the License.

SECTION 5.2. *Documents Filed with Federal Power Commission.* The Idaho Power Company shall promptly file with the Federal Power Commission an executed copy of this Falling Water Contract, together with executed copies of all other contracts and documents required to be so filed in Article 36 of the License.

SECTION 5.3. *Compliance with License.* The Idaho Power Company shall comply with the provisions of the License and with the license for Project 2258 so long as the same shall be in full force and effect.

SECTION 5.4. *Notice of Amendment to License.* The Idaho Power Company shall give notice to the Contracting Officer and the Constructing Agency of any amendments to the License within 30 days after the effective date of any such amendment.

SECTION 5.5. *Failure to Renew License.* If after the expiration of the initial term of the License the Federal Power Commission fails to issue a renewal license to the Idaho Power Company, the Idaho Power Company and the Constructing Agency hereto will make all reasonable efforts to have the Federal Power Commission require as a condition to the granting of a license to a party other than the Idaho Power Company that (A) the new licensee shall pay the net investment of the Idaho Power Company in the Powerplant and such other amounts as are then permitted by law, plus reasonable severance damages of the Idaho Power Company, if any, and (B) the new licensee shall assume all contracts of the Idaho Power Company relating to the Powerplant.

ARTICLE VI

Authorized Representatives

SECTION 6.1. *Authorized Representatives.* Recognizing the need to coordinate the construction of the Powerplant with the construction of the American Falls Replacement Dam Program, the interests of the Spaceholders in effecting construction cost savings which will result in minimizing their Spaceholder Bond Payments, and as a means of securing effective cooperation between the Constructing Agency and the Contracting Officer, and among the Constructing Agency, the Idaho Power Company and the Spaceholders in resolving, on a prompt and orderly basis, the various administrative, technical, financing, construction, ownership and operating issues which may arise in connection with the performance of this Falling Water Contract, the Spaceholder Contracts, and the Water Quality Facilities Agreement, the Constructing Agency, the Idaho Power Company and the Spaceholders shall each name an Authorized Representative.

There shall be three Authorized Representatives, consisting of the Authorized Company Representative designated by the Idaho Power Company, the Authorized Constructing Agency Representative designated by the Constructing Agency and the Authorized Spaceholder Representative designated by the Spaceholders, in the manner provided in the Spaceholder Contracts. Each Authorized Representative

shall be authorized by the party or parties by whom he is designated to act on their behalf with respect to those matters herein provided to be responsibilities of the Authorized Representatives.

The Constructing Agency and the Idaho Power Company shall promptly notify each other and the Contracting Officer of the designation of their Authorized Representatives and of any subsequent changes in such designation. As provided in the Spaceholder Contracts, the Contracting Officer, the Idaho Power Company and the Constructing Agency shall be advised promptly of the designation of the Authorized Spaceholder Representative.

The Constructing Agency, the Idaho Power Company and the Spaceholders shall each have the power to appoint an alternate Authorized Representative.

SECTION 6.2. *Responsibilities of Authorized Representatives.* (A) The responsibilities of the Authorized Representatives prior to the Completion Date shall be:

(1) to approve the award of any construction or equipment contract in connection with the American Falls Replacement Dam Program;

(2) to establish general policies to be followed in the administration of this Falling Water Contract, in the construction of the American Falls Replacement Dam Program as it relates to this Falling Water Contract, and, to the extent such policies are relevant to the subject matter of this Falling Water Contract, in the construction of the Powerplant;

(3) to establish general policies and practices to be followed in the administration and coordination of the construction of the Powerplant with the construction of the Replacement Dam;

(4) to consult with the Contracting Officer concerning any policies which might hereafter be required among the Constructing Agency, the Idaho Power Company, the Spaceholders, and the Contracting Officer, or any of them, concerning the construction of the American Falls Replacement Dam Program or the construction of the Powerplant;

(5) to establish procedures for consultation with respect to notices received by the Constructing Agency from the Contracting Officer under Article 12(d) of the Government Contract; and

(6) to do such other things as are specifically assigned to the Authorized Representatives during the Construction Period.

(B) The responsibilities of the Authorized Representatives after the Completion Date shall be limited to:

(1) matters pertaining to the collection and payment of the Spaceholder Bond Payments, the Spaceholder Water Quality Facilities Operation and Maintenance Payments, the Falling Water Payments and the Supplemental Falling Water Payments, to the extent necessary;

(2) consultation concerning any policies which might hereafter be required among the Contracting Officer, the Constructing Agency, the Idaho Power Company and the Spaceholders, or any of them, concerning operation and maintenance of the Water Quality Facilities and payment of the costs thereof as provided in the Spaceholder Contracts and the Water Quality Facilities Agreement; and

(3) collection of and payment by the Idaho Power Company and the Spaceholders of the fees, charges and expenses of the Trustee and any paying agent bank contemplated in Section 1002 of the Indenture.

SECTION 6.3. *Procedures of Authorized Representatives.* The establishment of any procedure or practice and any other action or determination by the Authorized Representatives shall be made by unanimous agreement to become effective when signed by each of the Authorized Representatives. The Authorized Representatives shall have no authority to modify any of the provisions of this Falling Water

Contract, the Spaceholder Contracts, the Government Contract, or the Water Quality Facilities Agreement, nor shall they establish policies, rules, or regulations which are not in accordance with policies, rules, or regulations established by the Contracting Officer with respect to the construction of the American Falls Replacement Dam Program or the operation and maintenance of the Replacement Dam, the Related Facilities or the Water Quality Facilities, or which conflict with the approved Plan of Construction, the Plan of Operation or the Designs and Specifications.

SECTION 6.4. *Continued Responsibility of Constructing Agency.* With respect to all matters contemplated in Article IX hereof, the Constructing Agency shall consult with the Authorized Representatives in connection with the issuance of the Series 1976 Bonds, however, the Constructing Agency shall at all times comply with the State Act in the performance of its duties contemplated hereunder in connection with the issuance of the Series 1976 Bonds.

The Constructing Agency shall conform to any public bidding requirements applicable to it in connection with the construction of the American Falls Replacement Dam Program.

If, at any time, it is determined by a court of competent jurisdiction that any responsibilities assigned to the Authorized Representatives under the provisions of this Falling Water Contract constitute an undue delegation of power of the Constructing Agency, action shall be taken by the Constructing Agency, the Idaho Power Company and the Spaceholders in order to comply with the court determination and, if legally permissible and desirable under the determination of the court the Constructing Agency shall be substituted for the Authorized Representative appointed by the Constructing Agency.

ARTICLE VII

COORDINATION OF CONSTRUCTION OF REPLACEMENT DAM AND POWERPLANT AND ASSIGNMENT OF CONSTRUCTION COSTS

SECTION 7.1. *Coordination of Construction of Powerplant with Construction of Replacement Dam.* Pursuant to the provisions of Section 4 of the Act of December 28, 1973, the construction of the Powerplant by the Idaho Power Company shall be such that it is coordinated with the construction of the Replacement Dam pursuant to the approved Plan of Construction, Plan of Operation and the Designs and Specifications. To this end the Constructing Agency and the Idaho Power Company shall, at the earliest possible date after the execution hereof and to the extent not theretofore approved, cooperate one with the other in the submission by the Constructing Agency to the Contracting Officer for approval of the Plan of Construction and the Construction Work Schedule to the extent necessary to provide for the coordination of construction of the Powerplant with the construction of the Replacement Dam.

SECTION 7.2. *Constructing Agency in Owner Capacity during Construction.* The Constructing Agency, in accordance with the provisions of the Act of December 28, 1973, and the Government Contract, shall act in the capacity of owner of the Replacement Dam, the Related Facilities and the Water Quality Facilities during the Construction Period and in such capacity shall have and exercise all ownership responsibilities with respect thereto, except as provided by Article 13(c) of the Government Contract, until the United States shall take title thereto as contemplated in Article 14 of the Government Contract.

SECTION 7.3. *Construction Engineer.* During the Construction Period and the period of construction of the Powerplant the Constructing Agency and the Idaho Power Company shall each retain on a continuous basis as a construction engineer, an Independent Engineer of national reputation, recognized for knowledge, skill and experience in the design and construction of major dams and hydroelectric facilities, except that in lieu of an Independent Engineer Idaho Power Company may use its own engineering staff for such purpose.

SECTION 7.4. *Books and Records; Federal Power Commission Requirement.* The Authorized Representatives shall administer the maintenance and preservation, by the Constructing Agency of appropriate records and books of account, containing detailed entries of the Cost of Construction and, where

applicable to the construction of the American Falls Replacement Dam Program, of appropriate records and books of account of the Idaho Power Company containing detailed entries of all costs of engineering, financing and constructing the Powerplant. Accounting for all of such costs shall be in accordance with the requirements of the Federal Power Act, if any, and the requirements of the Federal Power Commission (presently FPC Form No. 6), as such requirements may be modified by the Federal Power Commission from time to time. The basic records and documents shall be made available to the Authorized Representatives, to the Contracting Officer, and to the Federal Power Commission for inspection during regular business hours upon reasonable notice and request therefor.

SECTION 7.5. *Assignment of Facilities of the American Falls Replacement Dam Program.* The Constructing Agency shall be responsible for the Cost of Construction of the American Falls Replacement Dam Program. In order to assist in the coordination of the construction of the Powerplant with the construction of the American Falls Replacement Dam Program and with particular reference to the determination of respective cost responsibilities as between the Constructing Agency and the Idaho Power Company, the Cost of Construction of the American Falls Replacement Dam Program shall be assigned and prorated as provided in Section 7.9 hereof to the following generally described items:

(A) Land and Land Rights.

(B) Structures and Improvements (Recreational Facilities, Fish and Wildlife Facilities only).

(C) Reservoirs, Dams and Waterways, including penstock gates and facilities on the upstream side of the Replacement Dam and the penstock extending through the Replacement Dam to the boundary line on the downstream face of the Replacement Dam.

(D) Roads, Railroads and Bridges.

SECTION 7.6. *Assignment of Powerplant Facilities.* The Idaho Power Company shall be responsible for the cost of construction of the Powerplant as contemplated in this Falling Water Contract. In order to assist in the coordination of the construction of the Powerplant with the construction of the American Falls Replacement Dam Program and with particular reference to the determination of the respective cost responsibilities as between the Constructing Agency and the Idaho Power Company, the cost of construction of the Powerplant shall be assigned and prorated as provided in Section 7.9 hereof to the following generally described Federal Power Commission Accounts in effect on January 1, 1970, as related to hydraulic production plant:

No. 300—Land and Land Rights

No. 331—Structures and Improvements (all except Recreational Facilities and Fish and Wildlife Facilities).

No. 332—Reservoirs, Dams and Waterways (only penstock and waterways downstream from the boundary line on the downstream face of the Replacement Dam).

No. 333—Waterwheels, Turbines and Generators.

No. 334—Accessory Electric Equipment, including control to intake and sluice gates.

No. 335—Miscellaneous Powerplant Equipment.

No. 397—Communication Equipment.

SECTION 7.7. *Completion Audits.* Within ninety (90) days after the Completion Date, the Authorized Representatives shall be supplied by the Constructing Agency with an audit of the Construction Fund and by the Idaho Power Company an audit of construction accounts established by the Idaho Power Company in connection with the construction of the Powerplant. The cost of the audit of the Construction Fund shall be included by the Constructing Agency as a Cost of Construction. The Idaho Power Company shall be responsible for the cost of the audit of the construction accounts established in connection with the construction of the Powerplant. Each such audit shall be made by a firm of independent certified public accountants, licensed, registered and entitled to practice as such

under the laws of the State of Idaho. A copy of each audit showing the Cost of Construction of the American Falls Replacement Dam Program and the costs of construction of the Powerplant, in reasonable detail, and the amount each party has theretofore paid for such purposes, shall be furnished promptly to the Constructing Agency, the Idaho Power Company, the Trustee, the Contracting Officer, and the Spaceholders.

SECTION 7.8. *Ownership of Powerplant.* At all times mentioned herein and after the construction of the Powerplant by the Idaho Power Company, the ownership of the Powerplant shall be in the Idaho Power Company in accordance with the provisions of the License.

SECTION 7.9. *Initial Assignment of Cost Responsibilities.* At the earliest practical date after the Designs and Specifications are approved by the Contracting Officer and after the final designs and specifications for the Powerplant are available, the Authorized Representatives, in consultation with the Independent Engineers, shall identify and assign to the Constructing Agency or to the Idaho Power Company by the cost accounts described in Section 7.4 hereof, the following:

(A) the work items and quantities of materials and excavation which are identifiable as related solely to the construction of the American Falls Replacement Dam Program or to the construction of the Powerplant, and

(B) the work items and quantities of materials and excavation which are so related both to the construction of the American Falls Replacement Dam Program and the construction of the Powerplant as not to be separately identifiable.

The assignment under (B) shall be to the Constructing Agency and the Idaho Power Company in accordance with criteria mutually agreed to by the Authorized Representatives. Such criteria shall be based on the ratio of cost savings to be derived from the particular item either by the function of the Replacement Dam or by the function of the Powerplant, if determinable, otherwise equally. The initial assignment of cost responsibilities shall be reduced to writing and copies shall be supplied to the Constructing Agency, the Idaho Power Company, the Contracting Officer, and the Authorized Spaceholder Representative. Such assignment of cost responsibilities for the American Falls Replacement Dam Program shall not be construed as an allocation of such costs for other than the primary irrigation purpose and the incidental purposes of the Minidoka Project.

SECTION 7.10. *Final Assignment of Cost Responsibilities.* Upon receipt from the Secretary of the notice of completion of construction of the Replacement Dam, the Related Facilities, and the Water Quality Facilities as provided for in Article 14(d) of the Government Contract, the Authorized Representatives, in consultation with the Independent Engineer, shall review the initial assignment of cost responsibilities, modify the same to conform to the actual work items and quantities of materials and excavation in accordance with the criteria previously established pursuant to Article 7.9 hereof, compute the actual Cost of Construction of the American Falls Replacement Dam Program which is the responsibility of the Constructing Agency, and to the extent applicable, the actual cost of construction of the Powerplant which is the responsibility of the Idaho Power Company. The review and modification shall also take into account any sums required to be paid by or to the Constructing Agency pursuant to Section 4 of that certain agreement dated November 27, 1974, between the Constructing Agency and the State of Idaho providing for the two-lane highway on the crest of the Replacement Dam and the two-lane highway bridge located immediately downstream from the Replacement Dam. This final assignment of cost responsibilities shall be reduced to writing and copies supplied to the Constructing Agency, the Idaho Power Company, the Contracting Officer, and the Authorized Spaceholder Representative.

After completion of the above required computation, the Authorized Representatives shall give notice to the Constructing Agency of any then unreimbursed costs which were incurred by the Idaho Power Company and which are assigned pursuant to the final assignment of cost responsibilities, in

whole or in part, to the Constructing Agency. The Constructing Agency shall thereupon reimburse the Idaho Power Company from the Construction Fund for such costs as are itemized in the notice.

After completion of the above required computation, the Authorized Representatives shall give notice to the Idaho Power Company of any then unreimbursed costs which were incurred by the Constructing Agency and which are assigned pursuant to the final assignment of cost responsibilities, in whole or in part, to the Idaho Power Company. The Idaho Power Company shall thereupon reimburse the Constructing Agency for such costs as are itemized in the notice. Any such reimbursement shall be deposited into the Construction Fund.

SECTION 7.11. *Arbitration.* Any controversy or claim arising out of or relating to any assignment of cost responsibilities pursuant to this Article VII shall be settled by arbitration in accordance with the Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be introduced in any court having jurisdiction thereof.

ARTICLE VIII

ENGINEERING, FINANCING AND CONSTRUCTION OF AMERICAN FALLS REPLACEMENT DAM PROGRAM

SECTION 8.1. *Cost Estimates; Plans, Designs and Specifications.* The Constructing Agency shall arrange for the preparation of the Plans, Designs and Specifications for submission to the Contracting Officer. The Constructing Agency and the Idaho Power Company shall obtain cost estimates on the Designs and Specifications based on the initial assignment of cost responsibilities determined as provided in Section 7.9 hereof, together with such other costs and estimates as are necessary for the Constructing Agency and the Idaho Power Company to make such filings and obtain such approvals, consents and authorizations as may be necessary from any governmental unit, public agency or authority in connection with the construction of the American Falls Replacement Dam Program and the construction, operation, and maintenance of the Powerplant.

SECTION 8.2. *Approval of Plans, Designs and Specifications.* Pursuant to Article 10(b) of the Government Contract, the Constructing Agency is responsible for the preparation of Designs and Specifications for the American Falls Replacement Dam Program. As a condition precedent to the approval of the final Designs and Specifications for the construction of the Replacement Dam, the Constructing Agency must have submitted to, and received written approval from the Contracting Officer of, a Plan of Operation and the Construction Work Schedule. Final Designs and Specifications for any facility to be constructed or acquired as part of the American Falls Replacement Dam Program may not be issued by the Constructing Agency until the Contracting Officer has provided written approval thereof. The procedure for obtaining approval of the final Designs and Specifications which have not been approved prior to the execution of the Government Contract, is as set forth in Article 10(b) of the Government Contract.

SECTION 8.3. *Issuance of Designs and Specifications; Construction Bids; Cost Estimates.* Upon receipt by the Constructing Agency of the written approvals of the various Designs and Specifications by the Contracting Officer, the Constructing Agency shall issue specifications for the construction of the American Falls Replacement Dam Program and shall, in the manner then required by law, advertise for the submission of bids for the construction of the American Falls Replacement Dam Program. As contemplated in Section 10.1 hereof, the Idaho Power Company shall also request bids for construction of the Powerplant in accordance with its standard procedures. If mutually acceptable to the Constructing Agency and the Idaho Power Company, to the extent permitted by law, joint bidding for the construction of the Replacement Dam and the construction of the Powerplant shall be undertaken. After receipt of bids for the construction of the American Falls Replacement Dam Program and for the construction of the Powerplant by the respective parties hereto, but prior to the sale of the Series 1976 Bonds, the Authorized Representatives shall cause a final estimate of the Cost of Construction of the American

Falls Replacement Dam Program and a final estimate of the cost of construction of the Powerplant to be prepared. Included in the aforesaid final cost estimate shall be a separate identifiable estimate of the cost of the Water Quality Facilities to be included in the American Falls Replacement Dam Program.

After preparation of the final cost estimate for the American Falls Replacement Dam Program, the Authorized Representatives shall prepare a schedule setting forth the obligation of the Idaho Power Company, of each Spaceholder and, to the extent applicable, attributable to the space of each Non-Participating Wateruser, to share in the estimated Cost of Construction of the American Falls Replacement Dam Program[1]. The schedule shall be approved by the Constructing Agency and shall be filed with the Idaho Power Company, the Contracting Officer and each Spaceholder.

The Authorized Representatives shall next determine (A) the amount of money representing prepayments of Spaceholder obligations under Article 23 of the Spaceholder Contracts which should be transferred from the Prepayment Fund to the Construction Fund and (B) the amount of the Series 1976 Bonds which should be issued and the amount of the proceeds thereof deposited into the Construction Fund in order to pay the Cost of Construction. The Authorized Representatives shall thereafter recommend to the Constructing Agency the amount of the Series 1976 Bonds which should be issued.

After the Constructing Agency has determined the amount of the Series 1976 Bonds to be issued as contemplated in Section 9.3 hereof, the Authorized Representatives shall make any necessary adjustments in the schedules above contemplated to be made and shall thereupon give notice to the Contracting Officer, in accordance with Article 15(a) of the Michaud Division, Fort Hall Indian Reservation Spaceholder Contract, of the payments which will be due thereunder. The Constructing Agency shall, on or prior to the date of delivery of the Series 1976 Bonds, transfer from the Prepayment Fund to the Construction Fund the amount above computed by the Authorized Representatives which is attributable to Spaceholders prepayments.

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[1] (A) The obligation of the Idaho Power Company to share in the estimated cost of the American Falls Replacement Dam Program shall be equal to the sum of:

(1) $19,550,000,

(2) the estimated cost of the Water Quality Facilities determined under the provisions of this Section 8.3, and

(3) .486405 (see Section 9.7 hereof) times the amount by which the total estimated cost of the American Falls Replacement Dam Program exceeds $38,000,000.

(B) The obligation of each Spaceholder and, to the extent applicable, attributable to the space of each Non-Participating Wateruser, to share in the estimated cost of the American Falls Replacement Dam Program shall be computed in accordance with the following formula:

where:

SP = the Waterusers share of the estimated cost of the American Falls Replacement Dam Program

p = a Wateruser's percentage of total space

C = $38,000,000, less $19,550,000 and the estimated cost of Water Quality Facilities

A = the estimated cost of American Falls Replacement Dam Program over $38,000,000

B = Idaho Power Company's share of the estimated cost of the American Falls Replacement Dam Program over $38,000,000

then:

$$SP = p\,(C + (A - B))$$

SECTION 8.4. *Cost of Construction.* The Cost of Construction of the American Falls Replacement Dam Program shall consist of:

(A) payment of principal of and interest on outstanding Interim Notes, if any, issued by the Constructing Agency pursuant to the authority contained in the State Act, and

(B) payments made under Section 602 of the Indenture for:

(1) payment of the initial or acceptance fee of the Trustee;

(2) payment to the Constructing Agency, Waterusers, or Idaho Power Company, as the cast may be, of such amounts, if any, as shall be necessary to reimburse the Constructing Agency, Waterusers, or the Idaho Power Company in full for advances and payments made or costs incurred by them or any of them, prior to or after the execution of this Falling Water Contract, for expenditures in connection with the construction of the American Falls Replacement Dam Program, including, but not limited to preparation of the Plans, Designs and Specifications and review thereof by the Contracting Officer;

(3) all costs representing interest on advancements made in connection with the construction of the American Falls Replacement Dam Program prior to the sale of the Series 1976 Bonds;

(4) payments to the Contracting Officer for costs incurred in reviewing the Plans, Designs, Specifications and for costs incurred pursuant to Article 20(a) of the Government Contract in reviewing the construction of the American Falls Replacement Dam Program; costs for the obtaining of any insurance policy or policies by the Constructing Agency during the Construction Period; and costs related to the obtaining of all real and personal properties deemed necessary in connection with the construction of the American Falls Replacement Dam Program by the Constructing Agency, or any one or more of said expenditures;

(5) payment for labor, services, materials and supplies used or furnished in site improvement and in the construction of the American Falls Replacement Dam Program, all as provided in the Plans, Designs and Specifications, payment for the cost of the construction, acquisition and installation of utility services or other facilities, and all real and personal property deemed necessary in connection with the construction of the American Falls Replacement Dam Program and payment for the miscellaneous expenses incidental to any thereof, including the premium on any surety bond;

(6) payment of sums due to the State of Idaho pursuant to that certain agreement dated November 27, 1974, between the Constructing Agency and the State of Idaho providing for the two-lane highway on the crest of the Replacement Dam and the two-lane highway bridge located immediately downstream from the Replacement Dam;

(7) payment of the sums contemplated in Sections 1 and 3 of that certain agreement dated July 2, 1974, between the Constructing Agency and the Idaho Fish and Game Department with respect to the Recreation and Fish and Wildlife Mitigation Facilities;

(8) payment of audit fees and expenses for maintenance of records required to be kept hereunder, and of the fees, if any, for architectural, engineering and supervisory services with respect to the construction of the American Falls Replacement Dam Program;

(9) compensation to be paid to the Authorized Constructing Agency Representative and the Authorized Spaceholder Representative in connection with the performance of their duties and the reimbursement of their expenses incurred in connection with such duties;

(10) payment of expenses incurred in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under a contract relating to the construction of the American Falls Replacement Dam Program;

(11) payment of costs of issuance of the Bonds, and Interim Notes, any necessary litigation and confirmation proceedings, and the obtaining of all necessary permits and rulings;

(12) payment of the legal, accounting and underwriting fees and expenses and printing and engraving costs, including fees of rating agencies, incurred in connection with the authorization, sale and issuance of the Bonds and Interim Notes, the preparation of this Falling Water Contract, the Government Contract, the Spaceholder Contracts, the Water Quality Facilities Agreement, and the Indenture;

(13) payments required to be made pursuant to Article 17(g) of the Government Contract; and

(14) payment of any other costs and expenses relating to the construction of the American Falls Replacement Dam Program which would constitute a cost or expense for which moneys in the Construction Fund may be used under the Act of December 28, 1973, the State Act and the Indenture, including fees and expenses of the Trustee during the Construction Period.

SECTION 8.5. *Award or Rejection of Construction Bids.* If, in accordance with Section 8.3 hereof, joint bidding for the construction of the Replacement Dam and the construction of the Powerplant is undertaken by the Constructing Agency and the Idaho Power Company, each of the Authorized Representatives must concur in the award of any contract for construction or the purchase of equipment. If separate construction contracts are to be entered into for the construction of the Replacement Dam and the construction of the Powerplant, each of the Authorized Representatives must concur in the award of the contract for the construction of the Replacement Dam and in the award of the contracts for the purchase of equipment for the Replacement Dam; however the Authorized Constructing Agency Representative and the Authorized Spaceholder Representative need not concur in the award of contracts for the construction and equipping of the Powerplant. Nothing contained in this Falling Water Contract shall prevent the Board from exercising its discretion and rejecting any and all bids pertaining to the construction of the American Falls Replacement Dam Program or the purchase of equipment in connection therewith, and readvertising for bids.

SECTION 8.6. *Recomputation of Obligations.* If the amounts deposited into the Construction Fund pursuant to Section 8.3 hereof are or will be insufficient to pay in full the total Cost of Construction of the American Falls Replacement Dam Program, the Authorized Representatives shall from time to time revise the estimated Cost of Construction and determine the additional amounts necessary to be deposited into the Construction Fund from the Prepayment Fund and from the proceeds of Additional Bonds in order to pay the total revised Cost of Construction. The Constructing Agency shall, to the extent necessary, issue Additional Bonds as permitted under Section 207 of the Indenture for completion purposes and as contemplated in Sections 9.10 and 9.11 hereof.

In the event Additional Bonds need only be issued pursuant to Section 9.10 hereof within the initial authorization, the Authorized Representatives shall recompute the obligation of the Idaho Power Company, of each Spaceholder and, to the extent applicable, attributable to the space of each Non-Participating Wateruser, based on the revised Cost of Construction of the American Falls Replacement Dam Program and shall prepare a revised schedule of such obligations showing the increase over the initial determination for each.[1] Such schedule of obligation shall be approved by the Constructing Agency and shall be filed with the Idaho Power Company, the Contracting Officer and each Spaceholder. The Constructing Agency shall, on or prior to the date of delivery of the Additional Bonds transfer from the

[1] The respective obligations of the Idaho Power Company, each Spaceholder and, to the extent applicable, attributable to the space of each Non-Participating Waterusers, to pay the revised cost, shall be computed according to the computation set forth in Section 8.3 hereof, but substituting for the words "estimated cost" the words "revised cost" wherever they appear in the description of the computation.

Prepayment Fund to the Construction Fund the amount above computed by the Authorized Representatives which is attributable to Spaceholder prepayments. The Authorized Representatives shall also notify the Contracting Officer to increase the payments under the Michaud Division, Fort Hall Indian Reservation Spaceholder Contract accordingly.

In the event it is determined necessary to issue Additional Bonds pursuant to Section 9.11 hereof in excess of the initial authorization, and appropriate supplements to this Falling Water Contract and the Spaceholder Contracts are entered into, the Authorized Representatives shall recompute the obligation of the Idaho Power Company, of each Spaceholder and, to the extent applicable, attributable to the space of each Non-Participating Wateruser, in accordance with the principles of allocation of responsibility for the payment of the total Cost of Construction of the American Falls Replacement Dam Program in excess of the initial authorization set forth in Section 9.11 hereof and shall prepare a schedule showing the respective obligations in accordance therewith. Such schedule shall be consistent with the supplements to Spaceholder Contracts and the Falling Water Contract contemplated to be executed in Section 9.11 hereof, shall be approved by the Constructing Agency, and shall be filed with the Idaho Power Company, the Contracting Officer and each Spaceholder.

SECTION 8.7. *Computation of Actual Cost of Construction.* The Authorized Representatives, after computing the actual Cost of Construction as contemplated in Section 7.10 hereof, shall compute the obligations of Idaho Power Company, of each Spaceholder and, to the extent applicable, attributable to the space of each Non-Participating Wateruser, to pay the actual total Cost of Construction. If Additional Bonds are not issued under Section 9.11 hereof in excess of the initial authorization, then such obligations shall be computed in accordance with the computation set forth in Section 8.3 hereof, but substituting for the words "estimated cost" the words "total cost" wherever they appear in the description of the computation. If Additional Bonds are issued under Section 9.11 hereof in excess of the initial authorization, then such computation of the respective obligations shall be made in accordance with the provisions of Section 8.3 hereof as above modified and supplemented by the principles of allocation of the total Cost of Construction of the American Falls Replacement Dam Program set forth in Section 9.11 hereof and in any supplements to this Falling Water Contract and the Spaceholder Contracts. A schedule showing the final obligation of each to pay the actual total Cost of Construction shall be prepared, approved by the Constructing Agency and filed with the Idaho Power Company, the Contracting Officer and each Spaceholder. The Authorized Representatives shall then determine what sums, if any, should be retained in the Construction Fund in order to complete the American Falls Replacement Dam Program.

After the determination of the amounts needed to be retained in the Construction Fund in order to pay any Cost of Construction not then due and payable, the Constructing Agency shall cause a certificate to be filed with the Trustee pursuant to the provisions of Section 603 of the Indenture concerning the completion of the American Falls Replacement Dam Program. Such certificate shall direct the Trustee to dispose of any balance remaining in the Construction Fund, other than the amounts to be retained by the Trustee as provided in the certificate, as follows:

(A) That portion of the sums remaining in the Construction Fund attributable to prepayment by Spaceholders of their obligations under the Spaceholder Contracts shall be returned by the Trustee to the Spaceholders which made such prepayments in accordance with the percentage of active storage capacity of each such Spaceholder; and

(B) That portion remaining in the Construction Fund attributable to Spaceholders who elected to pay annual Spaceholder Bond Payments or to Idaho Power Company shall be transferred by the Trustee to the Bond Fund.

The Authorized Representatives shall also make a separate computation of the actual Cost of Construction, according to the assignment of such costs, of the Water Quality Facilities. This computation shall be filed with the Idaho Power Company, the Contracting Officer, and the Constructing Agency so that the computation contemplated to be made under paragraph 11 of the Water Quality Facilities Agreement can be completed by the Constructing Agency and the Idaho Power Company.

Any insurance rebates or dividends arising from policies taken out by the Constructing Agency in connection with the American Falls Replacement Dam Program shall, when received, be deposited into the Construction Fund. If any such rebates or dividends are received by the Constructing Agency subsequent to the closing of the Construction Fund, such rebates and dividends shall be distributed to the Spaceholders and the Idaho Power Company as their interests then appear.

ARTICLE IX

Issuance of Constructing Agency Bonds

SECTION 9.1. *Bonds; Source of Payment.* In order to provide funds for payment of all or part of the Cost of Construction of the American Falls Replacement Dam Program as set forth in Section 8.4 hereof, the Constructing Agency agrees that it will use its best efforts, at one time or from time to time, to sell and cause to be delivered to the purchasers thereof, one or more series of its Bonds in the principal amounts determined as provided in Sections 9.3, 9.10 and 9.11 hereof.

The Bonds shall be issued by the Constructing Agency pursuant to the provisions of the State Act then in force, and shall be payable solely from the special fund contemplated to be established in the State Act (Section 43-2201(D), Idaho Code).

SECTION 9.2. *Interim Notes; Idaho Power Company Guarantee of Interim Notes.* Either at or before the time the estimated Cost of the Construction of the American Falls Replacement Dam Program has been determined pursuant to Section 8.3 hereof, the Board, pursuant to the provisions of the State Act (Section 43-2202, Idaho Code), may determine it to be advisable and to be in the interests of the Constructing Agency to borrow funds temporarily in advance of the permanent financing for the payment of all or part of the Cost of Construction of the American Falls Replacement Dam Program by the issuance of one or more series of Interim Notes of the Constructing Agency. Such Interim Notes shall be issued, sold and delivered from time to time and shall be secured as provided in the State Act (Section 43-2202, Idaho Code), and the proceeds thereof shall be deposited in a fund in the hands of a bank or trust company doing business in the State of Idaho, to be disbursed by the Constructing Agency for the purposes specified in Section 8.4 hereof.

The Constructing Agency and the Idaho Power Company recognize that in order to meet the Construction Work Schedule for the American Falls Replacement Dam Program, it may be necessary to issue Interim Notes prior to the time that the Constructing Agency could market its Series 1976 Bonds. The Idaho Power Company, therefore, agrees that, in order to improve the marketability of any Interim Notes issued by the Constructing Agency, and in order to reduce the costs of borrowing represented by such Interim Notes, it will, with the consent of all regulatory agencies having jurisdiction over the Idaho Power Company for such purpose, whether state or Federal, and with the consent of all mortgage, indenture or other lien holders whose contracts or agreements with the Idaho Power Company require such consent for such purpose, simultaneously with the issuance of any Interim Notes by the Constructing Agency, to the issuance of which Interim Notes, the Idaho Power Company shall have prior thereto indicated its approval in writing, execute a guaranty agreement to the purchasers of such Interim Notes. Under the terms of the guaranty agreement the Idaho Power Company shall unconditionally guarantee to the holders at any time, and from time to time, of the Interim Notes of the Constructing Agency (a) the full and prompt payment of the principal of any Interim Note when and as the same shall become due, whether at the stated maturity thereof, by acceleration, or call for redemption or otherwise, and (b) the full and prompt payment of any interest on any Interim Note when and as the same shall become due, and shall agree to pay all expenses and charges (including court costs and attorneys' fees) paid or incurred by the holders of the Interim Notes in collecting any of the payments so guaranteed or in enforcing the guaranty agreement by the holders of the Interim Notes.

SECTION 9.3. *Determination of Details of Falling Water Payments, Spaceholder Bond Payments and Amount and Term of Series 1976 Bonds.* After the estimated Cost of Construction of the American

Falls Replacement Dam Program shall have been determined as provided in Section 8.3 hereof and the Authorized Representatives shall have recommended to the Board the amount of the Series 1976 Bonds to be sold, the Board, in consultation with the Authorized Representatives, shall then determine the date upon which the first Installment of Falling Water Payments will be made and the date upon which the first Spaceholder Bond Payments will be made, the date from which interest shall be deemed to accrue on the Falling Water Payments and the date from which interest shall be deemed to accrue on the Spaceholder Bond Payments. The Board in fixing the date upon which the first Installment of the Falling Water Payments will be made shall to the extent practicable provide that the date of the first Installment shall be not more than twelve (12) months from the date of the Series 1976 Bonds. The last Installment shall be forty (40) years from the year in which the Series 1976 Bonds first begin to mature either by their terms or by option of redemption from a sinking fund. The dates and terms of the Spaceholder Bond Payments fixed by the Board shall conform to those specified for the Falling Water Payments, taking into account the applicable provisions of the Spaceholder Contracts providing for the payment of the Spaceholder Bond Payments on April 1 of each year. The Board shall fix the due date of the Installments of the Falling Water Payments so that such payments shall become due and payable by the Idaho Power Company on the first day of the month preceding the date on which principal on the Series 1976 Bonds will fall due if such Installments are to be paid annually or on the first days of the months preceding the dates on which interest and principal, or interest alone, will fall due if such Installments are to be paid semi-annually.

The Board shall then determine the term of the Series 1976 Bonds, which term shall not exceed the maximum term specified in the proceedings taken in connection with the issuance of the Bonds and which shall be coordinated with the dates upon which the Installments of the Falling Water Payments and the Spaceholder Bond Payments will be made.

The Board shall thereupon fix the amount of the Series 1976 Bonds, which amount, within the Bond authorization, shall be sufficient, together with any prepayment of obligations under Spaceholder Contracts to be transferred into the Construction Fund from the Prepayment Fund to pay the estimated Cost of Construction of the American Falls Replacement Dam Program, and sufficient to pay, as to both principal and interest, any of the Interim Notes which shall have been issued by the Constructing Agency for such purposes pursuant to the applicable provisions of the State Act and which will be outstanding on the date of delivery of the Series 1976 Bonds. In determining the amount of the Series 1976 Bonds or of any Additional Bonds to be issued, the Constructing Agency shall increase the obligation of Idaho Power Company, determined under the provisions of Article VIII hereof, by the amount necessary to round off the total amount of Series 1976 Bonds or Additional Bonds to be issued to the next highest $5,000.

SECTION 9.4. *Details of Series 1976 Bonds.* After the amount and term of the Series 1976 Bonds shall have been determined by the Board, the Board shall thereupon fix the various details of the Series 1976 Bonds, including the date, maturity or maturities, sinking funds, serial or term nature, and option of redemption. In determining the date of the Series 1976 Bonds, the date upon which the first interest on the Series 1976 Bonds will become payable, the date upon which the first principal of the Series 1976 Bonds will become due, the maturity schedule or sinking fund of the Series 1976 Bonds, the redemption features of the Series 1976 Bonds, the Board shall take into account the requirements of Section 9.3 hereof with respect to the details of the Falling Water Payments and of the Spaceholder Bond Payments. Copies of the Indenture shall then be prepared in final form for execution. Such changes may be made in the February 1, 1976 draft of the Indenture which do not conflict with the provisions of this Falling Water Contract, the Spaceholder Contracts, the Government Contract, the Act of December 28, 1973, or the State Act and which are agreed to by the Constructing Agency and the Idaho Power Company, and bond counsel to the Constructing Agency in connection with the issuance and sale of the Series 1976 Bonds.

SECTION 9.5. *Option of Redemption of Series 1976 Bonds.* The Constructing Agency agrees that the Indenture shall provide that the Series 1976 Bonds shall be subject to redemption in whole or

in part at any time from and after ten (10) years from the date of the Series 1976 Bonds and at such premium or premiums which shall be established by the Board pursuant to the provisions of Section 9.4 hereof. If the Series 1976 Bonds are issued as term obligations with a mandatory sinking fund, the Series 1976 Bonds shall also be made subject to redemption in part on interest payment dates from the sinking fund established in the Indenture.

SECTION 9.6. *Sale of Series 1976 Bonds.* After the details of the Series 1976 Bonds shall have been fixed and determined by the Board as herein contemplated, and after the form of the Indenture shall have been agreed upon, the Constructing Agency shall sell the Series 1976 Bonds in such manner and at such price or prices as shall be determined by resolution of the Board, pursuant to the provisions of the State Act then in force. Prior to any offering of the Series 1976 Bonds the Constructing Agency shall obtain the opinion of bond counsel that interest on the Series 1976 Bonds will be excludable from Federal gross income taxes under the provisions of the Internal Revenue Code in effect on the date of the offering. No proposal or bond purchase agreement for the purchase of the Series 1976 Bonds shall be accepted or entered into by the Constructing Agency unless the Board shall determine and find that the proceeds of the Falling Water Payments together with the Spaceholder Bond Payments, computed as provided in Section 9.7 hereof, will be sufficient to pay the principal of and interest on the Series 1976 Bonds as the same shall fall due. Thereafter the Board shall complete the blanks in the Indenture and shall cause the Indenture to be executed by its duly authorized officers and the Trustee. Nothing contained in this Falling Water Contract shall prevent the Board from exercising its discretion and rejecting any and all proposals for the purchase of the Bonds, and advertising for bids or seeking new proposals for the purchase of the Bonds.

SECTION 9.7. *Computation of Falling Water Payments and Spaceholder Bond Payments.* The Falling Water Payments and the Spaceholder Bond Payments shall be calculated by the Authorized Representatives in accordance with the provisions of this Section 9.7. A schedule of the annual combined principal and interest requirements on the Series 1976 Bonds shall be prepared. The annual Installments of the Falling Water Payments shall consist of that portion of the annual combined principal and interest requirements on the Series 1976 Bonds as is represented by the proportion of the total of (A), (B) and (C) below to the principal amount of the Series 1976 Bonds:

(A) $19,550,000,

(B) the estimated cost of the Water Quality Facilities determined under the procedures of Section 8.3 hereof, and

(C) .486405[1] times the amount by which the total estimated cost of the American Falls Replacement Dam Program exceeds $38,000,000.

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[1] The .486405 is computed according to the following formula:

(i) Where .026471 equals the portion of total active storage capacity of Idaho Power Company in the Replacement Dam as a Spaceholder;

(ii) Where B equals the Idaho Power Company portion of the excess above $38,000,000 of the total estimated cost of the American Falls Replacement Dam Program in addition to its payment as a Spaceholder; and

(iii) Where A equals the cost of the American Falls Replacement Dam Program in excess of $38,000,000:

$$B + .026471\ (A-B) = .5A$$

$$.973529B - .473529A$$

$$B = \frac{.473529}{.973529}A = .486405A$$

The balance of the annual combined principal and interest requirements on the Series 1976 Bonds, after the deduction of the Falling Water Payments, shall constitute the annual Spaceholder Bond Payments, and shall be used by the Authorized Representatives in calculating the Schedule of Spaceholder Bond Payments for each of the Spaceholders which did not prepay its obligation as permitted in Article 23 of the Spaceholder Contracts and attributable to the space of each Non-Participating Wateruser to the extent applicable.[1]

SECTION 9.8. *Schedules of Falling Water Payments and Spaceholder Bond Payments.* After the receipt of a proposal for the purchase of the Series 1976 Bonds and the execution of a bond purchase agreement, but before the delivery of the Series 1976 Bonds to the Underwriters, the Authorized Representatives shall calculate the details of the Falling Water Payments and the Spaceholder Bond Payments and shall prepare the Schedule of Falling Water Payments and the Schedules of Spaceholder Bond Payments, and the percentage of the fees, charges and expenses of the Trustee and any paying agent bank for which each Spaceholder and the Idaho Power Company is responsible. Schedules of Spaceholder Bond Payments shall also be prepared with respect to the space attributable to Non-Participating Waterusers.

Each schedule shall be approved by the Trustee and shall be filed with the Trustee, the Idaho Power Company, the Contracting Officer and the Constructing Agency. Each Spaceholder which did not prepay its obligation shall be furnished with its applicable Schedule of Spaceholder Bond Payments. When the Schedule of Falling Water Payments and the Schedules of Spaceholder Bond Payments have been approved by the Trustee and filed as contemplated herein, each schedule shall be conclusively binding on the Idaho Power Company and each Spaceholder.

In the event the Constructing Agency issues Additional Bonds, either under the provisions of Section 9.10 or Section 9.11 hereof, the Authorized Representatives shall prepare a supplemental Schedule of Falling Water Payments and supplemental Schedules of Spaceholder Bond Payments for each Spaceholder which does not prepay its obligation and for the space attributable to Non-Participating Waterusers, in accordance with the calculations contemplated to be made by the Authorized Representatives in Section 9.10 and Section 9.11 hereof. Such supplemental schedules shall be approved by the Trustee, shall be filed and become conclusive as above provided with respect to the original schedules.

SECTION 9.9. *Delivery of Series 1976 Bonds; Disposition of Proceeds.* After the acceptance of the proposal of the Underwriters for the purchase of the Series 1976 Bonds and the execution of a bond purchase agreement with respect thereto, the acceptance of the bids for the construction of the Replacement Dam and the execution of the contracts for the construction of the Replacement Dam, the Series

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[1] Such calculation shall be made under the following formula:

where:

DS = each annual combined principal and interest requirement

DSsp = the amount of each annual combined principal and interest requirement attributable to non-prepaid space

P = total percentage of the active storage capacity attributable to non-prepaid space

p = the percentage of total storage capacity of a Spaceholder which did not prepay or attributable to a Non-Participating Wateruser (p = P)

K = 100% ÷ P

S = the total amount to be paid by each Spaceholder which did not prepay or attributable to the space of each Non-Participating Waterusers (S = DSsp)

then:

$$S = (K)(p)(DSsp)$$

1976 Bonds shall be delivered in accordance with the requirements of the bond purchase agreement for the purchase of the Series 1976 Bonds to be entered into between the Constructing Agency and the Underwriters, and the proceeds thereof shall be deposited in the Bond Fund and the Construction Fund, pursuant to Sections 601 and 602 of the Indenture, and disbursements shall be made from the Construction Fund, in accordance with the provisions of Section 602 of the Indenture. The Constructing Agency and the Idaho Power Company agree to cooperate, one with the other, in furnishing the Trustee with the documents referred to in Section 602 of the Indenture that are required to effect payments out of the Construction Fund.

SECTION 9.10. *Issuance of Additional Bonds Within Initial Authorization for Completion.* It is intended by the Constructing Agency that an amount of Bonds has been authorized and will be issued which will be sufficient, together with any prepayments, to pay the total cost of the American Falls Replacement Dam Program. If it is determined necessary, subsequent to the issuance of the Series 1976 Bonds, to issue all or part of the balance of any of the initially authorized but as then unissued Bonds in order to complete the payment of the total cost of the American Falls Replacement Dam Program, the Constructing Agency will, to the extent then legally permitted, issue and sell a series of Additional Bonds as permitted under Section 207 of the Indenture for completion purposes. In the event the balance of the initially authorized Bonds is issued, the annual Installments of the Falling Water Payments shall be increased by that portion of the annual combined principal and interest requirements on such series of Additional Bonds as is represented by the proportion of the total of (A) and (B) below (but as to each only to the amount of any initially authorized but as then unissued Bonds) to the pirncipal amount of such series of Additional Bonds:

(A) any increased cost of the Water Quality Facilities determined under the procedures of Section 8.7 hereof over the estimated cost thereof determined under the procedures of Section 8.3 hereof, and

(B) .486405 (see Section 9.7 hereof) times the amount by which the total cost of the American Falls Replacement Dam Program determined under the procedures of Section 8.7 hereof less the increased cost of the Water Quality Facilities included in (A) above exceeds the higher of (1) the estimated cost of the American Falls Replacement Dam Program determined under the procedures of Section 8.3 hereof or (2) $38,000,000.

The Spaceholder Bond Payments shall be increased in an amount sufficient to pay the balance of the annual combined principal and interest requirements on such series of Additional Bonds not returned pursuant to the increased Falling Water Payments. The calculation of such increases shall be in accordance with the formula set forth in Section 9.7 hereof. No such Additional Bonds shall be issued unless the Constructing Agency shall receive a written opinion by an attorney or firm of attorneys of recognized standing on the subject of municipal bonds to the effect that the exemption from Federal income tax of interest on the Series 1976 Bonds and any series of Additional Bonds theretofore issued will not be affected by the issuance of such series of Additional Bonds then being issued.

SECTION 9.11. *Issuance of Additional Bonds in Excess of the Initial Authorization for Completion.* If the amount of the Bonds which has been initially authorized together with any prepayments, is not sufficient to complete the payment of the total cost of the American Falls Replacement Dam Program and therefore it is determined necessary for the Constructing Agency to issue and sell a series of Additional Bonds as permitted under Section 207 of the Indenture for completion purposes in excess of the Bonds initially authorized to be issued, the Constructing Agency will, to the extent then legally permitted, issue and sell Additional Bonds in excess of the initial authorization under the conditions set forth in this Section 9.11:

(A) If the amount of such series of Additional Bonds is determined to be $1,000,000 or less, the Idaho Power Company shall enter into a supplement to this Falling Water Contract pursuant to which the annual Installments of the Falling Water Payments shall be increased by an amount necessary to pay principal of and interest on such series of Additional Bonds.

(B) If the amount of such series of Additional Bonds is determined to be an amount over $1,000,000 but not over $2,000,000:

(1) the Idaho Power Company shall enter into a supplement to this Falling Water Contract pursuant to which the annual Installments of the Falling Water Payments shall be increased by an amount sufficient to pay that portion of the annual combined principal and interest requirements on such series of Additional Bonds as is represented by the proportion of the total of (a) and (b) below to the principal amount of such series of Additional Bonds:

(a) $1,000,000,

(b) the remaining increased cost, if any, of Water Quality Facilities determined under the procedures of Section 8.7 hereof over the estimated cost thereof determined under the procedures of Section 8.3 hereof, which is in excess of the total of (i) the increased cost of the Water Quality Facilities provided for in Section 9.10(A) hereof and (ii) $1,000,000; and

(2) supplements to Spaceholder Contracts shall be executed pursuant to which increased Spaceholder Bond Payments will be made by Spaceholders, other than Idaho Power Company, which did not prepay their obligations, in an amount sufficient to pay the balance of the annual combined principal and interest requirements on such series of Additional Bonds not returned pursuant to this Falling Water Contract as so supplemented.

(C) If the amount of such series of Additional Bonds is determined to be an amount over $2,000,000:

(1) the Idaho Power Company shall enter into a supplement to this Falling Water Contract pursuant to which the annual Installments of the Falling Water Payments shall be increased by an amount sufficient to pay that portion of the annual combined principal and interest requirements on such series of Additional Bonds as is represented by the proportion of the total of (a), (b) and (c) below to the principal amount of such series of Additional Bonds:

(a) $1,000,000;

(b) the remaining increased cost, if any, of the Water Quality Facilities determined under the procedures of Section 8.7 hereof over the estimated cost thereof determined under the procedures of Section 8.3 hereof which is in excess of the total of (i) the increased cost of the Water Quality Facilities provided for in Section 9.10(A) hereof and (ii) $1,000,000; and

(c) .486405 (see Section 9.7 hereof) times the amount by which the total cost of the American Falls Replacement Dam Program determined under the procedures of Section 8.7 hereof less (i) the total increased cost of the Water Quality Facilities, (ii) the obligation of Idaho Power Company for other than Water Quality Facilities under Section 9.11(A)[1] hereof, and (iii) the obligations of Spaceholders other than Idaho Power Company under Section 9.11(B)[2], exceeds the higher of (1) the estimated cost of the American Falls Replacement Dam Program determined under the procedures of Section 8.3 hereof or (2) $38,000,000;

(2) supplements to Spaceholder Contracts shall be executed pursuant to which increased Spaceholder Bond Payments will be made by Spaceholders, other than Idaho Power Company, which did not prepay their obligations, in an amount sufficient to pay that portion of the annual combined principal and interest requirements on such series of Additional Bonds as is represented by the proportion of $1,000,000, less the amount determined pursuant to Section 9.11(B)(1)(b)[2] hereof to the principal amount of such series of Additional Bonds; and

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[1] Calculated as if $1,000,000 or less Additional Bonds were to be issued in excess of the initial authorization.

[2] Calculated as if $2,000,000 or less Additional Bonds were to be issued in excess of the initial authorization.

(3) supplements to Spaceholder Contracts shall be executed pursuant to which increased Spaceholder Bond Payments will be made by Spaceholders, including Idaho Power Company, which did not prepay their obligations, in an amount sufficient to pay that portion of the annual combined principal and interest requirements on such series of Additional Bonds as is represented by the proportion of the principal amount of such series of Additional Bonds issued in excess of the initial authorization, less the amounts computed under Section 9.11(C)(1) and Section 9.11(C)(2) hereof, to the total principal amount of such series of Additional Bonds.

No such Additional Bonds shall be issued unless the Constructing Agency shall receive a written opinion by an attorney or firm of attorneys of recognized standing on the subject of municipal bonds to the effect that the exemption from Federal income tax of interest on the Series 1976 Bonds and any series of Additional Bonds theretofore issued will not be affected by the issuance of such series of Additional Bonds then being issued.

The principal amounts of multiple series of Additional Bonds whether or not of the initial authorization shall be aggregated for all purposes of the computations required in Sections 9.10 and 9.11 hereof.

The increased obligations of Spaceholders computed according to (B)(2), (C)(2) and (C)(3) of this Section 9.11 shall be computed for each Spaceholder with the formula set forth in Section 9.7 hereof.

SECTION 9.12. *Obligation of Idaho Power Company after Initial Series of Bonds.* If the Constructing Agency is unable to market a series of Additional Bonds as contemplated in either Section 9.10 or 9.11, the Constructing Agency and the Idaho Power Company shall nevertheless use their best efforts, to the extent then permitted by law, to issue and sell an issue of obligations of the Constructing Agency which shall be guaranteed as to principal and interest by the Idaho Power Company, to pay such additional costs of the American Falls Replacement Dam Program which are not in excess of $1,000,000.

It is recognized that, except as specifically provided therein, the provisions of Sections 9.10 and 9.11 do not relieve the obligation of the Idaho Power Company to make increased Spaceholder Bond Payments pursuant to a supplemental Spaceholder Contract, in accordance with its percentage of total active storage capacity in the Replacement Dam.

SECTION 9.13. *Obligation of Idaho Power Company for Supplemental Falling Water Payments with Respect to Additional Bonds for Completion.* If the Constructing Agency shall issue a series of Additional Bonds, pursuant to the provisions of Section 207 of the Indenture, as contemplated in Sections 9.10 and 9.11 hereof, for the purpose of paying the costs of completing the construction of the American Falls Replacement Dam Program not paid from the proceeds of the Series 1976 Bonds, and the Constructing Agency thereafter levies additional Assessments and enters into supplementary Spaceholder Contracts with the Spaceholders increasing the amount of Spaceholder Bond Payments obligated to be made to the Constructing Agency by the Spaceholders for the purpose of repaying the Cost of Construction of the American Falls Replacement Dam Program, the Idaho Power Company shall be obligated to make Supplemental Falling Water Payments representing the obligations of the Spaceholders for the increased amounts if there is a default by any Spaceholder in the payments of such increased amounts attributable to such Additional Bonds for completion purposes and shall be entitled to the use of stored water of the Defaulted Spaceholder in accordance with the provisions of Section 3.4 hereof.

SECTION 9.14. *Refunding Bonds.* In the event that it is mutually agreed among the Constructing Agency, the Idaho Power Company and the Spaceholders obligated to make Spaceholder Bond Payments that an attempt should be made to authorize the issuance of Bonds by the Constructing Agency for the purpose of refunding all of the outstanding Series 1976 Bonds and Additional Bonds, if any, in accordance with the State Act (Sections 43-2202 and 43-2203, Idaho Code), as then in force, the Idaho Power Company and the Spaceholders obligated to make Spaceholder Bond Payments shall share the costs of such refunding effort, whether successful or unsuccessful, in direct proportion to their respective obligations to pay the annual principal and interest falling due on the Bonds to be refunded.

ARTICLE X

CONSTRUCTION OF THE POWERPLANT

SECTION 10.1. *Idaho Power Company Responsible for Powerplant Construction.* The Idaho Power Company shall be responsible for obtaining the necessary cost estimates, studies, licenses, permits, plans and specifications, construction contracts and other items necessary for the construction of the Powerplant, pursuant to the License, in coordination with the construction of the Replacement Dam, including the Plan of Operation and the Construction Work Schedule, so as not to impair the efficiency of the Replacement Dam to serve the other purposes of the Minidoka Project. The Idaho Power Company shall assume and pay all costs relating to the engineering, construction and equipping of the Powerplant, including the cost of any waterways or penstocks outside and downstream from the Replacement Dam as set forth in the approved Plans, Designs and Specifications.

SECTION 10.2. *Rights of Access to the Idaho Power Company for Construction, Operation, and Maintenance of the Powerplant.* The Idaho Power Company and its duly authorized agents shall, without charge, have such rights of access to the Replacement Dam and for ingress and egress on lands of the United States adjacent thereto as may be reasonably necessary to coordinate the construction of the Powerplant with the construction of the Replacement Dam and, after completion of construction of the Powerplant, for the proper operation and maintenance of the Powerplant by the Idaho Power Company.

SECTION 10.3. *Joint Facilities.* Any facilities which are not included in the American Falls Replacement Dam Program which may subsequently be required to be constructed, operated or maintained by the Constructing Agency and the Idaho Power Company on a joint basis must first be approved by the Authorized Representatives, and the necessary financing, construction, ownership or operation of such facilities shall be covered by special agreement between the parties hereto, to be added as an addendum to this Falling Water Contract, subject to the approval of the Contracting Officer.

SECTION 10.4. *Financing of Powerplant by Idaho Power Company.* The Idaho Power Company agrees that it will finance the construction of the Powerplant and will operate the Powerplant as contemplated in this Falling Water Contract, the License, the Government Contract and the Act of December 28, 1973. The preparation of all necessary designs and specifications for the construction of the Powerplant shall be the responsibility of the Idaho Power Company.

SECTION 10.5. *Liability.* The Constructing Agency shall be liable for its own acts and shall not be liable for the acts of others with regard to the construction, operation and maintenance of the Powerplant or with regard to the financing, construction, operation and maintenance of the American Falls Replacement Dam Program. The Constructing Agency shall require the contractor or contractors constructing the Replacement Dam, the Related Facilities and the Water Quality Facilities to carry liability insurance naming the Idaho Power Company as an additional insured party.

The Idaho Power Company shall be liable for its own acts and shall not be liable for the acts of others with regard to the construction, operation and maintenance of the Powerplant or with regard to the financing, construction, operation and maintenance of the American Falls Replacement Dam Program. The Idaho Power Company shall require the contractor constructing the Powerplant to carry liability insurance naming the Constructing Agency as an additional insured party.

SECTION 10.6. *Payment of Operation and Maintenance Expenses Related to Replacement Dam.* The Idaho Power Company shall pay directly to the Contracting Officer in each year such amounts as shall represent thirty-three per cent (33%) of the actual, direct costs of operation and maintenance of the Replacement Dam, exclusive of the reservoir. Such amounts shall be billed separately annually to the Idaho Power Company by the Contracting Officer under the same procedures, including examination of books and records, established for billing the Spaceholder Replacement Dam Operation and Maintenance Payments to the Spaceholders pursuant to the Spaceholder Contracts.

SECTION 10.7. *Supply of Energy to Operate and Maintain Replacement Dam.* As part of the consideration for the utilization by the Idaho Power Company of the Falling Water at the Powerplant for power generation within the limits specified in the Government Contract and as an additional payment for the operation and maintenance of the Replacement Dam, the Idaho Power Company shall, at a point on the line of division of ownership between the Replacement Dam and the Powerplant, which is a point accessible from the Powerplant, supply the energy required for control of the release of water from the Replacement Dam and the incidental lighting immediately adjacent thereto (exclusive of any highway and bridge lighting), at the required voltage and at a frequency of 60 cycles per second.

ARTICLE XI

EVENTS OF DEFAULT AND REMEDIES

SECTION 11.1. *Events of Default Defined; Uncontrollable Forces.* The following shall be "events of default" under this Falling Water Contract and the terms "events of default" or "default" shall mean, whenever they are used in this Falling Water Contract, any one or more of the following events:

(a) Failure by the Idaho Power Company to pay all or any part of any Installment of the Falling Water Payments specified in Section 3.1 hereof or failure by the Idaho Power Company to pay all or any part of the Supplemental Falling Water Payments specified in Section 3.4 hereof, at the times and places specified in this Falling Water Contract and (i) continuation of said failure for a period of five (5) days after notice by telegram or, if telegraph service is not available, after notice by mail given to it by the Constructing Agency that the Installment or payment referred to in such notice has not been received, or (ii) continuation of said failure for a period of twelve (12) days, shall constitute an event of default hereunder; or

(b) Failure by the Idaho Power Company to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder other than as referred to in subsection (a) of this Section, for a period of ninety (90) days after written notice, specifying such failure and requesting that it be remedied, given to the Idaho Power Company by the Board or the Trustee, unless the Board and the Trustee shall agree in writing to extension of such time prior to its expiration; or

(c) If the Idaho Power Company shall file a petition in bankruptcy or for reorganization or for an arrangement pursuant to the general bankruptcy act, as amended, or any similar Federal or state law, or shall be adjudged a bankrupt or become insolvent, or shall make an assignment for the benefit of its creditors, or shall admit in writing its inability to pay its debts generally as they become due, or if a petition or answer proposing the adjudication of the Idaho Power Company as a bankrupt or its reorganization under the general bankruptcy act or any similar Federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within sixty (60) days after the filing thereof, or if a receiver, trustee or liquidator (or similar official) of the Idaho Power Company or of more than one-third of the property of the Idaho Power Company shall be appointed in any proceeding or by any Federal or state officer or agency, and shall not be discharged within sixty (60) days after such appointment; or

(d) The occurrence of an "event of default" under Section 901 of the Indenture.

The provisions of (b) of this Section are subject to the following limitations: If by reason of uncontrollable forces the Idaho Power Company is unable, in whole or in part, to carry out its agreements on its part herein contained, other than the obligations of the Idaho Power Company contained herein to make the Falling Water Payments and the Supplemental Falling Water Payments, the Idaho Power Company shall not be deemed in default during the continuance of such inability. The term "uncontrollable forces" shall mean any cause beyond the control of the Idaho Power Company and

which, by the exercise of reasonable diligence, the Idaho Power Company is unable to overcome, and shall include, but not be limited to, an act of God, fire, flood, explosion, earthquake, strike, sabotage, an act of the public enemy, civil or military authority, including court orders, injunctions, and orders of government agencies with proper jurisdiction prohibiting acts necessary to performance hereunder or permitting any such act only subject to unreasonable conditions, insurrection or riot, an act of the elements, failure of equipment, or inability to obtain or ship materials or equipment because of the effect of similar causes on suppliers or carriers. Nothing contained herein shall be construed so as to require the Idaho Power Company to settle any strike or labor dispute in which it may be involved. If the Idaho Power Company is rendered unable to fulfill any obligation by reason of uncontrollable forces it shall exercise due diligence to remove such inability with all reasonable dispatch.

SECTION 11.2. *Remedies on Default.* Whenever any event of default referred to in Section 11.1 hereof shall have happened and be subsisting, the Constructing Agency, or the Trustee on behalf of the Constructing Agency, may take any one or more of the following remedial steps:

(a) Whenever an event of default hereunder shall have occurred and be continuing, and notwithstanding the fact that the Constructing Agency or the Trustee may have some other remedy hereunder or by virtue hereof, to give a notice of intention pursuant to the provisions of Section 14.6 hereof to terminate this Falling Water Contract on a date specified in such notice, which date shall be not less than thirty (30) days after the date of giving such notice. If the Idaho Power Company is given notice as provided herein, the Idaho Power Company's interest in, to and under this Falling Water Contract shall terminate upon the date so specified in said notice, and the Idaho Power Company thereafter shall have no right, title or interest in, to or with respect to the Falling Water but Idaho Power Company shall remain liable as hereinafter provided.

(b) In the event of any termination of this Falling Water Contract as provided in subsection (a) above, the Constructing Agency or the Trustee, as provided in the Indenture, shall forthwith, notwithstanding any other provision of this Falling Water Contract to the contrary, be entitled to recover from the Idaho Power Company, as and for liquidated damages (in lieu of all other claims for damages on account of such termination) and not as a penalty, an amount equal to the unpaid principal amount of the Bonds then outstanding as defined in the Indenture.

(c) Whenever an event of default hereunder shall have occurred and be continuing, the Constructing Agency or the Trustee on behalf of the Constructing Agency, shall have the right, then or at any time thereafter while any event of default hereunder shall continue, to request the Contracting Officer to suspend any and all rights of the Idaho Power Company to the use of the Falling Water or any water accruing to the storage space of a Defaulted Spaceholder or of a Non-Participating Wateruser upon not less than twelve (12) days' notice to the Idaho Power Company given as provided in Section 14.6 hereof. The Contracting Officer, acting with the consent of either the Constructing Agency or the Trustee, may, without further notice to the Idaho Power Company, suspend such rights of the Idaho Power Company and grant any or all of the suspended rights to any person for the duration of the suspension. Idaho Power Company agrees that, in addition to its other obligations under this Falling Water Contract, upon demand it will pay to the Trustee, the Constructing Agency and the Contracting Officer all expenses incurred in connection with such suspension and any grant of the suspended rights to another person, and that the Idaho Power Company will be and remain liable to make all payments, when due, required to be made by the Idaho Power Company hereunder, without regard to any such suspension and as if any suspended rights exercised by another person were exercised by the Idaho Power Company. The Constructing Agency, or the Trustee acting on behalf of the Constructing Agency, shall have the right from time to time to begin and maintain successive proceedings against the Idaho Power Company for the recovery of damages or for a sum equal to any and all Installments of the Falling Water Payments and Supplemental Falling Water Payments and any other payments required to be made by the Idaho Power Company pursuant to this Falling Water Contract, and to recover the same upon the liability of the Idaho Power Company herein provided. Nothing herein contained

shall be deemed to require the Constructing Agency or the Trustee to defer commencement of any such proceedings until the end of the Original Term of this Falling Water Contract.

(d) No suspension of any or all of the Idaho Power Company's rights to the use of the Falling Water under this Falling Water Contract shall be construed as an election on the part of the Construction Agency, the Trustee or the Contracting Officer to terminate the Idaho Power Company's interest in, to and under this Falling Water Contract unless a notice of intention be given to the Idaho Power Company or unless such termination be decreed at the instance of the Constructing Agency or the Trustee by a court of competent jurisdiction.

(e) The Constructing Agency, or the Trustee on behalf of the Constructing Agency, may take whatever action at law or in equity may appear necessary or desirable to collect the Falling Water Payments, or the Supplemental Falling Water Payments, or any other amounts payable by Idaho Power Company hereunder, then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Idaho Power Company under this Falling Water Contract.

Any amounts collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture.

SECTION 11.3. *No Remedy Exclusive.* No right or remedy herein conferred upon or reserved to the Constructing Agency, or to the Trustee on behalf of the Constructing Agency is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder, or now or hereafter legally existing, upon the occurrence of an event of default hereunder. The failure of the Constructing Agency, or the Trustee on behalf of the Constructing Agency, to insist at any time upon the strict observance or performance by the Idaho Power Company of any of the provisions of this Falling Water Contract, or to exercise any right or remedy provided for in this Falling Water Contract, shall not impair any such right or remedy nor be construed as a waiver or relinquishment thereof for the future. Receipt by the Trustee, on behalf of the Constructing Agency, of any Falling Water Payment or Supplemental Falling Water Payment required to be made hereunder with knowledge of the breach of any provisions of this Falling Water Contract, shall not be deemed a waiver of such breach. In addition to all other remedies provided in this Falling Water Contract, the Constructing Agency and the Trustee on behalf of the Constructing Agency, shall be entitled, to the extent permitted by applicable law, to injunctive relief in case of the violation, or attempted or threatened violation, of any of the provisions of this Falling Water Contract, or to a decree concerning performance of any of the provisions of this Falling Water Contract, or to any other remedy legally allowed to the Constructing Agency or to the Trustee on behalf of the Constructing Agency.

If any proceeding shall be brought for the enforcement of any right or remedy provided for in this Falling Water Contract in which it shall be determined that any event of default hereunder has occurred and was continuing at the time of commencement thereof, the Idaho Power Company shall pay to the Constructing Agency or to the Trustee on behalf of the Constructing Agency, all expenses incurred in connection therewith including, without limitation, reasonable attorneys' fees and expenses.

At any time the Trustee on behalf of the Constructing Agency or the holders of the Bonds, is entitled to enforce any of the rights or remedies provided for in this Falling Water Contract, it may proceed either in its own name and as Trustee of an express trust or otherwise to protect and enforce its rights and those of the Constructing Agency under this Falling Water Contract, whether or not the Constructing Agency shall have complied with any of the provisions hereof or proceeded to take any action authorized or permitted under applicable law. Such rights and remedies as are given the Constructing Agency hereunder shall also extend to the Trustee, and the Trustee and the holders of the Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

SECTION 11.4. *No Additional Waiver Implied by One Waiver.* Any waiver by a party of its rights with respect to an event of default under this Falling Water Contract, or with respect to any other matter arising in connection with this Falling Water Contract, shall not be deemed to be a waiver with respect to any other matter arising in connection with this Falling Water Contract. No delay in asserting or enforcing any rights hereunder shall be deemed a wavier of such rights.

ARTICLE XII

SPECIAL COVENANTS

SECTION 12.1. *Compliance with Laws, Rules and Regulations.* The Idaho Power Company and the Constructing Agency agree in the performance of their obligations hereunder to comply fully with all laws, rules and regulations pertaining to the subject matter of this Falling Water Contract including particularly the Federal Power Act, the Idaho Public Utilities Act and the rules and regulations of the Federal Power Commission and the Idaho Public Utilities Commission, and to the extent that their operations may be subject to the jurisdiction of any state or Federal regulatory agencies, subject to the terms of all valid and applicable orders of any of such agencies. This Falling Water Contract is subject to the laws of the State of Idaho and is subject to the approval of any state or Federal regulatory agency having jurisdiction thereof. The Idaho Power Company agrees to pay any and all costs and expenses of itself and the Constructing Agency in effecting compliance with any such laws, rules, regulations and orders which apply to construction, operation or maintenance of the Powerplant. Before incurring any such costs or expenses the Constructing Agency shall consult with the Idaho Power Company.

SECTION 12.2. *No Warranty of Suitability.* The Constructing Agency makes no warranty, either express or implied, as to the Replacement Dam or the Falling Water or that the Replacement Dam or the Falling Water or the design or the operation of the Replacement Dam will be suitable for Idaho Power Company's purposes or needs.

SECTION 12.3. *Rights of Access to the Constructing Agency and the United States for Construction, Operation, and Maintenance of the American Falls Replacement Dam Program.* The Constructing Agency and the Contracting Officer and their duly authorized agents, shall, without charge, have such rights of access to the Powerplant and for ingress and egress on all lands which are within the project area as defined in the License, as may be reasonably necessary to coordinate the construction of the Powerplant with the construction of the Replacement Dam, to permit the proper operation and maintenance of the Existing Dam during the construction of the Replacement Dam including the interim operation of the water control structures (as defined in the Government Contract) of the Replacement Dam at such time during construction that water control at the Existing Dam is transferred to water control at the Replacement Dam, and upon substantial completion of the Replacement Dam and Related Facilities for the proper operation and maintenance thereof by the United States.

The United States shall have the right to utilize without charge in the operation and maintenance of the Minidoka Project those lands of the United States which are within the area covered by the Idaho Power Company's License for the construction and operation and maintenance of the Powerplant, so long as such use by the United States is not inconsistent with or does not interfere with the uses intended in the License.

SECTION 12.4. *Corporate Existence of Idaho Power Company; Mergers and Consolidation.* The Idaho Power Company agrees that during the Original Term of this Falling Water Contract it will maintain its corporate existence, will continue to be a corporation either organized under the laws of or duly qualified to do business as a foreign corporation in the State of Idaho, and will not dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation unless the acquirer of its assets or the corporation with which it shall consolidate or into which it shall merge shall be a corporation organized and existing under the laws of one of the States of the United States of America and shall be qualified and admitted to do business in the State of Idaho, shall be or as a result of the

transaction shall become a public utility, shall have a net worth immediately subsequent to such acquisition, consolidation or merger at least equal to that of the Idaho Power Company immediately prior to such acquisition, consolidation or merger, and shall assume in writing all of the obligations of the Idaho Power Company herein.

SECTION 12.5. *Approvals.* Whenever under the provisions of this Falling Water Contract the approval of the Idaho Power Company is required or the Constructing Agency is required to take some action at the request of the Idaho Power Company, such approval or such request shall be made by the Authorized Idaho Power Company Representative unless otherwise specified in this Falling Water Contract and the Constructing Agency or the Trustee shall be authorized to act on any such approval or request and the Idaho Power Company shall have no complaint against the Constructing Agency or the Trustee as the result of taking any such action.

SECTION 12.6. *Financial Reports of Idaho Power Company and Constructing Agency.* The Idaho Power Company agrees to furnish to the Constructing Agency and to the Trustee a copy of each of the financial statements certified by a certified public accountant that it customarily furnishes to its stockholders. The Constructing Agency agrees annually to furnish to the Idaho Power Company, the Trustee, the Contracting Officer and each of the Spaceholders, a copy of a report of an independent certified public accountant, or state auditing official, if appropriate, reflecting in reasonable detail the status of each fund or account created under the terms of the Indenture, including the amount and source of the deposits therein, the amount and purpose of withdrawals, and the balance therein at the beginning and end of each fiscal year, as defined in the Indenture.

SECTION 12.7. *Non-Arbitrage Certifications and Representations.* The Constructing Agency and the Idaho Power Company covenant and represent to each other that:

1. On the basis of their own knowledge, and on examination of the reports and cost projections in connection with the construction of the American Falls Replacement Dam Program:

(a) All of the principal proceeds of the Series 1976 Bonds are needed for the purpose of paying the Cost of Construction of the American Falls Replacement Dam Program, including expenses preliminary and incidental thereto and to the issuance of the Series 1976 Bonds.

(b) At least 85% of the expendable proceeds of the Series 1976 Bonds, including investment proceeds, will be expended for the Cost of Construction of the American Falls Replacement Dam Program on or before three years following the date of issue of the Series 1976 Bonds.

(c) The Constructing Agency, prior to the issuance of the Series 1976 Bonds, will have incurred substantial binding obligations equal to at least 2½% of the total Cost of Construction of the American Falls Replacement Dam Program.

(d) Work on the construction of the American Falls Replacement Dam Program is expected to proceed with due diligence to completion.

(e) Except as required pursuant to the provisions of the Act of December 28, 1973, the American Falls Replacement Dam Program is not expected to be sold or otherwise disposed of, in whole or in part, prior to the maturity of the Series 1976 Bonds.

(f) Accrued interest received upon the sale of the Series 1976 Bonds is to be applied to the first interest due thereon.

2. On the basis of the foregoing certifications and representations, it is not expected by either the Constructing Agency or the Idaho Power Company that the proceeds of the Series 1976 Bonds will be used in a manner that would cause the Series 1976 Bonds to be classified as an "arbitrage bond" under Section 103(d) of the Internal Revenue Code of 1954, as amended, and the regulations

promulgated under that section; that to the best knowledge and belief of the Constructing Agency and the Idaho Power Company, there are no facts or circumstances that would materially change the foregoing conclusion.

SECTION 12.8. *Non-Arbitrage Covenants.* The Constructing Agency and the Idaho Power Company jointly and severally covenant that so long as any of the Series 1976 Bonds shall remain outstanding and any provision in this Falling Water Contract or the Indenture to the contrary notwithstanding with respect to an investment of moneys, whether such moneys were derived from the proceeds of the Series 1976 Bonds, or from any other source, no use will be made of such moneys which, if such use could have been reasonably expected on the date of the issue of the Series 1976 Bonds, would have caused the Series 1976 Bonds to be classified as an "arbitrage bond" within the meaning of Section 103(d) of the Internal Revenue Code of 1943, as amended, and further jointly and severally covenant to comply with the requirements of said Section 103(d) and any regulations promulgated thereunder.

ARTICLE XIII

ASSIGNMENT

SECTION 13.1. *Conditions on Assignments by Idaho Power Company.* This Falling Water Contract may be assigned in whole or in part, and the use of the Falling Water may be assigned as a whole or in part, by the Idaho Power Company without the necessity of obtaining the consent of either the Constructing Agency or the Trustee, but only upon obtaining the consent of the Secretary, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 12.4 hereof) shall relieve the Idaho Power Company from primary liability for any of its obligations hereunder, and in the event of any such assignment the Idaho Power Company shall continue to remain primarily liable for payment of the Falling Water Payments and the Supplemental Falling Water Payments, and for the performance and observance of the other covenants, representations, warranties and agreements on its part herein provided to be performed and observed by it to the same extent as though no assignment has been made.

(b) The assignee of the Idaho Power Company shall expressly assume in writing the obligations of the Idaho Power Company hereunder to the extent of the interest assigned.

(c) The Idaho Power Company shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Constructing Agency, the Secretary and the Trustee a true and complete copy of each such assignment or assumption or obligation as the case may be.

SECTION 13.2. *Assignments or Dissolution by Constructing Agency.* The Constructing Agency may assign its interest in, and pledge any moneys receivable under this Falling Water Contract, to the Trustee pursuant to the Indenture as security for payment of the principal of and interest on the Bonds, and applicable premium, if any, but each such assignment or pledge shall be subject and subordinate to the rights of the Idaho Power Company under this Falling Water Contract. The Constructing Agency, to the extent it may legally so covenant, covenants and agrees with Idaho Power Company that it will not dissolve or otherwise abandon its existence so long as this Falling Water Contract is in existence without the written consent of the Contracting Officer and the Idaho Power Company, and so long as any of the Bonds are outstanding, without the written consent of the Trustee.

ARTICLE XIV

GENERAL

SECTION 14.1. *Original Term; Liability of Constructing Agency.* This Falling Water Contract shall become effective upon its execution by the Constructing Agency and the Idaho Power Company and its approval by the Contracting Officer and, unless extended as hereinafter provided in Section 14.2

hereof, or unless this Falling Water Contract shall have been terminated in accordance with the provisions of Section 4.10 hereof, the Original Term of this Contract shall terminate on March 31, 2025, being fifty (50) years from the date of the License. The Idaho Power Company irrevocably waives, to the extent that it lawfully may, any defense based on the adequacy of a remedy at law which might be asserted as a bar to the remedy of specific performance, any suit in equity, action at law, or other legal or equitable proceeding brought against it for specific performance of the obligation of Idaho Power Company to make the Falling Water Payments and the Supplemental Falling Water Payments of this Falling Water Contract by the Constructing Agency, any receiver or the Trustee, as well as any defense to any other such proceeding which might be brought against the Idaho Power Company to enforce any of the rights or remedies provided for in this Falling Water Contract based on the fact that, at the time any payment hereunder is requested, the Constructing Agency is or may be insolvent. The Idaho Power Company's remedy for any act or omission by the Constructing Agency shall be limited to an action or actions for specific performance of this Falling Water Contract by the Constructing Agency; provided, however, as long as any Bonds are outstanding no such action shall be taken which will reduce the amount of the Installments of the Falling Water Payments or the amount of the Supplemental Falling Water Payments needed to pay principal of, premium, if any, or interest on the Bonds or will interfere with the right of the Trustee to receive and apply such Falling Water Payments and Supplemental Falling Water Payments. It is recognized by the Constructing Agency and the Idaho Power Company that the end of the term of this Falling Water Contract shall not preclude the other from seeking damages for any cause of action which shall have arisen prior to the end of the term of this Falling Water Contract.

SECTION 14.2. *Renewal Term.* If, after expiration of the Original Term of the License of the Idaho Power Company for the construction, operation, and maintenance of the Powerplant, such License is continued or renewed this Falling Water Contract shall thereupon be continued in effect during such period of continuation or the Renewal Term; provided, however, that the Constructing Agency and the Idaho Power Company may mutually consent to such annual payments to be made by Idaho Power Company to the Constructing Agency on behalf of the Spaceholders as shall be agreed to at that time.

SECTION 14.3. *Execution of Documents.* The Constructing Agency and the Idaho Power Company, upon request by the other, shall make, execute and deliver any and all documents reasonably required to implement the terms of this Falling Water Contract.

SECTION 14.4. *Supplements and Amendments.* Prior to the sale of the Series 1976 Bonds this Falling Water Contract may be supplemented or amended with the consent of the Secretary, for the purpose of complying with any directive, order or license requirement of the Federal Power Commission or of any other regulatory agency having jurisdiction over the parties and the Powerplant, or of any order, judgment or decree of any court of competent jurisdiction, either state or Federal, provided that no such supplement or amendment shall reduce the obligation of the Idaho Power Company to pay the Falling Water Payments or the Supplemental Falling Water Payments.

Subsequent to the sale of the Series 1976 Bonds, and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), this Falling Water Contract may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee and of the Secretary.

SECTION 14.5. *Spaceholders Third Party Beneficiaries.* The parties hereto recognize that the Spaceholders on whose behalf Spaceholder Contracts have been executed with the Constructing Agency in accordance with Section 3 of the Act of December 28, 1973, are in fact third party beneficiaries of the obligations of Idaho Power Company to make the Falling Water Payments and the Supplemental Falling Water Payments pursuant to this Falling Water Contract. The rights of Spaceholders shall be governed by the provisions of the Spaceholder Contracts entered among the Spaceholders, the Contracting Officer, and the Constructing Agency. The monetary return to the Constructing Agency as a result of this Falling Water Contract, shall be utilized to defray the Cost of Construction of the American Falls Replacement Dam Program as hereinabove agreed for the proportionate benefit of all Spaceholders on whose behalf

contracts are executed for the repayment of their proportionate share of the Cost of Construction of the American Falls Replacement Dam Program.

SECTION 14.6. *Notices; Manner of Giving; Duplicate Copies to United States and Trustee.* Any notice, demand, or request provided for in this Falling Water Contract, or given or made in connection with this Falling Water Contract to or upon the Constructing Agency, shall be deemed to be properly given or made if delivered or sent by registered mail to 1132 Locust Street, Twin Falls, Idaho 83301. Any notice, demand, or request provided for in this Falling Water Contract to or upon the Idaho Power Company shall be deemed to be properly given or made if delivered or sent by registered mail to 1220 Idaho Street, Boise, Idaho 83701. Any notice, demand, or request provided for in this Falling Water Contract, or given or made in connection with this Falling Water Contract to or upon the United States, shall be deemed to be properly given or made if delivered or sent by registered mail to Regional Director, Pacific Northwest Region, Bureau of Reclamation, Box 043, 550 West Fort Street, Boise, Idaho 83724.

Any notice, demand or request provided for in this Falling Water Contract or given in connection with this Falling Water Contract to or upon the Trustee shall be deemed to be properly given or made if delivered or sent by registered mail to the corporate trust office of the Trustee.

Any notice, demand or request provided for in this Falling Water Contract or given in connection with this Falling Water Contract to or upon the Spaceholders shall be deemed to be properly given or made if delivered or sent by registered mail to the Authorized Spaceholder Representative.

A duplicate copy or copies of each notice given hereunder by either the Constructing Agency or the Idaho Power Company to the other shall also be given to the United States and the Trustee. A duplicate copy of each notice given by either Constructing Agency or Idaho Power Company to either the Trustee or the United States shall also be given to the other party hereto.

The designation or the address of any person specified in this Section may be changed at any time by written notice to the other persons whose addresses are set forth in this Section.

SECTION 14.7. *Benefit of Falling Water Contract.* This Falling Water Contract shall inure to the benefit of and shall be binding upon the Constructing Agency, the Idaho Power Company, and their respective successors and assigns, subject, however, to the limitations contained in Sections 12.4, 13.1 and 13.2 hereof.

SECTION 14.8. *Severability.* In the event any provision of this Falling Water Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 14.9. *Amounts in Bond Fund.* Any amounts remaining in the Bond Fund upon expiration or sooner termination of the Original Term as provided in this Falling Water Contract, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the fees, charges and expenses of the Trustee and paying agents in accordance with the Indenture and all other amounts required to be paid under this Falling Water Contract and the Indenture, shall be paid by the Trustee to the Constructing Agency for disposition in accordance with the provisions of the Spaceholder Contracts and to Idaho Power Company in the proportion that the respective obligations of the Spaceholders and of Idaho Power Company to pay the principal of the Bonds as determined under Sections 9.7, 9.10 and 9.11 hereof bears to the total principal amount of the Bonds.

SECTION 14.10. *Execution in Counterparts.* This Falling Water Contract may be executed in several counterparts, each of which shall be an original, and all such shall constitute and be one and the same instrument.

SECTION 14.11. *Choice of Law.* This Falling Water Contract shall be construed and governed exclusively by the applicable laws of the State of Idaho.

SECTION 14.12. *Waiver of Subrogation Rights.* No payment of any kind to the Trustee or the holders of the Bonds by the Idaho Power Company pursuant to the provisions hereof, including without limitation Section 11.2 hereof, shall entitle the Idaho Power Company, by subrogation to the rights of the holders of the Bonds in respect of which such payment is made or otherwise, to any payment by the Constructing Agency or to any payment required to be made by a Spaceholder pursuant to a Spaceholder Contract or out of the property of Constructing Agency in enforcement of the Indenture or otherwise, except after payment in full of the entire principal of and premium, if any, and interest on the Bonds and any and all indebtedness evidenced by the Bonds or the Indenture, or provision for such payment satisfactory to the Trustee.

IN WITNESS WHEREOF, the Constructing Agency and the Idaho Power Company have caused this Falling Water Contract to be executed in their respective names and their respective seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

AMERICAN FALLS RESERVOIR DISTRICT

By: /s/ JOHN M. BARKER
President

(SEAL)

Attest:

/s/ DIANNE BRIDEGUM
Secretary

IDAHO POWER COMPANY

By: /s/ JAMES E. BRUCE
President

(SEAL)

Attest:

/s/ PAUL L. JAUREGUI
Secretary

APPROVED this 31st day of March, 1976

UNITED STATES SECRETARY OF THE INTERIOR

By: /s/ RODNEY J. VISSIA
Regional Director

Pacific Northwest Region
Bureau of Reclamation
Box 043—550 West Fort Street
Boise, Idaho 83724

STATE OF IDAHO }
COUNTY OF ADA } ss.

On this 24th day of March, in the year 1976, before me, John A. Rosholt, a Notary Public, personally appeared John M. Barker and Dianne Bridegum, known to me to be, respectively, the President and the Secretary of the American Falls Reservoir District that executed the said instrument, and acknowledged to me that the American Falls Reservoir District executed the same.

IN WITNESS WHEREOF, I set my hand and affix my official seal the day and year first above written.

/s/ JOHN A. ROSHOLT
Notary Public in and for the State of Idaho
Residing at: Twin Falls, Idaho

My commission expires: 1979

(SEAL)

STATE OF IDAHO }
COUNTY OF ADA } ss.

On this 24th day of March, in the year 1976, before me, Mary L. Morton, a Notary Public, personally appeared James E. Bruce and Paul L. Jauregui, known to me to be the President and Secretary of the corporation that executed the said instrument on behalf of said corporation, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I set my hand and affix my official seal the day and year first above written.

/s/ MARY L. MORTON
Notary Public in and for the State of Idaho
Residing at: Boise, Idaho

My commission expires: 4-1-76

(SEAL)

SPACEHOL
HOLDINGS OF SPACE IN AMER. .N FALLS RESERVOIR

Water User	Contract No.	Date	Date of Supplemental Contract	Approximate Acre-Feet	Percent of Active Capacity —Percent to Distribute Construction Costs	Percent to Distribute Annual Replacement Dam Operation and Maintenance Costs	Percent to Distribute Annual Water Quality Operation and Maintenance Costs
UPPER VALLEY ORGANIZATIONS							
Aberdeen-Springfield Canal Company(1)	14-06-W-24	10-22-52	9-26-63	32.572	1.9160	1.8276	1.9680
Andrus, Ray	14-06-100-7771	5-16-73	None	191	0.0112	.0107	.0115
The Blackfoot Irrigating Company	14-06-W-39	12-12-52	2-6-63	12,763	0.7508	.7161	.7712
The Butte and Market Lake Canal Company	14-06-W-38	12-12-52	2-6-63	4,666	0.2745	.2618	.2819
Clement Brothers, a partnership	14-06-100-7446	9-9-72	None	71	0.0042	.0040	.0043
Corbet Slough Ditch Company	14-06-W-12	12-12-52	2-6-63	3,396	0.1998	.1905	.2052
The Enterprize Canal Company, Ltd.	14-06-W-15	12-12-52	2-1-63	8,923	0.5249	.5007	.5392
Enterprise Irrigation District	14-06-100-1912	6-2-60	None	10,188	0.5993	.5716	.6156
Harrison Canal and Irrigation Company	14-06-W-30	12-12-52	2-1-63	12,025	0.7074	.6747	.7266
Michaud Division, Fort Hall Indian Reservation	Memorandum of Agreement	4-25-57	None	47,700	2.8059	2.6764	2.8822
New Sweden Irrigation District	14-06-W-14	12-12-52	2-1-63	25,731	1.5136	1.4438	1.5547
Poplar Irrigation District	14-06-W-45	12-18-52	2-1-63	673	0.0396	.0378	.0407
Progressive Irrigation District	14-06-W-47	12-18-52	1-31-63	12,485	0.7344	.7005	.7544
Rudy Canal Company, Limited	14-06-W-37	12-12-52	2-1-63	2,649	0.1558	.1486	.1601
Snake River Valley Irrigation District	14-06-W-35	12-12-52	2-1-63	26,367	1.5510	1.4795	1.5932
The Trego Ditch Company	14-06-W-23	12-12-52	2-6-63	1,314	0.0773	.0737	.0794
LOWER VALLEY ORGANIZATIONS							
American Falls Reservoir District(2)	14-06-W-59	5-13-54	3-14-60	460,170	27.0688	25.8199	27.8048
American Falls Reservoir District No. 2	14-06-W-73	10-14-54	2-2-60	400,000	23.5294	22.4438	24.1692
Hillsdale Irrigation District	IIr-252	7-22-23 as amended and supplemented	None	41,146	2.4203	2.3087	2.4862
Milner Low Lift Irrigation District	14-06-W-92	1-7-55	1-21-66	45,687	2.6875	2.5635	2.7605
North Side Canal Company, Limited(1)	14-06-W-28	12-12-52	2-29-60	118,380	6.9635	6.6422	7.1529
A & B Irrigation District	14-06-100-2368	2-9-62	None	47,593	2.7996	2.6704	2.8757
Idaho Power Company	IIr-733	6-15-23	None	45,000	2.6471	7.1388(3)	None

(1) Also has space through American Falls Reservoir District.

(2) American Falls Reservoir District holds this space for the following:

UPPER VALLEY ORGANIZATIONS	Percent of Capacity	Approximate Acre-Feet
Aberdeen-Springfield Canal Co.	1.3541	23,019
Martin Canal Co.	0.0839	1,426
Woodville Canal Co.	0.3356	5,706
LOWER VALLEY ORGANIZATIONS		
North Side Canal Co., Ltd.	16.4020	278,834
Twin Falls Canal Co.	8.8932	151,185
	27.0688*	460,170

* Erroneously typed as 27.0687 in supplemental contract of 3-14-60.

(3) Computed on the basis of article 17 of the contract of 6-15-23.

EXHIBIT 1

NON-PARTICIPATING WATERUSERS

HOLDINGS OF SPACE IN AMERICAN FALLS RESERVOIR

Water User	Contract No.	Date	Date of Supplemental Contract	Approximate Acre-Feet	Percent of Active Capacity —Percent to Distribute Construction Costs	Percent to Distribute Annual Replacement Dam Operation and Maintenance Costs	Percent to Distribute Annual Water Quality Operation and Maintenance Costs
UPPER VALLEY ORGANIZATIONS							
Burgess Canal and Irrigating Company..	14-06-W-41	12-18-52	2-1-63	9,496	0.5586	.5328	.5738
Dilts Irrigation Company, Limited	14-06-W-32	12-12-52	2-6-63	886	0.0521	.0497	.0535
Falls Irrigation District	14-06-100-851	12-9-55	9-15-64	23,300	1.3706	1.3074	1.4079
Idaho Irrigation District	14-06-W-33	12-12-52	2-6-63	22,911	1.3477	1.2855	1.3844
The Lenroot Canal Company	14-06-W-22	12-12-52	2-1-63	3,868	0.2275	.2170	.2337
The Martin Canal Company(1)	14-06-W-36	12-12-52	9-10-73	580	0.0341	.0326	.0350
Peoples Canal & Irrigation Company ...	14-06-W-44	12-18-52	1-31-63	21,415	1.2597	1.2016	1.2940
Reid Canal Company	14-06-W-10	12-12-52	2-6-63	2,549	0.1499	.1430	.1540
Utah-Idaho Sugar Company ..... (Osgood tract)	Ilr-538	6-6-25	(2)	13,459	0.7917	.7552	.8132
The Woodville Canal Company(1)	14-06-W-49	12-18-52	9-10-73	341	0.0200	.0191	.0206
LOWER VALLEY ORGANIZATIONS							
Burley Irrigation District	14-06-W-48	12-18-52	1-25-60	157,942	9.2907	8.8621	9.5433
Minidoka Irrigation District	14-06-100-1833	2-2-60	None	83,563	4.9155	4.6887	5.0491

(1) Also has space through American Falls Reservoir District.

(2) Has contract for 15,852 acre-feet—is entitled to an additional 5,378 acre-feet of which total 7,771 is transferred to Jackson. Contract to accomplish this is in progress.

EXHIBIT H

3-31-1976 Government Contract (BOR and AFRD)

Pages upside down

[CONFORMED COPY]

CONTRACT

between

THE UNITED STATES OF AMERICA

and

THE AMERICAN FALLS RESERVOIR DISTRICT

for

CONSTRUCTION AND OPERATION
AND MAINTENANCE OF
THE AMERICAN FALLS REPLACEMENT DAM PROGRAM

Dated as of March 31, 1976

Contract No. 14-06-100-9041

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION

Minidoka Project, Idaho-Wyoming

CONTRACT BETWEEN THE UNITED STATES OF AMERICA AND THE AMERICAN FALLS RESERVOIR DISTRICT FOR CONSTRUCTION AND OPERATION AND MAINTENANCE OF THE AMERICAN FALLS REPLACEMENT DAM PROGRAM

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Contract No. 14-06-100-9041

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION
Minidoka Project, Idaho-Wyoming

CONTRACT BETWEEN THE UNITED STATES OF AMERICA AND THE AMERICAN FALLS RESERVOIR DISTRICT FOR CONSTRUCTION AND OPERATION AND MAINTENANCE OF THE AMERICAN FALLS REPLACEMENT DAM PROGRAM

THIS CONTRACT, made this 31st day of March, 1976, between the UNITED STATES OF AMERICA, hereinafter referred to as the "United States," acting through the Regional Director, Pacific Northwest Region, Bureau of Reclamation, upon authorization of the Secretary of the Interior and pursuant to the Act of Congress approved December 28, 1973 (87 Stat. 904), and the AMERICAN FALLS RESERVOIR DISTRICT, an instrumentality of the State of Idaho, with its offices in Twin Falls, Idaho, hereinafter referred to as the "Constructing Agency;"

WITNESSETH, THAT:

EXPLANATORY RECITALS

2. WHEREAS, the United States has constructed the Existing Dam of the Minidoka Project pursuant to the Federal Reclamation Laws primarily for the furnishing of water for irrigation purposes and, due to alkali-aggregate reactions in the concrete portions of the Existing Dam, the United States is operating the Existing Dam at less than full active capacity; and

3. WHEREAS, continued operation at less than full active capacity could result in irrigation water shortages to some 900,000 acres of land which obtain a water supply from the Existing Dam; and

4. WHEREAS, the Constructing Agency pursuant to the Act of December 28, 1973, desires to undertake the replacement of the Existing Dam on behalf of all the Spaceholders by financing and constructing the American Falls Replacement Dam Program and to issue Bonds to finance all or part of the costs thereof pursuant to the provisions of Chapter 22, Title 43, Idaho Code, as amended, and upon substantial completion thereof to transfer title to the Replacement Dam to the United States to be operated and maintained primarily for the furnishing of water for irrigation purposes as a feature of the Minidoka Project; and

5. WHEREAS, the Constructing Agency pursuant to the Act of December 28, 1973, entered into a Falling Water Contract of even date herewith with the Idaho Power Company to utilize for power generation at the Powerplant the water released from the Replacement Dam (which utilization shall be subordinate to the furnishing of water for irrigation purposes) in consideration for the Falling Water Payments in order to pay part of the costs of financing and constructing the American Falls Replacement Dam Program and the Federal Power Commission has granted to the Idaho Power Company a License to construct, operate, and maintain the Powerplant attached to the Replacement Dam for such purpose; and

6. WHEREAS, an appropriate number of the Waterusers satisfactory to the Secretary and the Constructing Agency have entered into Spaceholder Contracts of even date herewith to pay their proportionate share of the total cost of the American Falls Replacement Dam Program; and

7. WHEREAS, this Government Contract is entered into for the purpose of authorizing the Constructing Agency to finance and provide for the construction of the American Falls Replacement Dam Program, to provide for the operation and maintenance of the Replacement Dam and Related Facilities,

and to make provision for the disposition of the storage space of those Waterusers which have not entered into Spaceholder Contracts, but only upon satisfaction of the conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual and dependent stipulations and covenants herein contained, it is agreed by and between the parties hereto as follows:

PART I

DEFINITIONS AND PURPOSE AND TERM

(Articles 8-9)

DEFINITIONS

8. The following terms, whenever used in this Government Contract, shall have the following respective meanings:

"Act of December 28, 1973" shall mean the Act of Congress approved December 28, 1973 (87 Stat. 904).

"Advisory Committee" shall mean the committee presently designated in the existing contracts between the United States and the Waterusers as the "Committee of Nine" or its successors.

"American Falls Replacement Dam Program" shall mean the program to be undertaken by the Constructing Agency consisting of the Replacement Dam including the two-lane highway on the crest of the Replacement Dam, the two-lane highway bridge located immediately downstream from the Replacement Dam, the Related Facilities, the Recreation and Fish and Wildlife Mitigation Facilities, and the Water Quality Facilities to be accomplished pursuant to the Act of December 28, 1973, and under the authority of Section 43-2201(A), Idaho Code, which provides for the reconstruction, rehabilitation, replacement, and improvement of dams and other related structures and works together with all necessary appurtenances related thereto.

"Bonds" shall mean bonds and interim notes issued, and to be issued, by the Constructing Agency to pay the costs of the American Falls Replacement Dam Program.

"Constructing Agency" shall mean the American Falls Reservoir District, an instrumentality of the State of Idaho, being an irrigation district organized and existing under the provisions of Title 43, Idaho Code, as amended, and its successors and assigns.

"Construction Work Schedule" shall mean a schedule showing each item of major construction activity of the American Falls Replacement Dam Program including detailed coordination arrangements for the construction of the Powerplant with the construction of the Replacement Dam, and the time period within which each item is proposed to be started and concluded.

"Contracting Officer" shall mean the Regional Director, Pacific Northwest Region, Bureau of Reclamation, or his duly authorized representative.

"Defaulted Spaceholder(s)" shall mean the Spaceholders determined to be in default in all or any part of the Spaceholder Payments required to be made under a Spaceholder Contract, in accordance with the provisions of Article 29(a) thereof.

"Director of Design and Construction" shall mean the Director of Design and Construction, United States Department of the Interior, Bureau of Reclamation, Office of Design and Construction, Engineering and Research Center, Denver, Colorado.

"Existing Dam" shall mean the American Falls Dam and Reservoir owned by the United States located on the Snake River in southern Idaho adjacent to the City of American Falls, Idaho.

"Falling Water Contract" shall mean the contract of even date herewith entitled "Falling Water Contract by and between American Falls Reservoir District and Idaho Power Company," as the same may be supplemented or amended.

"Falling Water Payments" shall mean the principal amount, plus applicable interest, to be paid to the Constructing Agency in 40 approximately equal annual installments by the Idaho Power Company pursuant to the Falling Water Contract as a part of the consideration for the utilization for power generation at the Powerplant of the water released from the Replacement Dam.

"Federal Reclamation Laws" shall mean the Act of June 17, 1902 (32 Stat. 388), and all acts amendatory thereof or supplementary thereto including the Act of December 28, 1973.

"Government Contract" shall mean this contract entered into between the United States and the Constructing Agency, as the same may be supplemented or amended.

"Idaho Power Company" shall mean the Idaho Power Company, a Maine corporation authorized to do business in the State of Idaho, and its permitted successors and assigns.

"License" shall mean the license for Project No. 2736 issued by the Federal Power Commission on March 31, 1975, and expiring on March 31, 2025, and any continuation or renewal thereof, authorizing the Idaho Power Company to construct, operate, and maintain the Powerplant.

"Minidoka Project" shall mean the Minidoka Reclamation Project of the United States, located on the Snake River in the States of Idaho and Wyoming.

"Non-Participating Wateruser(s)" shall mean the Waterusers which have not executed Spaceholder Contracts. The initial Non-Participating Waterusers are set forth in Exhibit B hereto. Upon the execution of a Spaceholder Contract by a Non-Participating Wateruser, such Non-Participating Wateruser shall be deemed to be a Spaceholder.

"Plan of Operation" shall mean a schedule of the storage and release of water from the Existing Dam and Replacement Dam during the construction of the Replacement Dam.

"Powerplant" shall mean the hydroelectric generating facility, attached to the Replacement Dam, to be constructed, operated, and maintained by the Idaho Power Company in accordance with the License.

"Quarter" shall mean the 3-calendar-month period commencing on the first day of January, April, July, and October of each year.

"Recreation and Fish and Wildlife Enhancement Facilities" shall mean the facilities to be provided pursuant to Section 6 of the Act of December 28, 1973, to enhance public recreation and fish and wildlife resources.

"Recreation and Fish and Wildlife Mitigation Facilities" shall mean the facilities to be included in the American Falls Replacement Dam Program pursuant to that certain agreement between the Constructing Agency and the Idaho Fish and Game Department dated July 2, 1974, to mitigate the anticipated loss of existing recreational and fish and wildlife resources.

"Related Facilities" shall mean the facilities included in the American Falls Replacement Dam Program which are required by the United States as part of the construction of the Replacement Dam and which are to be transferred to the United States to operate and maintain, consisting of the warehouse, shop, offices, scenic overlook including health and safety facilities, hydrologic and meteorologic data collection facilities.

"Replacement Dam" shall mean the new dam, including the reservoir, to be constructed by the Constructing Agency on the Snake River in southern Idaho adjacent to the City of American Falls, Idaho, to replace the Existing Dam.

"Secretary" shall mean the Secretary of the Interior.

"Spaceholder(s)" shall mean the Waterusers which have executed Spaceholder Contracts, together with their successors and assigns. The initial Spaceholders are set forth in Exhibit A hereto.

"Spaceholder Bond Payments" shall mean the payments obligated to be made by the Spaceholders to the Constructing Agency pursuant to the Spaceholder Contracts to pay the Spaceholders' portion of the principal of and interest on the Bonds and which are assigned to the Trustee.

"Spaceholder Contract(s)" shall mean the contracts of even date herewith entered into among the United States, the Constructing Agency, and the Spaceholders for storage in the Replacement Dam and the payment of construction, operation, and maintenance costs of the American Falls Replacement Dam Program, as the same may be supplemented or amended.

"Spaceholder Payments" shall mean collectively the payments to be made by the Spaceholders pursuant to the Spaceholder Contracts as follows:

1. Spaceholder Bond Payments.
2. Spaceholder Replacement Dam Operation and Maintenance Payments.
3. Spaceholder Water Quality Facilities Operation and Maintenance Payments.
4. The fees, charges, and expenses of Trustee and any paying agent bank.

"Spaceholder Replacement Dam Operation and Maintenance Payments" shall mean the payments obligated to be made pursuant to the Spaceholder Contracts by the Spaceholders to the United States to pay the annual costs of operation and maintenance of the Replacement Dam and the Related Facilities and to return the unpaid costs of the Existing Dam as set forth in Article 19 hereof.

"Spaceholder Water Quality Facilities Operation and Maintenance Payments" shall mean the payments obligated to be made by the Spaceholders to the Constructing Agency in accordance with paragraph 13 of the Water Quality Facilities Agreement.

"Supplemental Falling Water Payments" shall mean the supplemental amounts agreed to be paid to the Constructing Agency by the Idaho Power Company pursuant to the Falling Water Contract representing the obligations of Defaulted Spaceholders or of Non-Participating Waterusers, or both.

"Trustee" shall mean the bank, Trustee or bank co-trustee, or either, at the time serving as such under the Bond indenture of the Constructing Agency.

"Water Control Structures" shall mean the facilities which control the storage and release of water through the Existing Dam or the Replacement Dam.

"Water Quality Facilities" shall mean facilities included in the American Falls Replacement Dam Program for the purpose of meeting the amended State of Idaho water quality dissolved oxygen standard, as approved on April 17, 1975, by the United States Environmental Protection Agency, for water released from the Replacement Dam through the Powerplant, including necessary monitoring equipment to be installed immediately downstream from the tailrace of the Powerplant to measure the dissolved oxygen in the water.

"Water Quality Facilities Agreement" shall mean the agreement of even date herewith between the Constructing Agency and the Idaho Power Company providing for the construction, operation, and maintenance of the Water Quality Facilities, as the same may be supplemented or amended.

"Wateruser(s)" shall mean the organizations and individuals which have heretofore contracted for storage space in the Existing Dam.

Purpose and Term

9. (a) This Government Contract is entered into by the Secretary in accordance with the Act of December 28, 1973, to authorize the Constructing Agency to finance and provide for the construc-

tion of the American Falls Replacement Dam Program to replace the Existing Dam. The American Falls Replacement Dam Program shall in no way alter or change the present proportionate storage rights of the Waterusers, except as provided herein and as set forth in the Spaceholder Contracts.

(b) This Government Contract shall become effective upon its execution by the parties hereto and, except as provided in (c) of this Article, shall remain in effect until specifically terminated by mutual agreement.

(c) Either party may terminate this Government Contract after April 1, 1977, by the giving of notice to the other party, unless prior to the giving of such notice or within 60 days after the giving of such notice by the Contracting Officer, the Constructing Agency has contracted to sell Bonds to construct or equip the Replacement Dam. Within 7 days after contracting to sell Bonds, the Constructing Agency shall give notice of such contract execution to the Contracting Officer.

PART II

PRECONSTRUCTION AND CONSTRUCTION

(Articles 10-12)

PLANS AND DESIGNS AND SPECIFICATIONS

10. (a) The Constructing Agency shall be responsible for the preparation of the plans for the American Falls Replacement Dam Program. Such plans for the Replacement Dam shall be substantially in accordance with the construction plans for the Replacement Dam contemplated at the Engineering Review Session in San Francisco, California, on October 8 and 9, 1974, and shall provide, among other things, for the following:

(1) The construction of a Replacement Dam having:

(i) a reservoir with an active capacity of 1,700,000 acre-feet;

(ii) a spillway, outlet works, and power penstocks capable of passing an approved design flood without exceeding a maximum water surface elevation of 4354.5 feet above mean sea level U.S.C.&G.S. datum;

(iii) a two-lane highway on the crest of the Replacement Dam adequate to meet the then current United States Department of Transportation Standards for Federal-Aid Secondary Highway Two-Lane Traffic;

(iv) appropriate controls of spillway, intake, and sluiceway gates for operation of the Replacement Dam in the event of an emergency at the Powerplant; and

(v) sufficient portions of the Existing Dam removed to permit evacuation of the total active capacity of the Replacement Dam at a satisfactory rate to permit full utilization of the storable water.

(2) The construction of the Related Facilities.

(3) The construction, operation, and maintenance of the Water Quality Facilities.

(4) The construction, operation, and maintenance of the Recreation and Fish and Wildlife Mitigation Facilities.

(5) Provision for the relocation or replacement of the residence occupied by the Falls Irrigation District's personnel. The plan for the construction of the Replacement Dam and the Powerplant shall be such as not to interfere with the Falls Irrigation District pumping plant, nor to destroy the Old Island Powerplant unless first approved by the Contracting Officer.

(6) A proposed Construction Work Schedule and a proposed Plan of Operation.

(7) Provision for power intake structures, power penstocks, and attachment facilities to the penstocks of the Powerplant with a precise boundary line between the Replacement Dam and the Powerplant.

(8) The two-lane highway bridge located immediately downstream from the Replacement Dam adequate to meet the then current United States Department of Transportation Standards for Federal-Aid Secondary Highway Two-lane Traffic, pursuant to the agreement dated November 23, 1973, between the United States and the State of Idaho, and the agreement dated November 27, 1974, between the Constructing Agency and the State of Idaho, and which two-lane highway bridge shall be utilized to satisfy the requirements of Section 2(c) of the Act of December 28, 1973.

(b) The Constructing Agency, in addition to the preparation of the plans for the American Falls Replacement Dam Program, shall be responsible for the preparation of the designs and specifications to provide for the accomplishment of the plans. As a condition precedent to the approval of the final designs and specifications for the construction of the Replacement Dam, the Constructing Agency shall have submitted to, and received written approval from the Contracting Officer of, a Plan of Operation and the Construction Work Schedule. The final designs and specifications for any facility to be constructed or acquired by the Constructing Agency as a part of the American Falls Replacement Dam Program shall not be issued by the Constructing Agency until the Contracting Officer has provided written approval thereof. The approval procedure for those final designs and specifications which have not heretofore been approved by the Contracting Officer shall be as follows:

(1) At least 45 days before the Constructing Agency's proposed dates for the issuance of final designs and specifications calling for bids, the Constructing Agency shall submit to the Contracting Officer the final designs and specifications for such facility.

(2) Not later than 30 days following each such submittal, the Contracting Officer shall notify the Constructing Agency of his approval or disapproval of such final designs and specifications.

(3) If disapproved, the items and the basis for such disapproval shall be specified as well as a list of the revisions necessary to secure approval. If the items disapproved or the method of revision cannot be resolved between the Contracting Officer and the Constructing Agency, the matter shall be submitted to the Director of Design and Construction and his determination shall be final and the final designs and specifications shall be changed to conform to any revisions determined necessary.

(c) The Constructing Agency's proposed Plan of Operation provides for the evacuation of stored water from the Existing Dam and the passing of inflow in lieu of storing. The Constructing Agency has consulted with the Advisory Committee regarding such operation and has received written notification from the Advisory Committee that such operation is acceptable to the Spaceholders entitled to an aggregate of not less than two-thirds of the active capacity of the Existing Dam.

(d) The United States shall be responsible for the accomplishment of the preparation of plans, designs, and specifications and for the accomplishment of construction of the Recreation and Fish and Wildlife Enhancement Facilities.

Right-of-Way and Permits

11. (a) The Constructing Agency shall submit descriptions of lands owned by the United States needed for the American Falls Replacement Dam Program. Such descriptions shall be submitted prior to the approval of the final designs and specifications for the Replacement Dam and the Contracting Officer shall provide to the Constructing Agency special use permits for lands required for the construction of the American Falls Replacement Dam Program as designated in the approved final designs and specifications. Notwithstanding such permits, title to all lands covered in such permits shall remain with the United States.

(b) The Contracting Officer will enter into an agreement with the State of Idaho relating to the use and operation and maintenance of the two-lane highway to be constructed on the crest of the Replacement Dam.

(c) The Constructing Agency shall secure title to all lands not owned by the United States or such interest therein as is required for the construction of the Replacement Dam, the Related Facilities, and the Water Quality Facilities. All of the right, title, and interest of the Constructing Agency in or to such lands shall be conveyed to the United States as provided in Article 14 hereof.

(d) The Constructing Agency shall secure all permits and licenses which are required in connection with the construction of the Replacement Dam, the Related Facilities, and the Water Quality Facilities.

(e) The Constructing Agency shall provide in the Falling Water Contract sections as follows:

Rights of Access to the Idaho Power Company for Construction, Operation, and Maintenance of the Powerplant. The Idaho Power Company and its duly authorized agents shall, without charge, have such rights of access to the Replacement Dam and for ingress and egress on lands of the United States adjacent thereto as may be reasonably necessary to coordinate the construction of the Powerplant with the construction of the Replacement Dam and, after completion of construction of the Powerplant, for the proper operation and maintenance of the Powerplant by the Idaho Power Company, and

Rights of Access to the Constructing Agency and the United States for Construction, Operation, and Maintenance of the American Falls Replacement Dam Program. The Constructing Agency and the Contracting Officer and their duly authorized agents shall, without charge, have such rights of access to the Powerplant and for ingress and egress on all lands which are within the project area as defined in the License, as may be reasonably necessary to coordinate the construction of the Powerplant with the construction of the Replacement Dam, to permit the proper operation and maintenance of the Existing Dam during the construction of the Replacement Dam including the interim operation of the Water Control Structures of the Replacement Dam at such time during construction that water control at the Existing Dam is transferred to water control at the Replacement Dam, and upon substantial completion of the Replacement Dam and Related Facilities for the proper operation and maintenance thereof by the United States. The United States shall have the right to utilize without charge in the operation and maintenance of the Minidoka Project those lands of the United States which are within the area covered by the Idaho Power Company's License for the construction and operation and maintenance of the Powerplant, so long as such use by the United States is not inconsistent with or does not interfere with the uses intended in the License.

Construction of the American Falls Replacement Dam Program

12. (a) Upon receipt by the Constructing Agency of the written approval of the Contracting Officer of the final designs and specifications, the Constructing Agency may issue the final designs and specifications covered in such approval, award a contract, and initiate the construction or acquisition of the facility for which the final designs and specifications were issued. The American Falls Replacement Dam Program shall be constructed in accordance with the final approved designs and specifications, or any modifications thereof. The Constructing Agency shall supervise and inspect or cause the supervision and inspection of the construction of the American Falls Replacement Dam Program to assure construction in compliance with the approved final designs and specifications and the Construction Work Schedule or any approved modifications thereof. Modifications of the approved final designs and specifications may be made to accommodate actual field conditions but only after the proposed modification has been approved, in writing, by the Contracting Officer and the Constructing Agency.

(b) Prior to the commencement of construction of the Replacement Dam, any proposed revision in the Construction Work Schedule shall be submitted to the Contracting Officer for approval. In addition a detailed quarterly Construction Work Schedule shall be submitted to the Contracting Officer covering the period from the initiation of construction through the then current Quarter or remaining portion

thereof. Thereafter, a detailed quarterly Construction Work Schedule shall be submitted to the Contracting Officer not less than 15 days prior to the beginning of each subsequent Quarter until the construction is completed. The Contracting Officer shall be advised in advance of changes to a detailed quarterly Construction Work Schedule, in order to permit the coordination of the Contracting Officer activities during construction. The detailed quarterly Construction Work Schedules shall be consistent with the approved Construction Work Schedule and the approved Plan of Operation.

(c) During construction, the Constructing Agency shall prepare and furnish to the Contracting Officer, at such times as he shall indicate but not more often than once each month, written reports fully describing the progress of the construction of the American Falls Replacement Dam Program to the end of the preceding month or other designated period, as well as copies of construction quality control records for the same period of time.

(d) The Contracting Officer, during the construction of the American Falls Replacement Dam Program, shall have the right to review the construction in progress and to review reports of construction and testing to assure compliance with the approved final designs and specifications or any modifications thereof. The Contracting Officer shall direct his findings concerning construction to the Constructing Agency and to the authorized Constructing Agency representative designated as provided in Section 6.1 of the Falling Water Contract and any construction deficiency shall be corrected by the Constructing Agency to be consistent with the approved final designs and specifications or any modifications thereof. Disputes concerning a question of fact in regard to construction in accordance with the approved final designs and specifications or any modification thereof, and not resolved by agreement between the Contracting Officer and the Constructing Agency shall be decided by the Director of Design and Construction who shall provide his decision promptly in writing to the Constructing Agency. The decision shall be deemed final and conclusive and the Constructing Agency shall construct or reconstruct the facilities in conformity therewith.

PART III

OPERATION AND MAINTENANCE

(Articles 13-16)

Operation During Construction

13. (a) The United States shall continue to operate and maintain the Existing Dam during the construction of the Replacement Dam. The Contracting Officer shall coordinate the storage and release of water to facilitate the construction of the Replacement Dam under the approved Plan of Operation. Daily operations under the approved Plan of Operation shall be determined by the Contracting Officer after consultation with the Constructing Agency and the Idaho Power Company, taking into account weather conditions, anticipated peak floodflows, irrigation water requirements, and construction activities.

(b) If the Contracting Officer determines that the construction of the Replacement Dam or the Powerplant is interfering with the operation of the Existing Dam contrary to the approved Plan of Operation, the Constructing Agency, or the Idaho Power Company, or both, upon notification shall immediately modify construction to permit the Contracting Officer to operate the Existing Dam or the Replacement Dam, or both, as contemplated in the approved Plan of Operation.

(c) At such time during the construction of the Replacement Dam that water control at the Existing Dam is transferred to water control at the Replacement Dam, the United States shall assume operation of the Water Control Structures of the Replacement Dam.

Transfer of the Replacement Dam, the Related Facilities, and the Water Quality Facilities to the United States

14. (a) Upon the determination, as provided in (b) of this Article, of substantial completion of construction of the Replacement Dam, the Related Facilities, and the Water Quality Facilities, title

thereto shall be conveyed by the Constructing Agency to the United States by a document or documents satisfactory to the Contracting Officer. Such title shall remain in the United States until otherwise provided by Congress.

(b) As a condition precedent to the transfer of title of the Replacement Dam, a joint transfer review shall be made by representatives of the parties hereto. Representatives of the State of Idaho Transportation Department, Division of Highways, may participate in the transfer review of the two-lane highway on the crest of the Replacement Dam. The transfer review shall be in two parts; the initial transfer review at some appropriate time as mutually determined prior to the substantial completion of construction, and a final transfer review. A transfer review memorandum shall be prepared by the Contracting Officer for both the initial and final transfer reviews, indicating the general condition of the Replacement Dam to be transferred, deficiencies in construction (including incompleted construction) from that contemplated by the approved final designs and specifications and any approved modifications thereof, and action to be taken by the Constructing Agency to correct such deficiencies. Following the final transfer review and acceptance of the final transfer review memorandum by both parties, the Replacement Dam shall be deemed to be substantially completed. Notwithstanding such determination, the Constructing Agency shall be obligated to correct the construction deficiencies as specified in the final transfer review memorandum. A similar procedure shall be followed for the Related Facilities and the Water Quality Facilities.

(c) The following documents or copies thereof and equipment shall be provided by the Constructing Agency:

(1) Construction documents:

(i) As-built drawings;

(ii) Specifications and contract documents, i.e., abstracts, change orders, extra work orders and findings of fact;

(iii) Field survey notebooks, including location and elevation of permanent benchmarks, settlement points, and other horizontal and vertical control and movement points;

(iv) Geologic and soils data files;

(v) Instrumentation records;

(vi) Concrete design and mix control data;

(vii) Foundation treatment records;

(viii) Earth materials testing and construction control records.

(2) Equipment:

(i) Spare parts, tools, and supplies.

(3) Operating documents:

(i) Manufacturer's drawings, instruction manuals, parts list, and warranties;

(ii) Designers' operating criteria and manuals;

(iii) Acceptance test data and performance rating curves;

(iv) Technical records of designs and construction.

(4) Real estate documents:

(i) Land purchase contracts;

(ii) Deeds, easements, and evidence of title of all lands acquired by the Constructing Agency for the Replacement Dam and the Related Facilities;

(iii) Relocation agreements;

(iv) Lease agreements, licenses and permits;

(v) Working files, including negotiation reports, sufficient to clarify intent of acquisition documents and engineering drawings for all acquisitions.

(d) Upon acceptance of all the final transfer review memoranda and the correction of the construction deficiencies therein specified and the submission of the documents and equipment specified in (c) of this Article, the Secretary shall give notice to the Constructing Agency, the Trustee, and the Idaho Power Company that construction of the Replacement Dam, the Related Facilities, and the Water Quality Facilities has been completed.

Operation and Maintenance of the Replacement Dam, the Related Facilities, and the Water Quality Facilities

15. (a) Upon substantial completion of construction of the Replacement Dam and the Related Facilities, the United States will operate and maintain the Replacement Dam and the Related Facilities as a part of the Minidoka Project for the beneficial use of the water on the land within the service areas of the Spaceholders pursuant to Section 8 of the Reclamation Act of June 17, 1902 (32 Stat. 388). The Constructing Agency is responsible for the operation and maintenance of the Water Quality Facilities and has entered into the Water Quality Facilities Agreement to provide for such operation and maintenance, which agreement is acceptable to the Secretary. The Water Quality Facilities Agreement may not be amended, supplemented, terminated, or assigned without the approval of the Secretary.

(b) The United States shall continue an annual program for the correction and prevention of erosion related to the Replacement Dam or for the full and adequate compensation of adjacent landowners, including owners of land subject to a flowage easement for the Replacement Dam, if such erosion cannot be corrected or prevented. The costs thereof shall be billed to the Spaceholders as a part of the operation and maintenance charges as provided in (c) of this Article.

(c) Commencing with the year that the first Spaceholder Bond Payments are due under the Spaceholder Contracts the operation and maintenance costs of the Existing Dam and the Replacement Dam and the Related Facilities will be returned to the United States in the manner provided in the Spaceholder Contracts.

Operating Criteria

16. The Replacement Dam will be operated by the United States in a manner so that (1) the present proportionate storage rights of the Spaceholders shall not be altered or changed except as provided herein and in the Spaceholder Contracts, (2) the water surface elevation of the Replacement Dam shall not exceed a maximum of 4354.5 feet above mean sea level U.S.C.&G.S. datum, and (3) the primary irrigation purpose and the incidental purposes of the Minidoka Project shall not be impaired by the subordinate utilization for power generation at the Powerplant of the water released from the Replacement Dam. The United States is not obligated to operate the Replacement Dam in a manner to have water in the Replacement Dam at elevations for power generation or to operate to increase the head in the Replacement Dam for power generation.

PART IV

DELIVERY OF WATER AND CONTRACT WITH THE IDAHO POWER COMPANY FOR FALLING WATER

(Articles 17-18)

Delivery of Water

17. (a) The delivery of water pursuant to this Government Contract is contingent upon the execution of a Spaceholder Contract and the continued fulfillment of the obligations thereunder. The Constructing Agency and the United States have executed Spaceholder Contracts with the Waterusers listed on *Exhibit A*, in substantially the form attached as *Exhibit C*. Spaceholder Contracts have not

been executed with the Waterusers listed on *Exhibit B*. It is the intent of the United States to enter into a Spaceholder Contract on behalf of the Fort Hall Indian Reservation and if such Spaceholder Contract has not been executed at the time of execution of this Government Contract the Fort Hall Indian Reservation shall be considered to be a Spaceholder.

(b) The Contracting Officer shall give written notice to each Non-Participating Wateruser: (i) within 30 days after the execution of this Government Contract by the Contracting Officer and (ii) within 30 days after the Constructing Agency has contracted to sell any of the Bonds that, inasmuch as the delivery of water pursuant to this Government Contract is contingent upon the execution of a Spaceholder Contract and the continued fulfillment of the obligations thereunder, beginning on April 2 of the year in which the first Spaceholder Payments are due under the Spaceholder Contracts the delivery of water accruing to the space of Non-Participating Waterusers which have not prior to said April 2 executed a Spaceholder Contract shall be terminated subject to the following provisions, and such water shall be thereafter delivered by the Contracting Officer only in accordance with the following provisions:

(1) *Year in Which First Spaceholder Payments are Due.* The Contracting Officer shall deliver such water in the year that the first Spaceholder Payments are due under the Spaceholder Contracts to those Non-Participating Waterusers which (i) prior to the execution of this Government Contract, called and held an election on the proposition of the execution of a Spaceholder Contract and which election failed, and (ii) entered into a water rental contract with the Contracting Officer for the rental of such water and paid to the appropriate entities on or before April 1 of the year in which the first Spaceholder Payments are due under the Spaceholder Contracts, an amount at least equal to the Spaceholder Payments which would have been due on such April 1 had such Non-Participating Wateruser executed a Spaceholder Contract. The water in such year accruing to the space of all other Non-Participating Waterusers shall be made available by the Contracting Officer in accordance with the provisions of Article 17(d) hereof. The Contracting Officer shall give written notice, by December 31 of the year in which the first Spaceholder Payments are due: (i) to each Non-Participating Wateruser which received rental water in such year, that if such Non-Participating Wateruser does not execute a Spaceholder Contract on or before the next April 1, the water accruing to the space of such Non-Participating Wateruser in the year in which the second Spaceholder Payments are due shall, pursuant to the provisions of Section 3 of the Act of December 28, 1973, be made available in such year by the Contracting Officer in accordance with the provisions of Article 17(d) hereof, and (ii) to all other Non-Participating Waterusers, that if such Non-Participating Wateruser does not execute a Spaceholder Contract on or before the next April 1, and make the payments contemplated in Article 17(b)(2)(ii) hereof, the space of such Non-Participating Wateruser shall, pursuant to the provisions of Section 3 of the Act of December 28, 1973, thereafter be made available by the Contracting Officer in accordance with the provisions of Article 17(e) hereof, and the use of such space by the Non-Participating Wateruser shall be terminated.

(2) *Year in Which Second Spaceholder Payments are Due.* The Contracting Officer shall deliver such water in the year that the second Spaceholder Payments are due under the Spaceholder Contracts to those Non-Participating Waterusers which execute a Spaceholder Contract after April 1 of the year in which the first Spaceholder Payments are due under the Spaceholder Contracts but on or before April 1 of the year in which the second Spaceholder Payments are due and which:

(i) Received rental water in the year in which the first Spaceholder Payments were due, pursuant to Article 17(b)(1) hereof; or

(ii) Make the applicable Spaceholder Payments, interest, and penalties which would have been due under Article 29(c) of a Spaceholder Contract had the Non-Participating Wateruser executed a Spaceholder Contract and defaulted on the Spaceholder Payments becoming due and payable thereunder.

The water in such year accruing to the space of all other Non-Participating Waterusers shall be made available by the Contracting Officer in accordance with the provisions of the notice contemplated to be given pursuant to Article 17(b)(1) hereof. The Contracting Officer shall give written notice, by December 31 of the year in which the second Spaceholder Payments are due, to each Non-Participating Wateruser which received water under a water rental contract in the year in which the first Spaceholder Payments are due pursuant to Article 17(b)(1) hereof, that if such Non-Participating Wateruser does not execute a Spaceholder Contract by the next April 1, and make the payments contemplated in Article 17(b)(3) hereof, the space of such Non-Participating Wateruser shall, pursuant to Section 3 of the Act of December 28, 1973, thereafter be made available by the Contracting Officer in accordance with the provisions of Article 17(e) hereof, and the use of such space by the Non-Participating Wateruser shall be terminated.

(3) *Year in Which the Third Spaceholder Payments are Due.* The Contracting Officer shall deliver such water in the year that the third Spaceholder Payments are due under the Spaceholder Contracts to those Non-Participating Waterusers which received rental water in the year in which the first Spaceholder Payments were due, pursuant to Article 17(b)(1) hereof, and which executed a Spaceholder Contract after April 1 of the year in which the second Spaceholder Payments are due under the Spaceholder Contracts but on or before April 1 of the year in which the third Spaceholder Payments are due, and which make the applicable Spaceholder Payments, interest and penalties which would have been due under Article 29(c) of a Spaceholder Contract had the Non-Participating Wateruser executed a Spaceholder Contract and defaulted on the Spaceholder Payments becoming due and payable thereunder. The water in such year accruing to the space of all other Non-Participating Waterusers shall be made available by the Contracting Officer in accordance with the provisions of the notice contemplated to be given pursuant to Article 17(b)(2) hereof.

(4) Each notice given hereunder shall state that whenever any Non-Participating Wateruser shall execute a Spaceholder Contract, such Non-Participating Wateruser shall, for all purposes of this Government Contract, be deemed to be a Spaceholder. All notices commencing with the notice given 30 days after the Constructing Agency has contracted to sell the Bonds shall state the years in which the first, second, and third Spaceholder Payments are due.

(5) Within 7 days after April 1 of each of the years in which the first, second, and third Spaceholder Payments are due under the Spaceholder Contracts the Contracting Officer shall give notice to the Constructing Agency, the Idaho Power Company, the Trustee, and each Non-Participating Wateruser of the disposal by the Contracting Officer of water accruing to the space of Non-Participating Waterusers.

(6) The Contracting Officer shall not bill Non-Participating Waterusers or Spaceholders for the operation and maintenance costs of the Replacement Dam and the Related Facilities which are assignable to the space of Non-Participating Waterusers and shall maintain accountings of such amounts that are assignable to the space of Non-Participating Waterusers until a permanent disposition of the water accruing to the space of a Non-Participating Wateruser has been made as provided herein.

(c) Upon a default by a Spaceholder in the payment of all or any part of a Spaceholder Replacement Dam Operation and Maintenance Payment, the Contracting Officer shall give notice of such default to the Constructing Agency, the Idaho Power Company, the Defaulted Spaceholder, and the Trustee within 7 days after such default has occurred. Upon (i) the giving of notice of a default by a Spaceholder in payment of all or any part of a Spaceholder Replacement Dam Operation and Maintenance Payment, or (ii) receipt of notice from the Constructing Agency, or the Trustee on behalf of the Constructing Agency, of a default by a Spaceholder in the payment of all or any part of a Spaceholder Bond Payment or a Spaceholder Water Quality Facilities Operation and Maintenance Payment, the Contracting Officer shall withhold from a Defaulted Spaceholder the delivery of water accruing to the space of such Defaulted Spaceholder in the year in which such default occurs, and until such time as the Contracting Officer

determines that the default has been cured as provided in Article 29(c) of the Spaceholder Contracts; *Provided however,* That in the event Bonds in excess of the initial authorization must be issued to complete the American Falls Replacement Dam Program as provided in Article 27 of the Spaceholder Contracts, the Contracting Officer shall not be obligated to withhold the delivery of water to a Spaceholder which has not executed a supplement to its Spaceholder Contract until it is judicially determined that the Spaceholder is obligated to pay its proportionate share of the total cost of the American Falls Replacement Dam Program as contemplated in Article 27 of the Spaceholder Contracts.

(d) In each year prior to the termination of a Spaceholder Contract or the permanent disposition of the water accruing to the space of a Non-Participating Wateruser, the Contracting Officer shall make the water accruing to the space of a Defaulted Spaceholder or a Non-Participating Wateruser available for use in such year: first, for irrigation water use by other Spaceholders not in default; second, for irrigation water use by a person or entity which is not a Spaceholder; and third, for use by the Contracting Officer. In no event shall such water be made available for use by a Defaulted Spaceholder or a Non-Participating Wateruser in such year notwithstanding any other provisions of this Government Contract, of the Spaceholder Contracts, or of the Existing Spaceholder Contracts. Charges for such use shall be at least sufficient in the case of a Defaulted Spaceholder to pay the Spaceholder Payments or any portion thereof, including interest and penalties, due on behalf of a Defaulted Spaceholder, or in the case of a Non-Participating Wateruser the Spaceholder Payments as well as any applicable payments for interest and penalties all of which would have been due and payable had the Non-Participating Wateruser executed a Spaceholder Contract. The payment for the use of such space shall be made by or to the Contracting Officer who shall reimburse the Idaho Power Company for Supplemental Falling Water Payments made to the Trustee, including interest thereon, under the Falling Water Contract. Any moneys received by the Contracting Officer in excess of those required to meet (i) all or any part of the Spaceholder Payments, including interest and penalties, which are in default and which are due on behalf of a Defaulted Spaceholder, (ii) applicable Spaceholder Payments, interest and penalties which would have been due and payable had the Non-Participating Wateruser executed a Spaceholder Contract, and (iii) to reimburse the Idaho Power Company for Supplemental Falling Water Payments, including interest, shall be applied by the Contracting Officer toward future operation and maintenance costs of the Spaceholders on the Replacement Dam and the Related Facilities. If the Contracting Officer does not arrange for the use of such space as provided herein and the reimbursement to the Idaho Power Company for the Supplemental Falling Water Payments on or before May 15 of any such year, such space will be made available to the Idaho Power Company for power generation subject to the provisions of Article 18(b) hereof.

(e) If a Spaceholder's Contract is terminated as provided therein, or if the use of space by a Non-Participating Wateruser shall be terminated as provided in Article 17(b) hereof, the Contracting Officer shall continue to arrange for the use of such space in each year under the procedures described in (d) of this Article until such time as a Spaceholder Contract satisfactory to the Constructing Agency and the Contracting Officer is executed providing for the disposition of such space. Such Spaceholder shall require, as a minimum, the assumption of the unsatisfied obligations and the conditions of the contract of the Defaulted Spaceholder or in the case of the Non-Participating Wateruser the equivalent thereof and any excess shall be applied by the Contracting Officer toward future operation and maintenance costs of the Spaceholders on the Replacement Dam and the Related Facilities. So long as any of the Bonds are outstanding and unpaid, the Contracting Officer and the Constructing Agency shall not enter into one or more permanent contracts with the Idaho Power Company which would provide for an amount of active storage capacity which together with the amount of active storage capacity presently owned by the Idaho Power Company under its Spaceholder Contract (2.6471 percent) would exceed 8 percent of the active storage capacity of the Replacement Dam.

(f) The provisions of Article 17 hereof shall not apply to the space of the Fort Hall Indian Reservation. The Spaceholder Replacement Dam Operation and Maintenance Payments and the Spaceholder

Water Quality Facilities Operation and Maintenance Payments assignable to the Fort Hall Indian Reservation shall be returned as provided in its Spaceholder Contract.

(g) Although the parties hereto do not believe that any grounds exist for the awarding of damages to a Non-Participating Wateruser, if as a result of the application of this Article 17, a final determination of a court of competent jurisdiction holds that a Non-Participating Wateruser, whose use of space is permanently terminated, is nevertheless entitled to damages from the United States for the loss of such space, money in the construction fund (as defined in the Falling Water Contract), not necessary to pay other costs of construction of the American Falls Replacement Dam Program shall be used for such purpose, otherwise such amount shall be reimbursed to the United States as part of the Spaceholder Replacement Dam Operation and Maintenance Payments. In all other instances, to the extent related to the cost of the American Falls Replacement Dam Program, where a final determination of a court of competent jurisdiction holds that a Non-Participating Wateruser is entitled to damages from the United States as a result of the application of this Article 17, such amount shall be reimbursed to the United States as part of the Spaceholder Replacement Dam Operation and Maintenance Payments.

FALLING WATER CONTRACT WITH THE IDAHO POWER COMPANY

18. (a) The Idaho Power Company has acknowledged acceptance of all of the provisions, terms, and conditions of the License and the Constructing Agency and the Idaho Power Company have entered into the Falling Water Contract, approved by the Secretary and attached as *Exhibit D*, to utilize for power generation at the Powerplant the water released from the Replacement Dam in return for the Falling Water Payments, which utilization is and shall continue to be subordinate to the furnishing of water from the Replacement Dam for irrigation purposes, in that less than 10 percent of the water accruing to the active storage capacity in the Replacement Dam may be contractually scheduled for release by the Idaho Power Company, except for temporary increases resulting from the securing of water accruing to the storage space of a Defaulted Spaceholder or a Non-Participating Wateruser as provided for in (b) of this Article or arising from unusually wet or dry weather in the service area of the Replacement Dam. So long as the Idaho Power Company is not in default under the provisions of the Falling Water Contract, during the term of its License or any continuation or renewal thereof, the Idaho Power Company shall be entitled, subject to the limitations of this Article and Article 16 hereof and in accordance with the provisions of its License or any continuation or renewal thereof, to utilize for power generation at the Powerplant the water released from the Replacement Dam: *Provided,* That the approval of the Falling Water Contract by the Secretary does not preclude the Secretary from making any recommendations or comments in respect to the License or any continuation or renewal thereof.

(b) Subject to the limitations of this Article and Article 16 hereof, the Idaho Power Company shall also be entitled to schedule for release and to utilize for power generation at the Powerplant and at the downstream powerplants of the Idaho Power Company the water accruing to the storage space of a Defaulted Spaceholder or a Non-Participating Wateruser that is made available under the procedures of Article 17 hereof: *Provided, however,* That any such water may be utilized only during the period of May 15 through December 31 of the year in which such water is made available and only under a schedule of release so that the quantity of such water released during the period of November 1 through December 31 without regard to other released water, will not result in releases of water at the Minidoka Dam and Reservoir in excess of the hydraulic capacity of the Minidoka Powerplant as it now exists or as it may be enlarged in the future.

(c) The Contracting Officer, upon notice from the Constructing Agency or the Trustee that the Idaho Power Company is in default under the provisions of the Falling Water Contract, shall suspend any and all rights of the Idaho Power Company to the use of the water released from the Replacement Dam and during such suspension shall operate the Replacement Dam to bypass water around the Powerplant. The Contracting Officer, acting with the consent of either the Constructing Agency or the Trustee, may without further notice to the Idaho Power Company grant any or all of the suspended rights to any person or entity for the duration of the suspension.

(d) In the event that the Contracting Officer determines that the water being released from the Replacement Dam through the Powerplant does not meet the amended State of Idaho water quality dissolved oxygen standard, as approved on April 17, 1975, by the United States Environmental Protection Agency, the Contracting Officer, after oral notice to the Idaho Power Company's American Falls Powerplant Chief Operator, may bypass part or all of such water around the Powerplant until satisfactory arrangements are made to meet such standard. The Contracting Officer in such circumstances will attempt to bypass only the amounts of water necessary to meet such standard. As provided in the Water Quality Facility Agreement, the Constructing Agency, the Contracting Officer, and the Idaho Power Company shall develop operating criteria for the Water Quality Facilities and following mutual agreement on such criteria, the operation of the Water Quality Facilities or the bypassing of the water which is being released from the Replacement Dam around the Powerplant, or both, shall be in accordance with such criteria.

(e) The entitlement of the Idaho Power Company to utilize for power generation at the Powerplant the water released from the Replacement Dam under the provisions of this Article is subject at all times to scheduled interruptions for inspections, maintenance, and repairs of the Replacement Dam and at all times for any emergency operating situations relating to the Replacement Dam. In any such event, the Contracting Officer, in cooperation with the Constructing Agency and the Idaho Power Company, will endeavor to correct expeditiously such situations to permit the utilization for power generation at the Powerplant of the water released from the Replacement Dam.

(f) The Contracting Officer during the period that water is being released from the Replacement Dam for irrigation use by the Spaceholders, will provide to the Idaho Power Company from time to time schedules of anticipated water releases from the Replacement Dam in such form and detail as shall be mutually determined from time to time between the Contracting Officer and the Idaho Power Company and the Idaho Power Company will provide to the Contracting Officer its schedule of the amount of such releases anticipated by the Idaho Power Company to be used for power generation at the Powerplant. In the event the Idaho Power Company changes its schedule or in the event of an emergency, the Idaho Power Company shall promptly inform the Contracting Officer, so that the Contracting Officer can cause appropriate adjustments to be made in the outlet gates of the Replacement Dam. The providing to the Idaho Power Company by the Contracting Officer of schedules of anticipated water releases in no way guarantees that such schedules will be followed and the right to utilize the water released from the Replacement Dam for power generation at the Powerplant is subject to the provisions hereof, particularly to the limitation that the water releases from the Replacement Dam are to be determined at all times by the Contracting Officer. The Idaho Power Company, however, shall retain the right to schedule its stored water under its Spaceholder Contract and the water available to the Idaho Power Company, if any, under the provisions and limitations of (b) of this Article and schedules for the release of such water shall be provided by the Idaho Power Company.

PART V

RETURN OF COSTS

(Articles 19-20)

Return of Unpaid Costs of the Existing Dam

19. The United States has allocated for return from power revenues $293,978.17 of the costs of constructing the Existing Dam which amount has been excluded from the existing repayment obligations of the Spaceholders. The Spaceholder Contracts provide for the payment to the United States of an annual amount to return this sum in 40 years. The annual payments will be made as part of the Spaceholder Replacement Dam Operation and Maintenance Payments, unless the Secretary is authorized to find that this obligation need not be assumed by the Spaceholders.

Payment of Costs of the United States

20. (a) The United States shall review the Construction Work Schedule and the detailed quarterly Construction Work Schedules, inspect construction, and review quality control. Costs incurred by the United States for the foregoing work shall embrace all expenditures of whatsoever kind in relation to the function for which the charge is made including, but without limitation by reason of this enumeration, salaries, travel, per diem, materials and equipment, and engineering.

(b) Following the approval of the final designs and specifications for the construction of the Replacement Dam and upon notice from the Contracting Officer, the Constructing Agency shall advance the amount indicated in such notice for the Quarter or portion thereof for the estimated costs to be incurred by the United States for the work described in (a) of this Article. The Constructing Agency shall thereafter advance to the United States not later than the first day of each succeeding Quarter, the estimated cost of such additional work to be incurred for said Quarter. The Contracting Officer shall furnish the estimated cost of such work to the Constructing Agency in writing not later than 30 days prior to the beginning of each Quarter. Whenever, in the opinion of the Contracting Officer, funds advanced will be inadequate to cover the estimated cost of the remaining work to be accomplished in any Quarter, he may give a supplemental notice stating therein the amount required for the remainder of the Quarter and the Constructing Agency shall advance such additional amount on or before the date specified in the supplemental notice. Any unencumbered funds at the end of each Quarter shall be credited against the estimated cost for the then succeeding Quarter. Upon notice by the Contracting Officer pursuant to Article 14(d) hereof that construction of the Replacement Dam, the Related Facilities, and the Water Quality Facilities is completed, any unexpended or unobligated funds previously advanced shall be returned by the Contracting Officer to the Constructing Agency. The cost for such work is estimated at $150,000.

PART VI

GENERAL PROVISIONS

(Articles 21-35)

Books, Records, and Reports

21. The Constructing Agency shall establish and maintain accounts and other books and records pertaining to the American Falls Replacement Dam Program as the Contracting Officer may require. Reports thereon shall be furnished to the Contracting Officer in such form and on such date or dates as he may require. Subject to applicable Federal laws and regulations, each party shall have the right during office hours to examine and make copies of each other's books and records relating to matters covered by this Government Contract.

Rules, Regulations, and Determinations

22. (a) The Contracting Officer, after an opportunity has been offered to the Constructing Agency for consultation, shall have the right to make rules and regulations consistent with the provisions of this Government Contract and the laws of the United States, to add to or to modify such rules and regulations as may be deemed proper and necessary to carry out this Government Contract, and to supply necessary details of its administration which are not covered by express provisions hereof. Such rules and regulations shall (i) not limit the right of the Idaho Power Company, pursuant to the provisions of the Falling Water Contract, to utilize for power generation at the Powerplant the water released from the Replacement Dam so long as the Idaho Power Company is not in default thereunder, (ii) not limit the right of any Spaceholder to the stored water pursuant to the provisions of a Spaceholder Contract so long as the Spaceholder is not in default thereunder, or (iii) not limit the right of the Constructing Agency under the laws of the State of Idaho to collect the Falling Water Payments or the Supplemental Falling Water

Payments under the Falling Water Contract or the Spaceholder Bond Payments or the Spaceholder Water Quality Facilities Operation and Maintenance Payments due to the Constructing Agency from the Spaceholders under the Spaceholder Contracts. The Constructing Agency shall observe such rules and regulations.

(b) Where the terms of this Government Contract provide for action to be based upon the opinion or determination of either party hereto, whether or not stated to be conclusive, said terms shall not be construed as permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or determinations. In the event that the Constructing Agency questions any factual determinations made by the Contracting Officer, except for those made under the provisions of Article 12(d) hereof, the findings as to the facts shall be made by the Secretary only after consultation with the Constructing Agency and shall be conclusive upon the parties.

Water and Air Pollution

23. (a) During construction of the American Falls Replacement Dam Program, the Constructing Agency shall, within its legal authority, comply fully with all applicable Federal laws, orders, and regulations, and the laws of the State of Idaho, all as administered by appropriate authorities, concerning the pollution of streams, reservoirs, ground water, or water courses with respect to thermal pollution, dissolved gases or the discharge of refuse, garbage, sewage effluent, industrial waste, oil, mine tailings, mineral salts, or other pollutants, and concerning the pollution of the air.

(b) The United States is under no obligation to operate, maintain, or replace the Water Quality Facilities or to construct or to acquire water treatment facilities in order to maintain or to better the quality of water stored in, released, or downstream from the Replacement Dam as a result of the construction, operation, and maintenance of the Replacement Dam.

No Liability for Water Shortage or Interruptions

24. No liability shall accrue against the United States or any of its officers, agents, or employees for damage direct or indirect, arising by reason of shortages in the quantity of water available through the Existing Dam or the Replacement Dam or interruptions in water releases resulting from drought, inaccuracy in distribution, hostile diversion, prior or superior claims, accident to or failure of the Existing Dam or the Replacement Dam, or the bypassing of water around the Powerplant pursuant to Article 18(d) hereof, whether or not attributable to negligence of officers, agents, or employees of the United States or the Constructing Agency, or other causes of whatsoever kind; nor shall the Constructing Agency's obligations to the United States under this Government Contract be reduced by reason of such shortages or interruptions.

Constructing Agency to Hold the United States Harmless

25. The Constructing Agency shall indemnify and hold harmless the United States, its officers, agents, or employees on account of all damages or claims for damages by whomsoever made and of any nature whatsoever arising out of or in any manner connected with the construction of the Replacement Dam, the Related Facilities, or the Water Quality Facilities. This obligation includes, but is not limited to, any and all damages, including attorney costs, from claims of construction contractors, or subcontractors, of contractors or of firms furnishing materials, equipment supplies, or services, from all claims of the State of Idaho or of the Idaho Power Company; but does not include any claims of Non-Participating Waterusers for damages arising from the execution of this Government Contract.

Changes in Constructing Agency's Organization

26. While this Government Contract is in effect, no change shall be made in the Constructing Agency's organization by exclusion of lands, dissolution, consolidation or merger, except upon the Contracting Officer's written consent.

ASSIGNMENT LIMITED—SUCCESSORS AND ASSIGNS OBLIGATED

27. The provisions of this Government Contract shall apply to and bind the successors and assigns of the parties hereto, but no assignment or transfer of this Government Contract or any part thereof or interest therein by the Constructing Agency shall be valid until approved by the Contracting Officer and by the Trustee but only so long as any of the Bonds are outstanding and unpaid. The assignments to the Trustee of the Falling Water Payments and the Supplemental Falling Water Payments pursuant to the Falling Water Contract and the Spaceholder Bond Payments pursuant to the Spaceholder Contracts shall not be considered such an assignment or transfer.

EQUAL OPPORTUNITY

28. (a) The Constructing Agency hereby agrees to incorporate, or cause to be incorporated, into any contract for construction work, or modification thereof, as defined in the rules and regulations of the Secretary of Labor at 41 CFR, Chapter 60, which is paid for, in whole or in part, with funds obtained from the Federal Government or borrowed on the credit of the Federal Government pursuant to grant, contract, loan, insurance, or guarantee, or undertaken pursuant to any Federal program involving such grant, contract, loan, insurance, or guarantee, the following Equal Opportunity clause:

"EQUAL OPPORTUNITY"

"During the performance of this contract, the contractor agrees as follows:

(1) The contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this Equal Opportunity clause.

(2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(3) The contractor will send to each labor union or representative of workers, with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or workers' representative of the contractor commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(5) The contractor will furnish all information and reports required by said amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the Contracting Officer and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the contractor's noncompliance with the Equal Opportunity clause of this contract or with any of the said rules, regulations, or orders, this contract may be canceled, terminated, or suspended, in whole or in part, and the contractor may be declared

ineligible for further Government contracts or Federally assisted contruction contracts in accordance with procedures authorized in said amended Executive Order and such other sanctions may be imposed and remedies invoked as provided in said Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as provided by law.

(7) The contractor will include this Equal Opportunity clause in every subcontract or purchase order unless exempted by the rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of said amended Executive Order so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the Contracting Officer may direct as a means of enforcing such provisions, including sanctions for noncompliance: *Provided, however,* That in the event a contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the Contracting Officer, the contractor may request the United States to enter into such litigation to protect the interests of the United States."

(b) The Constructing Agency further agrees that it will be bound by the above Equal Opportunity clause with respect to its own employment practices when it participates in Federally assisted construction work.

(c) The Constructing Agency agrees that it will assist and cooperate actively with the Contracting Officer and the Secretary of Labor in obtaining the compliance of contractors and subcontractors with the Equal Opportunity clause and the rules, regulations, and relevant orders of the Secretary of Labor, that it will furnish the Contracting Officer and the Secretary of Labor such information as they may require for the supervision of such compliance, and that it will otherwise assist the Contracting Officer in the discharge of his primary responsibilty for securing compliance.

(d) The Constructing Agency further agrees that it will refrain from entering into any contract or contract modification subject to said amended Executive Order with a contractor debarred from, or who has not demonstrated eligibility for, Government contracts and Federally assisted construction contracts pursuant to said amended Executive Order and will carry out such sanctions and penalties for violation of the Equal Opportunity clause as may be imposed upon contractors and subcontractors by the Contracting Officer or the Secretary of Labor pursuant to Part II, Subpart D, of the Executive Order. In addition, the Constructing Agency agrees that if it fails or refuses to comply with these undertakings the Contracting Officer may refer the case to the Department of Justice for appropriate legal proceedings.

Title VI, Civil Rights Act of 1964

29. (a) The Constructing Agency agrees that it will comply with Title VI of the Civil Rights Act of July 2, 1964 (78 Stat. 241) and all requirements imposed by or pursuant to the Department of the Interior Regulation (43 CFR 17) issued pursuant to that title, to the end that, in accordance with Title VI of that Act and the Regulation, no person in the United States shall, on the grounds of race, color, sex, or national origin be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity for which the Constructing Agency receives financial assistance from the United States and hereby gives assurance that it will immediately take any measures to effectuate this Government Contract.

(b) If any real property or structure thereon is provided or improved with the aid of Federal financial assistance extended to the Constructing Agency by the United States, this assurance obligates the Constructing Agency, or in the case of any transfer of such property, any transferee for the period during which the real property or structure is used for a purpose involving the provision of similar services or benefits. If any personal property is so provided, this assurance obligates the Constructing Agency for the period during which it retains ownership or possession of the property. In all other cases, this assurance obligates the Constructing Agency for the period during which the Federal financial assistance is extended to it by the United States.

(c) This assurance is given in consideration of and for the purpose of obtaining any and all Federal grants, loans, contracts, property, discounts, or other Federal financial assistance extended after the date hereof to the Constructing Agency by the United States, including installment payments after such date on account of arrangements for Federal financial assistance which were approved before such date. The Constructing Agency recognizes and agrees that such Federal financial assistance will be extended in reliance on the representations and agreements made in this assurance, and that the United States shall reserve the right to seek judicial enforcement of this assurance. This assurance is binding on the Constructing Agency, its successors, transferees, and assignees.

Confirmation of Contract

30. The Constructing Agency shall have caused the execution of this Government Contract and the issuance of the Bonds to be approved, to the extent required under Title 43, Idaho Code, as amended, at an election or elections held for such purpose. The Constructing Agency shall, after the holding of such election or elections, have caused appropriate confirmation proceedings to be taken in the proper court of the State of Idaho pursuant to the provisions of Section 43-2204, Idaho Code, as amended, with respect to the execution of this Government Contract and the issuance of the Bonds. The Constructing Agency shall furnish to the Contracting Officer a certified copy of the confirmation decree and of all pertinent supporting records.

Officials Not to Benefit

31. (a) No Member of or Delegate to Congress or Resident Commissioner shall be admitted to any share or part of this Government Contract or to any benefit that may arise herefrom. This restriction shall not be construed to extend to this Government Contract if made with a corporation or company for its general benefit.

(b) No official of the Constructing Agency shall receive any benefit that may arise by reason of this Government Contract other than as a landowner and in the same manner as other landowners.

Contingent on Appropriation or Allotment of Funds

32. The expenditure or advance of any money or the performance of any work by the United States hereunder which may require appropriation of money by the Congress or the allotment of funds shall be contingent upon such appropriation or allotment being made. The failure of the Congress to appropriate funds or the absence of any allotment of funds shall not relieve the Constructing Agency from any obligations under this Government Contract. No liability shall accrue to the United States in case such funds are not appropriated or allotted.

Notices

33. Any notice, demand, or request authorized or required by this Government Contract shall be deemed to have been given when mailed, postage prepaid, or delivered to the Regional Director, Pacific Northwest Region, Bureau of Reclamation, Box 043, 550 West Fort Street, Boise, Idaho 83724, on behalf of the United States and to the Secretary of the Constructing Agency, 1132 Locust Street, Twin Falls, Idaho 83301, on behalf of the Constructing Agency. Notices required by this Government Contract to be given to the Idaho Power Company shall be deemed to have been given when mailed, postage prepaid, or delivered to the President of the Idaho Power Company, 1220 Idaho Street, Boise, Idaho 83701, on behalf of the Idaho Power Company. Notices required by this Government Contract to be given to the Trustee shall be deemed to have been given when mailed, postage prepaid, or delivered to the Corporate Trust Office of the Trustee on behalf of the Trustee. The designation of the addressee or the address may be changed by notice given in the same manner as provided in this Article for other notices.

CONSTRUCTING AGENCY SPACEHOLDER CONTRACT

34. It is recognized that the Constructing Agency is a Spaceholder, and it is agreed and understood between the parties hereto that the Constructing Agency's rights, duties, and obligations as a Spaceholder are governed exclusively by its Spaceholder Contract and not by the terms and conditions of this Government Contract.

SEVERABILITY

35. In the event any provision of this Government Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

IN WITNESS WHEREOF, the parties hereto have signed their names as of the day and year first above written.

UNITED STATES OF AMERICA

By: /s/ RODNEY J. VISSIA
Regional Director

Pacific Northwest Region
Bureau of Reclamation
Box 043—550 West Fort Street
Boise, Idaho 83724

AMERICAN FALLS RESERVOIR DISTRICT

By: /s/ JOHN M. BARKER
President

Attest:

/s/ DIANNE BRIDEGUM (SEAL)
Secretary

STATE OF IDAHO }
COUNTY OF ADA } ss.

On this 31st day of March, in the year 1976, before me, Gary E. Carlen, a Notary Public, personally appeared Rodney J. Vissia, known to me to be the Regional Director, Pacific Northwest Region, Bureau of Reclamation, United States Department of the Interior, that executed the said instrument, and acknowledged to me that the United States of America executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

/s/ GARY E. CARLEN

Notary Public in and for the State of Idaho

Residing at: Boise, Idaho

My commission expires: 5-5-79

(SEAL)

STATE OF IDAHO }
COUNTY OF ADA } ss.

On this 24th day of March, in the year 1976, before me, John A. Rosholt, a Notary Public, personally appeared John M. Barker and Dianne Bridegum, known to me to be, respectively, the President and the Secretary of the American Falls Reservoir District that executed the said instrument, and acknowledged to me that the American Falls Reservoir District executed the same.

IN WITNESS WHEREOF, I set my hand and affix my official seal the day and year first above written.

/s/ JOHN A. ROSHOLT

Notary Public in and for the State of Idaho

Residing at: Twin Falls, Idaho

My commission expires: 1979

(SEAL)

SPACE HOLDERS
HOLDINGS OF SPACE IN AMERICAN FALLS RESERVOIR

Water User	Contract No.	Date	Date of Supplemental Contract	Approximate Acre-Feet	Percent of Active Capacity —Percent to Distribute Construction Costs	Percent to Distribute Annual Replacement Dam Operation and Maintenance Costs	Percent to Distribute Annual Water Quality Operation and Maintenance Costs
UPPER VALLEY ORGANIZATIONS							
Aberdeen-Springfield Canal Company(1)	14-06-W-24	10-22-52	9-26-63	32,572	1.9160	1.8276	1.9680
Andrus, Ray	14-06-100-7771	5-16-73	None	191	0.0112	.0107	.0115
The Blackfoot Irrigating Company	14-06-W-39	12-12-52	2-6-63	12,763	0.7508	.7161	.7712
The Butte and Market Lake Canal Company	14-06-W-38	12-12-52	2-6-63	4,666	0.2745	.2618	.2819
Clement Brothers, a partnership	14-06-100-7446	9-9-72	None	71	0.0042	.0040	.0043
Corbet Slough Ditch Company	14-06-W-12	12-12-52	2-6-63	3,396	0.1998	.1905	.2052
The Enterprize Canal Company, Ltd.	14-06-W-15	12-12-52	2-1-63	8,923	0.5249	.5007	.5392
Enterprise Irrigation District	14-06-100-1912	6-2-60	None	10,188	0.5993	.5716	.6156
Harrison Canal and Irrigation Company	14-06-W-30	12-12-52	2-1-63	12,025	0.7074	.6747	.7266
Michaud Division, Fort Hall Indian Reservation	Memorandum of Agreement	4-25-57	None	47,700	2.8059	2.6764	2.8822
New Sweden Irrigation District	14-06-W-14	12-12-52	2-1-63	25,731	1.5136	1.4438	1.5547
Poplar Irrigation District	14-06-W-45	12-18-52	2-1-63	673	0.0396	.0378	.0407
Progressive Irrigation District	14-06-W-47	12-18-52	1-31-63	12,485	0.7344	.7005	.7544
Rudy Canal Company, Limited	14-06-W-37	12-12-52	2-1-63	2,649	0.1558	.1486	.1601
Snake River Valley Irrigation District	14-06-W-35	12-12-52	2-1-63	26,367	1.5510	1.4795	1.5932
The Trego Ditch Company	14-06-W-23	12-12-52	2-6-63	1,314	0.0773	.0737	.0794
LOWER VALLEY ORGANIZATIONS							
American Falls Reservoir District(2)	14-06-W-59	5-13-54	3-14-60	460,170	27.0688	25.8199	27.8048
American Falls Reservoir District No. 2	14-06-W-73	10-14-54	2-2-60	400,000	23.5294	22.4438	24.1692
Hillsdale Irrigation District	Ilr-252	7-22-23 as amended and supplemented	None	41,146	2.4203	2.3087	2.4862
Milner Low Lift Irrigation District	14-06-W-92	1-7-55	1-21-66	45,687	2.6875	2.5635	2.7605
North Side Canal Company, Limited(1)	14-06-W-28	12-12-52	2-29-60	118,380	6.9635	6.6422	7.1529
A & B Irrigation District	14-06-100-2368	2-9-62	None	47,593	2.7996	2.6704	2.8757
Idaho Power Company	Ilr-733	6-15-23	None	45,000	2.6471	7.1388(3)	None

(1) Also has space through American Falls Reservoir District.

(2) American Falls Reservoir District holds this space for the following:

UPPER VALLEY ORGANIZATIONS	Percent of Capacity	Approximate Acre-Feet
Aberdeen-Springfield Canal Co.	1.3541	23,019
Martin Canal Co.	0.0839	1,426
Woodville Canal Co.	0.3356	5,706
LOWER VALLEY ORGANIZATIONS		
North Side Canal Co., Ltd.	16.4020	278,834
Twin Falls Canal Co.	8.8932	151,185
	27.0688*	460,170

* Erroneously typed as 27.0687 in supplemental contract of 3-14-60.

(3) Computed on the basis of article 17 of the contract of 6-15-23.

EXHIBIT A

NON-PARTICIPATING WATERUSERS

HOLDINGS OF SPACE IN AMERICAN FALLS RESERVOIR

Water User	Contract No.	Date	Date of Supplemental Contract	Approximate Acre-Feet	Percent of Active Capacity —Percent to Distribute Construction Costs	Percent to Distribute Annual Replacement Dam Operation and Maintenance Costs	Percent to Distribute Annual Water Quality Operation and Maintenance Costs
UPPER VALLEY ORGANIZATIONS							
Burgess Canal and Irrigating Company..	14-06-W-41	12-18-52	2-1-63	9,496	0.5586	.5328	.5738
Dilts Irrigation Company, Limited	14-06-W-32	12-12-52	2-6-63	886	0.0521	.0497	.0535
Falls Irrigation District	14-06-100-851	12-9-55	9-15-64	23,300	1.3706	1.3074	1.4079
Idaho Irrigation District	14-06-W-33	12-12-52	2-6-63	22,911	1.3477	1.2855	1.3844
The Lenroot Canal Company	14-06-W-22	12-12-52	2-1-63	3,868	0.2275	.2170	.2337
The Martin Canal Company(1)	14-06-W-36	12-12-52	9-10-73	580	0.0341	.0326	.0350
Peoples Canal & Irrigation Company ...	14-06-W-44	12-18-52	1-31-63	21,415	1.2597	1.2016	1.2940
Reid Canal Company	14-06-W-10	12-12-52	2-6-63	2,549	0.1499	.1430	.1540
Utah-Idaho Sugar Company ..... (Osgood tract)	Ilr-538	6-6-25	(2)	13,459	0.7917	.7552	.8132
The Woodville Canal Company(1)	14-06-W-49	12-18-52	9-10-73	341	0.0200	.0191	.0206
LOWER VALLEY ORGANIZATIONS							
Burley Irrigation District	14-06-W-48	12-18-52	1-25-60	157,942	9.2907	8.8621	9.5433
Minidoka Irrigation District	14-06-100-1833	2-2-60	None	83,563	4.9155	4.6887	5.0491

(1) Also has space through American Falls Reservoir District.

(2) Has contract for 15,852 acre-feet—is entitled to an additional 5,378 acre-feet of which total 7,771 is transferred to Jackson. Contract to accomplish this is in progress.

EXHIBIT B

EXHIBIT A

WATER QUALITY FACILITIES AGREEMENT

Dated as of March 31, 1976

by and between

AMERICAN FALLS RESERVOIR DISTRICT

and

IDAHO POWER COMPANY

WATER QUALITY FACILITIES AGREEMENT
BY AND BETWEEN
AMERICAN FALLS RESERVOIR DISTRICT
AND
IDAHO POWER COMPANY

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WATER QUALITY FACILITIES AGREEMENT
BY AND BETWEEN
AMERICAN FALLS RESERVOIR DISTRICT
AND
IDAHO POWER COMPANY

THIS AGREEMENT made this 31st day of March, 1976, between the AMERICAN FALLS RESERVOIR DISTRICT, an instrumentality of the State of Idaho, with its offices in Twin Falls, Idaho, hereinafter referred to as the Constructing Agency, and the IDAHO POWER COMPANY, a corporation organized under the laws of the State of Maine, authorized to do business in the State of Idaho, with its principal office therein located in Boise, Idaho;

WITNESSETH:

2. WHEREAS, the Government Contract and the Spaceholder Contracts provide that the Constructing Agency shall be responsible for the construction, operation and maintenance of the Water Quality Facilities which will be included in the American Falls Replacement Dam Program; and

3. WHEREAS, as a part of the consideration pursuant to the Falling Water Contract for the utilization for power generation at the Powerplant of the water released from the Replacement Dam the Idaho Power Company has agreed to operate and maintain the Water Quality Facilities for the Constructing Agency and to make certain payments as hereinafter set forth; and

4. WHEREAS, the Constructing Agency and the Idaho Power Company desire to delineate herein their respective obligations for the financing, ownership, construction, operation and maintenance of the Water Quality Facilities; and

5. WHEREAS, this Water Quality Facilities Agreement is the agreement contemplated to be entered into by the Constructing Agency in Article 15(a) of the Government Contract;

NOW, THEREFORE, in consideration of the mutual and dependent stipulations and covenants herein contained, it is agreed by and between the parties hereto as follows:

6. *Definitions.* All terms used herein shall have the same meanings as defined in Article 18 of the Spaceholder Contracts.

7. *Representations of Idaho Power Company.* The Idaho Power Company represents and warrants as follows:

(a) The Idaho Power Company is a corporation duly incorporated under the laws of, and is in good standing in, the State of Maine; is duly qualified to do business as a foreign corporation and is in good standing in the State of Idaho; has power under the laws of Maine and Idaho and its charter and by-laws to enter into this Water Quality Facilities Agreement and by proper corporate action has been duly authorized to execute and deliver this Water Quality Facilities Agreement.

(b) The authority of the Idaho Power Company to enter into this Water Quality Facilities Agreement and to carry out its obligations contemplated hereunder is subject to the obtaining, by the Idaho Power Company, of approvals by any and all state and Federal regulatory agencies having jurisdiction thereof, and the Idaho Power Company covenants that it will use its best efforts to obtain such approvals.

8. *Representations of the Constructing Agency.* The Constructing Agency represents and warrants as follows:

(a) The Constructing Agency is a lawfully organized and existing irrigation district, pursuant to the provisions of Title 43, Idaho Code, as amended by the State Act, and has been such since

June 1, 1923. The Constructing Agency is the "Constructing Agency" which is authorized to finance and provide for the construction of the American Falls Replacement Dam Program pursuant to the provisions of the Act of December 28, 1973, and the provisions of the Government Contract.

(b) The Constructing Agency is authorized to enter into this Water Quality Facilities Agreement for the purpose of accomplishing the construction of a portion of the American Falls Replacement Dam Program pursuant to the provisions of the Act of December 28, 1973, the State Act, the Government Contract and the Spaceholder Contracts.

9. *Responsibility to Construct.* The Constructing Agency shall acquire and construct those Water Quality Facilities which are included in the plans for the American Falls Replacement Dam Program and which are approved by the Secretary as contemplated in the Government Contract. The actual cost of the Water Quality Facilities, determined as provided in Section 8.7 of the Falling Water Contract, shall be paid for by the Idaho Power Company either as a part of the Falling Water Payments or as payments required to be made under paragraph 11 of this Water Quality Facilities Agreement.

10. *Conveyance of Title.* The Constructing Agency shall convey title to the Water Quality Facilities to the United States upon the determination of substantial completion of construction thereof contemplated to be made in Article 14(b) of the Government Contract.

11. *Excess Construction Costs.*

(a) If the actual cost of the Water Quality Facilities, determined in accordance with Section 8.7 of the Falling Water Contract, exceeds the estimated cost of the Water Quality Facilities, determined in accordance with Section 8.3 of the Falling Water Contract, the Idaho Power Company shall, on each April 1 following the filing of the actual cost of the Water Quality Facilities with the Idaho Power Company, pay to the Constructing Agency, on behalf of the Spaceholders, for deposit in the Water Quality Facilities Operation and Maintenance Fund hereinafter established, an amount of money which will amortize over the same period and at the same interest rate in the case of (1) and (2) below as the Series 1976 Bonds and in the case of (3) below as the Additional Bonds, as follows:

(1) If Additional Bonds are not issued and the estimated cost of the American Falls Replacement Dam Program is less than or equal to $38,000,000, the amount by which the actual cost of the Water Quality Facilities exceeds the estimated cost of the Water Quality Facilities;

(2) If Additional Bonds are not issued and the estimated cost of the American Falls Replacement Dam Program is more than $38,000,000, an amount equal to one-half the amount by which the actual cost of the Water Quality Facilities exceeds the estimated cost of the Water Quality Facilities; or

(3) If one or more series of Additional Bonds are issued pursuant to either Section 9.10 or 9.11 of the Falling Water Contract, the amount by which the increase in the actual over the estimated cost of the Water Quality Facilities exceeds the amount of the Additional Bonds.

(b) All payments by Idaho Power Company made under this paragraph 11 for deposit into the Water Quality Facilities Operation and Maintenance Fund hereinafter established shall inure to the benefit of the Spaceholders excluding Idaho Power Company as herein provided.

12. *Obligation to Operate and Maintain.* The Idaho Power Company shall operate and maintain the Water Quality Facilities for the Constructing Agency in accordance with this Water Quality Facilities Agreement. In the event that the Contracting Officer, pursuant to Article 18(d) of the Government Contract, determines that the water being released from the Replacement Dam through the Powerplant does not meet the amended State of Idaho water quality dissolved oxygen standard, as approved April 17, 1975, by the United States Environmental Protection Agency, after oral notice to the Idaho Power Com-

pany's American Falls Powerplant Chief Operator, the Contracting Officer may bypass part or all of such water around the Powerplant until satisfactory arrangements are made to meet such standard. As soon as practicable after substantial completion of the construction of the Water Quality Facilities, and from time to time thereafter in accordance with actual operating experience, the Constructing Agency, the Idaho Power Company, and the Contracting Officer shall develop, establish and maintain criteria for when the Water Quality Facilities shall be operated, or in lieu thereof water shall be bypassed. Such criteria shall include, among other things, rules and regulations which will provide for placement, reading, and operation of monitoring equipment, for communication among operating personnel, and other details of the operation and maintenance of the Water Quality Facilities not specifically set forth herein. From time to time as such criteria are developed and established, they shall be reduced to writing and copies filed with the Authorized Representatives and the Contracting Officer.

The Idaho Power Company shall also comply with Article 46 of the License, including the maintenance and filing of the records required thereunder.

13. *Financial Responsibility for Operation and Maintenance Costs.*

(a) Under the Spaceholder Contracts, the Spaceholders, excluding Idaho Power Company, are obligated to pay their proportionate share of 50% of the annual cost of operation and maintenance of the Water Quality Facilities, but not to exceed $62,500 per year. The annual cost of operation and maintenance shall consist of charges for the purchase of oxygen, replacement power, labor and other direct operation and maintenance items. The Spaceholders' obligation to participate in the payment of the annual operation and maintenance cost of the Water Quality Facilities shall terminate upon the retirement of the Bonds, or 40 years from the date of execution of the Falling Water Contract, whichever is later. The Idaho Power Company shall be responsible for the balance of the annual cost of operation and maintenance of the Water Quality Facilities not paid by the Spaceholders hereunder.

(b) All Spaceholders, including Idaho Power Company, shall pay their proportionate share of all annual costs incurred in the audit of the Water Quality Facilities Operation and Maintenance Fund or other incidental costs incurred by the Constructing Agency in the administration of such fund.

(c) Costs for replacement power shall be included as a part of the annual cost of operation and maintenance for the purposes of this paragraph when the estimated projected cost therefor is determined to be less than the estimated projected cost of the injection of oxygen on a projected annual basis. The Authorized Representatives shall make such determinations from time to time and such determinations shall be binding upon the Spaceholders and the Idaho Power Company.

14. *Cost Sharing if Additional Water Quality Facilities are Constructed.* If the Boards of Directors of Spaceholders representing 66⅔% of the total active capacity of the Replacement Dam shall agree by supplement to this Water Quality Facilities Agreement to the construction or acquisition by Idaho Power Company of additional Water Quality Facilities for the purpose of reducing the annual Spaceholder Water Quality Facilities Operation and Maintenance Payments, one-half of the capital cost of such additional Water Quality Facilities shall be repaid to Idaho Power Company by the Spaceholders in the same manner as set out in paragraph 16 hereof and as specified in said supplement; PROVIDED that the total annual obligation of Spaceholders other than Idaho Power Company for Spaceholder Water Quality Facilities Operation and Maintenance Payments and the capital costs of such additional Water Quality Facilities shall not exceed a total of $62,500 a year. If the total amount of the capital cost of such additional Water Quality Facilities has not been paid in full at the time of the termination of the obligation of Spaceholders to make Spaceholder Water Quality Facilities Operation and Maintenance Payments, the Spaceholders will be under no further obligation to repay Idaho Power Company for any then unpaid portion of the capital cost of such additional Water Quality Facilities.

15. *Establishment of Water Quality Facilities Operation and Maintenance Fund.* All Spaceholder Water Quality Facilities Operation and Maintenance Payments collected by the Constructing

Agency under the Spaceholder Contracts shall be placed by the Constructing Agency in a separate account to be known as the "Water Quality Facilities Operation and Maintenance Fund," which is to be held and used in accordance with the provisions of this Water Quality Facilities Agreement. The Constructing Agency shall cause an annual audit of the Water Quality Facilities Operation and Maintenance Fund to be made and a copy of each annual audit shall be transmitted to each Spaceholder. The bank holding the Water Qualities Facilities Operation and Maintenance Fund shall verify payment by the Constructing Agency of its Spaceholder Water Quality Facilities Operation and Maintenance Payment and shall notify the Contracting Officer in writing of failure to receive any such payment when due.

16. *Administration of Water Quality Facilities Operation and Maintenance Fund.* The Constructing Agency shall annually bill and collect in advance the Spaceholders Water Quality Facilities Operation and Maintenance Payments from each Spaceholder, except Idaho Power Company, in accordance with Article 28 of the Spaceholder Contracts. All Spaceholder Water Quality Facilities Operation and Maintenance Payments as collected shall be deposited into the Water Quality Facilities Operation and Maintenance Fund. As costs for Water Quality Facilities operation and maintenance are incurred in each twelve month period beginning on April 1 of each year, such costs shall be paid by the Idaho Power Company, monthly statements itemizing such costs shall be sent to the Constructing Agency and the Constructing Agency shall pay, from the monies on deposit in the Water Quality Facilities Operation and Maintenance Fund, one-half of each such statement until the Spaceholders' maximum annual obligation of $62,500 (exclusive of the cost of the audit plus any administrative costs) has been paid. In any year in which the annual Water Quality Facilities operation and maintenance costs are less than the Spaceholders' maximum annual obligation of $62,500, any surplus amount shall be retained in the Water Quality Facilities Operation and Maintenance Fund and such surplus, plus any interest thereon, shall be retained for credit against Spaceholder billings in future years. In the event that such Water Quality Facilities Operation and Maintenance Fund shall ever have a balance of $125,000, or more, no billings shall thereafter be made against any Spaceholder until the balance in the Water Quality Facilities Operation and Maintenance Fund shall have been reduced to $62,500 or less. Any amounts accumulated in the Water Quality Facilities Operation and Maintenance Fund on March 31 of each year in excess of $125,000 shall be returned to the Spaceholders, excluding Idaho Power Company, in accordance with their respective interests. At the termination of the obligation of the Spaceholders to participate in the payment of the annual operation and maintenance costs as provided in paragraph 13 (a) of this Water Quality Facilities Agreement any amounts remaining in the Water Quality Facilities Operation and Maintenance Fund shall be returned to the Spaceholders, excluding the Idaho Power Company, in accordance with their respective interests.

The Constructing Agency shall not bill Non-Participating Waterusers or Spaceholders for the operation and maintenance costs of the Water Quality Facilities which are assignable to the space of Non-Participating Waterusers and shall maintain accountings of such amounts that are assignable to the space of Non-Participating Waterusers until a permanent disposition of the water accruing to the space of a Non-Participating Wateruser has been made as provided in the Government Contract.

17. *Amendment, Supplements, Termination or Assignment.* This Water Quality Facilities Agreement may not be amended, supplemented, terminated or assigned, without the written consent of the Board of Directors of Spaceholders representing ownership of 66⅔% of the total active storage capacity in the Replacement Dam, after 30 days written notice has been given to all Spaceholders, nor shall this Water Quality Facilities Agreement be amended, supplemented, terminated or assigned without the approval of the Secretary.

18. *Spaceholders Third Party Beneficiaries.* The Spaceholders are hereby deemed third party beneficiaries of this Water Quality Facilities Agreement only to the extent of enforcing such duties and obligations specifically set forth in paragraphs 9 through 20 hereof.

19. *Term.* This Water Quality Facilities Agreement shall remain in effect during the term of the License, or any continuation or renewal thereof.

20. *Execution in Counterparts.* This Water Quality Facilities Agreement may be executed in several counterparts, each of which shall be an original, and all such shall constitute and be one and the same instrument.

IN WITNESS WHEREOF, the Constructing Agency and the Idaho Power Company have caused this Water Quality Facilities Agreement to be executed in their respective names and their respective seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

AMERICAN FALLS RESERVOIR DISTRICT

By: /s/ JOHN M. BARKER
President

Attest:

/s/ DIANNE BRIDEGUM
Secretary

(SEAL)

IDAHO POWER COMPANY

By: /s/ JAMES E. BRUCE
President

Attest:

/s/ PAUL L. JAUREGUI
Secretary

(SEAL)

APPROVED this 31st day of March, 1976

UNITED STATES SECRETARY OF THE INTERIOR

By: /s/ RODNEY J. VISSIA
Regional Director

Pacific Northwest Region
Bureau of Reclamation
Box 043—550 West Fort Street
Boise, Idaho 83724

STATE OF IDAHO }
COUNTY OF ADA } ss.

On this 24th day of March, in the year 1976, before me, John A. Rosholt, a Notary Public, personally appeared John M. Barker and Dianne Bridegum, known to me to be, respectively, the President and the Secretary of the American Falls Reservoir District that executed the said instrument, and acknowledged to me that the American Falls Reservoir District executed the same.

IN WITNESS WHEREOF, I set my hand and affix my official seal the day and year first above written.

/s/ JOHN A. ROSHOLT

Notary Public in and for the State of Idaho

Residing at: Twin Falls, Idaho

My commission expires: 1979

(SEAL)

STATE OF IDAHO }
COUNTY OF ADA } ss.

On this 24th day of March, in the year 1976, before me, Mary L. Morton, a Notary Public, personally appeared James E. Bruce and Paul L. Jauregui, known to me to be the President and Secretary of the corporation that executed the said instrument on behalf of said corporation, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I set my hand and affix my official seal the day and year first above written.

/s/ MARY L. MORTON

Notary Public in and for the State of Idaho

Residing at: Boise, Idaho

My commission expires: 4-1-76

(SEAL)

EXHIBIT C

SPACEHOLDER CONTRACT
AMONG
THE UNITED STATES,
THE AMERICAN FALLS RESERVOIR DISTRICT,
AND

FOR STORAGE IN THE
AMERICAN FALLS REPLACEMENT DAM
AND FOR
CONSTRUCTION AND OPERATION
AND MAINTENANCE OF THE
AMERICAN FALLS REPLACEMENT DAM PROGRAM

Dated as of March , 1976

Contract No.

SPACEHOLDER CONTRACT AMONG THE UNITED STATES, THE AMERICAN FALLS RESERVOIR DISTRICT, AND

FOR STORAGE IN THE AMERICAN FALLS REPLACEMENT DAM AND FOR CONSTRUCTION AND OPERATION AND MAINTENANCE OF THE AMERICAN FALLS REPLACEMENT DAM PROGRAM

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Contract No.

SPACEHOLDER CONTRACT AMONG THE UNITED STATES, THE AMERICAN FALLS RESERVOIR DISTRICT, AND

FOR STORAGE IN THE AMERICAN FALLS REPLACEMENT DAM AND FOR CONSTRUCTION AND OPERATION AND MAINTENANCE OF THE AMERICAN FALLS REPLACEMENT DAM PROGRAM

THIS SPACEHOLDER CONTRACT, made this day of March, 1976, among the UNITED STATES OF AMERICA, hereinafter referred to as the "United States", acting through the Regional Director, Pacific Northwest Region, Bureau of Reclamation, upon authorization of the Secretary of the Interior and pursuant to Section 3 of the Act of Congress approved December 28, 1973 (87 Stat. 904), the AMERICAN FALLS RESERVOIR DISTRICT, an instrumentality of the State of Idaho, with its offices in Twin Falls, Idaho, hereinafter referred to as the "Constructing Agency"; and , a , hereinafter called "Spaceholder";

WITNESSETH THAT:

EXPLANATORY RECITALS

2. WHEREAS, the United States has constructed the Existing Dam of the Minidoka Project pursuant to the Federal Reclamation Laws primarily for the furnishing of water for irrigation purposes and, due to alkali-aggregate reactions in the concrete portions of the Existing Dam, the United States is operating the Existing Dam at less than full active capacity; and

3. WHEREAS, continued operation at less than full active capacity could result in irrigation water shortages to some 900,000 acres of land which obtain a water supply from the Existing Dam; and

4. WHEREAS, the active capacity in the Existing Dam is held by Waterusers which desire that the Existing Dam be replaced at the earliest possible time; and

5. WHEREAS, the United States and the Spaceholder are parties to that certain contract hereinafter referred to as the "Existing Spaceholder Contract" dated , symbol and No. , as amended by contract dated , wherein the Spaceholder is entitled to stored water accruing to (%) of the active water storage capacity of the Existing Dam; and

6. WHEREAS, the Constructing Agency pursuant to the Act of December 28, 1973, desires to undertake the replacement of the Existing Dam on behalf of all the Spaceholders by financing and constructing the American Falls Replacement Dam Program and to issue Bonds to finance all or part of the costs thereof pursuant to the provisions of Chapter 22, Title 43, Idaho Code, as amended, and upon substantial completion thereof to transfer title to the Replacement Dam to the United States to be operated and maintained primarily for the furnishing of water for irrigation purposes as a feature of the Minidoka Project; and

7. WHEREAS, the Waterusers have advanced monies, and the Construction Agency has employed engineers, and done those things necessary in the preparation of plans, designs and specifications, in order to begin work on the American Falls Replacement Dam Program; and

8. WHEREAS, pursuant to the provisions of the Act of December 28, 1973, the United States has entered into a contract of even date herewith with the Constructing Agency ("Government Contract") which Government Contract authorizes the Constructing Agency to finance and provide for the construction of the American Falls Replacement Dam Program; and

9. WHEREAS, the Idaho Power Company heretofore proposed to pay an amount necessary to amortize at a tax exempt interest rate in 40 approximately equal annual installments, $19,550,000 of the costs of financing and constructing the American Falls Replacement Dam Program and subsequently further agreed to increase such amount by the cost of the Water Quality Facilities, and if necessary by approxi-

mately 50% of the costs of financing and constructing the American Falls Replacement Dam Program in excess of $38,000,000; and

10. WHEREAS, the Constructing Agency pursuant to the Act of December 28, 1973, entered into a Falling Water Contract of even date herewith with the Idaho Power Company to utilize for power generation at the Powerplant the water released from the Replacement Dam (which utilization shall be subordinate to the furnishing of water for irrigation purposes) in consideration for the Falling Water Payments in order to pay part of the costs of financing and constructing the American Falls Replacement Dam Program and the Federal Power Commission has granted to the Idaho Power Company a License to construct, operate, and maintain the Powerplant attached to the Replacement Dam for such purpose; and

11. WHEREAS, the United States is responsible for the construction of specific facilities for public recreation and fish and wildlife enhancement in accordance with Section 7 of the Act of December 28, 1973; and

12. WHEREAS, the Constructing Agency and the Idaho Power Company have entered into the Water Quality Facilities Agreement of even date herewith attached hereto as *Exhibit A* providing for the construction, operation, and maintenance of the Water Quality Facilities; and

13. WHEREAS, Section 3 of the Act of December 28, 1973, provides in part that the Secretary and the Constructing Agency may enter into contracts with the Waterusers for the repayment of their proportionate share of the costs incurred by the Constructing Agency for engineering, financing, designing and constructing the replacement of the Existing Dam and that the delivery of water to the Waterusers shall be contingent upon the execution of Spaceholder Contracts and the fulfillment of the obligations thereunder; and

14. WHEREAS, the Constructing Agency is responsible under the Government Contract and the Falling Water Contract for the preparation of the plans for the American Falls Replacement Dam Program in order to accomplish the replacement of the Existing Dam as contemplated in Section 3 of the Act of December 28, 1973; and

15. WHEREAS, an appropriate number of the Waterusers satisfactory to the Secretary and the Constructing Agency have entered into Spaceholder Contracts of even date herewith to pay their proportionate share of the cost of the American Falls Replacement Dam Program; and

16. WHEREAS, the Spaceholder desires to repay its proportionate share of the costs of financing and constructing the American Falls Replacement Dam Program and has, as required by law, authorized the execution hereof; and

17. WHEREAS, the Spaceholder will pay its proportionate share of operation and maintenance costs associated with the Replacement Dam, the Related Facilities, and the Water Quality Facilities;

NOW, THEREFORE, in consideration of the mutual and dependent stipulations and covenants herein contained, it is agreed by and among the parties hereto as follows:

PART I

DEFINITIONS AND TERM
(Articles 18-19)

DEFINITIONS

18. The following terms, whenever used in this Spaceholder Contract, shall have the following respective meanings:

"Act of December 28, 1973" shall mean the Act of Congress approved December 28, 1973 (87 Stat. 904).

"Additional Bonds" shall mean any additional parity Bonds authorized to be issued by the Constructing Agency pursuant to the terms and conditions of Section 207 of the Indenture.

"Advisory Committee" shall mean the committee presently designated in the Existing Spaceholder Contract as the "Committee of Nine", or its successors.

"American Falls Replacement Dam Program" shall mean the program to be undertaken by the Constructing Agency consisting of the Replacement Dam including the two-lane highway on the crest of the Replacement Dam, the two-lane highway bridge located immediately downstream from the Replacement Dam, the Related Facilities, the Recreation and Fish and Wildlife Mitigation Facilities, and the Water Quality Facilities to be accomplished pursuant to the Act of December 28, 1973, and under the authority of Section 43-2201(A), Idaho Code, which provides for the reconstruction, rehabilitation, replacement, and improvement of dams and other related structures and works together with all necessary appurtenances related thereto.

"Authorized Company Representative" shall mean the person at the time designated to act in behalf of the Idaho Power Company by written certificate furnished to the Contracting Officer, the Constructing Agency and the Trustee, containing the specimen signature of such person, and signed on behalf of the Idaho Power Company by its President or any Vice President thereof. Such certificate shall designate an alternate or alternates. The Authorized Company Representative may be an employee of the Idaho Power Company.

"Authorized Constructing Agency Representative" shall mean the person at the time designated to act in behalf of the Constructing Agency by written certificate furnished to the Contracting Officer, the Idaho Power Company and the Trustee, containing the specimen signature of such person, and signed on behalf of the Constructing Agency by the President of the Board, or the Vice President thereof. Such certificate shall designate an alternate or alternates. The Authorized Constructing Agency Representative may be an employee of the Constructing Agency.

"Authorized Representatives" shall mean collectively the Authorized Company Representative, the Authorized Constructing Agency Representative, and the Authorized Spaceholder Representative.

"Authorized Spaceholder Representative" shall mean the person at the time designated to act in behalf of the Spaceholders, pursuant to the provisions of Article 46 hereof, by written certificate furnished to the Contracting Officer, the Constructing Agency, the Idaho Power Company, and the Trustee, containing the specimen signature of such person, and signed on behalf of the Spaceholders by the Chairman of the meeting of the Spaceholders at which such representative is designated. Such certificate shall designate an alternate or alternates. The Authorized Spaceholder Representative may be an employee of a Spaceholder.

"Bond Fund" shall mean the Bond Fund created in Section 502 of the Indenture for the purpose of paying principal of and interest on the Bonds.

"Bonds" shall mean bonds issued, and to be issued, by the Constructing Agency under authority contained in the State Act, pursuant to the Indenture to pay the costs of the American Falls Replacement Dam Program.

"Constructing Agency" shall mean the American Falls Reservoir District, an instrumentality of the State of Idaho, being an irrigation district organized and existing under the provisions of Title 43, Idaho Code, as amended, and its successors and assigns.

"Construction Fund" shall mean the construction fund created by Section 602 of the Indenture for the purpose of paying the cost of financing and constructing the American Falls Replacement Dam Program.

"Construction Work Schedule" shall mean a schedule showing each item of major construction activity of the American Falls Replacement Dam Program including detailed coordination arrange-

ments for the construction of the Powerplant with the construction of the Replacement Dam, and the time period within which each item is proposed to be started and concluded.

"Contracting Officer" shall mean the Regional Director, Pacific Northwest Region, Bureau of Reclamation, or his duly authorized representative.

"Cost of Construction" shall mean all or part of the total cost of the engineering, financing, designing and constructing of the American Falls Replacement Dam Program, and all expenses preliminary and incidental thereto, including all engineering, fiscal, and legal expenses, and costs of issuance, printing and advertising, as authorized in the Act of December 28, 1973 and the State Act and for which funds may be disbursed from the Construction Fund pursuant to Article 20 (c) hereof.

"Defaulted Spaceholder(s)" shall mean the Spaceholders determined to be in default in all or any part of the Spaceholder Payments required to be made under a Spaceholder Contract, in accordance with the provisions of Article 29 (a) hereof.

"Existing Dam" shall mean the American Falls Dam and Reservoir owned by the United States located on the Snake River in southern Idaho adjacent to the City of American Falls, Idaho.

"Existing Spaceholder Contract" shall mean that certain contract dated , symbol and No. , as amended by contract dated , between the United States and the Spaceholder.

"Falling Water Contract" shall mean the contract of even date herewith entitled "Falling Water Contract by and between American Falls Reservoir District and Idaho Power Company", as the same may be supplemented or amended.

"Falling Water Payments" shall mean the principal amount, plus applicable interest, to be paid to the Constructing Agency in 40 approximately equal annual installments by the Idaho Power Company pursuant to the Falling Water Contract as a part of the consideration for the utilization for power generation at the Powerplant of the water released from the Replacement Dam.

"Government Contract" shall mean the contract of even date herewith entitled "Contract between the United States of America and the American Falls Reservoir District for the Construction and Operation and Maintenance of the American Falls Replacement Dam Program" as the same may be supplemented or amended.

"Idaho Power Company" shall mean the Idaho Power Company, a Maine corporation authorized to do business in the State of Idaho, and its permitted successors and assigns.

"Indenture" shall mean the Indenture of Trust to be entered into between the Constructing Agency and the Trustee in connection with the issuance of the Bonds (including any indenture supplemental thereto).

"Interim Notes" shall mean interim notes of the Constructing Agency issued, and to be issued, under authority contained in the State Act, for the purpose of borrowing funds on a temporary basis in advance of the issuance of the Series 1976 Bonds.

"License" shall mean the license for Project No. 2736 issued by the Federal Power Commission on March 31, 1975, and expiring on March 31, 2025, and any continuation or renewal thereof, authorizing the Idaho Power Company to construct, operate, and maintain the Powerplant.

"Minidoka Project" shall mean the Minidoka Reclamation Project of the United States, located on the Snake River in the States of Idaho and Wyoming.

"Non-Participating Wateruser(s)" shall mean the Waterusers which have not executed Spaceholder Contracts. The initial Non-Participating Waterusers are set forth in *Exhibit B* to the Govern-

ment Contract. Upon the execution of a Spaceholder Contract by a Non-Participating Wateruser, such Non-Participating Wateruser shall be deemed to be a Spaceholder.

"Plan of Operation" shall mean a schedule of the storage and release of water from the Existing Dam and the Replacement Dam during the construction of the Replacement Dam.

"Powerplant" shall mean the hydroelectric generating facility, attached to the Replacement Dam, to be constructed, operated, and maintained by the Idaho Power Company in accordance with the License.

"Recreation and Fish and Wildlife Mitigation Facilities" shall mean the facilities to be included in the American Falls Replacement Dam Program pursuant to that certain agreement between the Constructing Agency and the Idaho Fish and Game Department dated July 2, 1974, to mitigate the anticipated loss of existing recreational and fish and wildlife resources.

"Related Facilities" shall mean the facilities included in the American Falls Replacement Dam Program which are required by the United States as part of the construction of the Replacement Dam and which are to be transferred to the United States to operate and maintain, consisting of the warehouse, shop, offices, scenic overlook including health and safety facilities, hydrologic and meteorologic data collection facilities.

"Replacement Dam" shall mean the new dam, including the reservoir, to be constructed by the Constructing Agency on the Snake River in southern Idaho adjacent to the City of American Falls, Idaho, to replace the Existing Dam.

"Schedule of Spaceholder Bond Payments" shall mean that schedule supplied to the Spaceholder, pursuant to the provisions of Section 9.8 of the Falling Water Contract, showing the annual sums to be paid to the Trustee for deposit into the Bond Fund under the Indenture.

"Secretary" shall mean the Secretary of the Interior.

"Series 1976 Bonds" shall mean the initial series of Bonds to be issued by the Constructing Agency under the State Act for the purpose of paying all or part of the Cost of Construction of the American Falls Replacement Dam Program pursuant to the terms and conditions of Section 202 of the Indenture.

"Spaceholder" shall mean , a .

"Spaceholder(s)" shall mean the Waterusers which have executed Spaceholder Contracts, together with their successors and assigns. The initial Spaceholders are set forth in Exhibit A to the Government Contract.

"Spaceholder Bond Payments" shall mean the payments obligated to be made by the Spaceholders to the Constructing Agency pursuant to the Spaceholder Contracts to pay the Spaceholders' portion of the principal of and interest on the Bonds and which are assigned to the Trustee.

"Spaceholder Contract" shall mean this contract entered into among the United States, the Constructing Agency, and the Spaceholder for storage in the Replacement Dam and the payment of construction, operation, and maintenance costs of the American Falls Replacement Dam Program as the same may be supplemented or amended.

"Spaceholder Contracts" shall mean the contracts of even date herewith entered into among the United States, the Constructing Agency, and the Spaceholders for storage in the Replacement Dam and the payment of construction, operation, and maintenance costs of the American Falls Replacement Dam Program, as the same may be supplemented or amended.

"Spaceholder Payments" shall mean collectively the payments to be made by the Spaceholder pursuant hereto as follows:

1. Spaceholder Bond Payments.
2. Spaceholder Replacement Dam Operation and Maintenance Payments.
3. Spaceholder Water Quality Facilities Operation and Maintenance Payments.
4. The fees, charges and expenses of Trustee and any paying agent bank.

"Spaceholder Replacement Dam Operation and Maintenance Payments" shall mean the payments obligated to be made hereunder by the Spaceholder to the United States to pay the annual costs of operation and maintenance of the Replacement Dam and the Related Facilities and to return the unpaid costs of the Existing Dam as set forth in Article 28 (c) hereof.

"Spaceholder Water Quality Facilities Operation and Maintenance Payments" shall mean the payments obligated to be made by the Spaceholder to the Constructing Agency in accordance with paragraph 13 of the Water Quality Facilities Agreement.

"State Act" shall mean Chapter 22, Title 43, Idaho Code, as enacted by Chapter 1, Session Laws of Idaho, 1974, as amended by Chapter 48, Session Laws of Idaho, 1975.

"Supplemental Falling Water Payments" shall mean the supplemental amounts agreed to be paid to the Constructing Agency by the Idaho Power Company pursuant to the Falling Water Contract representing the obligations of Defaulted Spaceholders or of Non-Participating Waterusers, or both.

"Trustee" shall mean the bank, Trustee or bank co-trustee, or either, at the time serving as such under the Indenture.

"Water Quality Facilities" shall mean facilities included in the American Falls Replacement Dam Program for the purpose of meeting the amended State of Idaho water quality dissolved oxygen standard, as approved on April 17, 1975, by the United States Environmental Protection Agency, for water released from the Replacement Dam through the Powerplant, including necessary monitoring equipment to be installed immediately downstream from the tailrace of the Powerplant to measure the dissolved oxygen in the water.

"Water Quality Facilities Agreement" shall mean the agreement of even date herewith between the Constructing Agency and the Idaho Power Company providing for the construction, operation, and maintenance of the Water Quality Facilities, as the same may be supplemented or amended.

"Wateruser(s)" shall mean the organizations and individuals which have heretofore contracted for storage space in the Existing Dam.

Purpose and Term

19. (a) This Spaceholder Contract is entered into in accordance with Section 3 of the Act of December 28, 1973, to provide for repayment by the Spaceholder of its proportionate share of the total costs incurred by the Constructing Agency for engineering, financing, designing, and constructing the replacement of the Existing Dam by financing and constructing the American Falls Replacement Dam Program. Nothing herein shall in any way alter or change the present proportionate storage rights of the Spaceholder, and this Spaceholder Contract and the American Falls Replacement Dam Program constitute a reaffirmation by the United States of the rights of the Spaceholder under the Existing Spaceholder Contract, except as modified by this Spaceholder Contract as authorized in the Act of December 28, 1973, and in the Government Contract. The provisions of the Existing Spaceholder Contract shall in all respects remain in full force and effect except that the provisions of this Spaceholder Contract with respect to the Replacement Dam, including but not limited to the operation and maintenance thereof and the distribution

of water therefrom, shall prevail over the provisions of the Existing Spaceholder Contract wherever and to whatever extent the provisions of the Existing Spaceholder Contract are in conflict with the provisions of this Spaceholder Contract. The provisions of the Existing Spaceholder Contract which have application to any other reserved works of the Minidoka Project shall, in all respects, continue in effect and shall continue to apply to any other reserved works of the Minidoka Project.

(b) After execution by the Constructing Agency and Spaceholder, this Spaceholder Contract shall become effective upon execution by the Contracting Officer and shall remain in effect unless terminated as provided in Articles 19 (c) or 29 hereof.

(c) If the Government Contract is terminated as provided in Article 9(b) or 9(c) thereof, this Spaceholder Contract shall be deemed terminated and of no further force and effect. In the event of the termination of the Government Contract pursuant to Article 9(c) thereof, the Spaceholder's relationship with the United States, as it relates to the Existing Dam, shall be governed by the terms and conditions of the Existing Spaceholder Contract, except that the Spaceholder shall be obligated to pay its proportionate share of the costs expended or incurred by the Constructing Agency for the engineering, financing, designing, and planning of the construction of the American Falls Replacement Dam Program.

PART II

AMERICAN FALLS REPLACEMENT DAM PROGRAM AND SPACEHOLDER STORAGE CAPACITY

(Articles 20-21)

American Falls Replacement Dam Program

20. (a) The American Falls Reservoir District is the "Constructing Agency" contemplated in Section 1 of the Act of December 28, 1973, and in the Government Contract which is authorized to finance and construct the American Falls Replacement Dam Program in order to replace the Existing Dam.

(b) The Constructing Agency has entered into the Government Contract under authority contained in the Act of December 28, 1973, and will issue its Bonds under authority contained in the State Act and pursuant to the Indenture to finance and construct the American Falls Replacement Dam Program. Pursuant to the provisions of Article 10(a) of the Government Contract, the Constructing Agency is responsible for the preparation of the plans for the American Falls Replacement Dam Program. Such plans for the Replacement Dam shall be substantially in accordance with the construction plans for the Replacement Dam contemplated at the Engineering Review Session in San Francisco, California, on October 8 and 9, 1974, and shall provide, among other things, for the following:

(1) The construction of a Replacement Dam having:

(i) a reservoir with an active capacity of 1,700,000 acre-feet;

(ii) a spillway, outlet works, and power penstocks capable of passing an approved design flood without exceeding a maximum water surface elevation of 4354.5 feet above mean sea level U.S.C.&G.S. datum;

(iii) a two-lane highway on the crest of the Replacement Dam adequate to meet the then current United States Department of Transportation Standards for Federal-Aid Secondary Highway Two-Lane Traffic;

(iv) appropriate controls of spillway, intake, and sluiceway gates for operation of the Replacement Dam in the event of an emergency at the Powerplant; and

(v) sufficient portions of the Existing Dam removed to permit evacuation of the total active capacity of the Replacement Dam at a satisfactory rate to permit full utilization of the storable water.

(2) The construction of the Related Facilities.

(3) The construction, operation, and maintenance of the Water Quality Facilities.

(4) The construction, operation, and maintenance of the Recreation and Fish and Wildlife Mitigation Facilities.

(5) Provision for the relocation or replacement of the residence occupied by the Falls Irrigation District's personnel. The plan for the construction of the Replacement Dam and the Powerplant shall be such as not to interfere with the Falls Irrigation District pumping plant, nor destroy the Old Island Powerplant unless first approved by the Contracting Officer.

(6) A proposed Construction Work Schedule and a proposed Plan of Operation.

(7) Provision for power intake structures, power penstocks, and attachment facilities to the penstocks of the Powerplant with a precise boundary line between the Replacement Dam and the Powerplant.

(8) The two-lane highway bridge located immediately downstream from the Replacement Dam adequate to meet the then current United States Department of Transportation Standards for Federal-Aid Secondary Highway Two-lane Traffic, pursuant to the agreement dated November 23, 1973, between the United States and the State of Idaho, and the agreement dated November 27, 1974, between the Constructing Agency and the State of Idaho, and which two-lane highway bridge shall be utilized to satisfy the requirements of Section 2(c) of the Act of December 28, 1973.

(c) The Cost of Construction of the American Falls Replacement Dam Program shall consist of:

(A) payment of principal of and interest on outstanding Interim Notes, if any, issued by the Constructing Agency pursuant to the authority contained in the State Act, and

(B) payments made under Section 602 of the Indenture for:

(1) payment of the initial or acceptance fee of the Trustee;

(2) payment to the Constructing Agency, Waterusers, or Idaho Power Company, as the case may be, of such amounts, if any, as shall be necessary to reimburse the Constructing Agency, Waterusers, or the Idaho Power Company in full for advances and payments made or costs incurred by them or any of them, prior to or after the execution of the Falling Water Contract, for expenditures in connection with the construction of the American Falls Replacement Dam Program, including, but not limited to preparation of the Plans, Designs and Specifications (as defined in the Falling Water Contract) and review thereof by the Contracting Officer;

(3) all costs representing interest on advancements made in connection with the construction of the American Falls Replacement Dam Program prior to the sale of the Series 1976 Bonds;

(4) payments to the Contracting Officer for costs incurred in reviewing the Plans, Designs, Specifications and for costs incurred pursuant to Article 20(a) of the Government Contract in reviewing the construction of the American Falls Replacement Dam Program; costs for the obtaining of any insurance policy or policies by the Constructing Agency during the construction period; and costs related to the obtaining of all real and personal properties deemed necessary in connection with the construction of the American Falls Replacement Dam Program by the Constructing Agency, or any one or more of said expenditures;

(5) payment for labor, services, materials and supplies used or furnished in site improvement and in the construction of the American Falls Replacement Dam Program, all as provided in the Plans, Designs and Specifications, payment for the cost of the construction, acquisition and installation of utility services or other facilities, and all real and personal

property deemed necessary in connection with the construction of the American Falls Replacement Dam Program and payment for the miscellaneous expenses incidental to any thereof, including the premium on any surety bond;

(6) payment of sums due to the State of Idaho pursuant to that certain agreement dated November 27, 1974, between the Constructing Agency and the State of Idaho providing for the two-lane highway on the crest of the Replacement Dam and the two-lane highway bridge located immediately downstream from the Replacement Dam;

(7) payment of the sums contemplated in Sections 1 and 3 of that certain agreement dated July 2, 1974, between the Constructing Agency and the Idaho Fish and Game Department with respect to the Recreation and Fish and Wildlife Mitigation Facilities;

(8) payment of audit fees and expenses for maintenance of records required to be kept hereunder, and of the fees, if any, for architectural, engineering and supervisory services with respect to the construction of the American Falls Replacement Dam Program;

(9) compensation to be paid to the Authorized Constructing Agency Representative and the Authorized Spaceholder Representative in connection with the performance of their duties and the reimbursement of their expenses incurred in connection with such duties;

(10) payment of expenses incurred in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under a contract relating to the construction of the American Falls Replacement Dam Program;

(11) payment of costs of issuance of the Bonds, and Interim Notes, any necessary litigation and confirmation proceedings, and the obtaining of all necessary permits and rulings;

(12) payment of the legal, accounting and underwriting fees and expenses and printing and engraving costs, including fees of rating agencies, incurred in connection with the authorization, sale and issuance of the Bonds and Interim Notes, the preparation of the Falling Water Contract, the Government Contract, the Spaceholder Contracts, the Water Quality Facilities Agreement, and the Indenture;

(13) payments required to be made pursuant to Article 17(g) of the Government Contract; and

(14) payment of any other costs and expenses relating to the construction of the American Falls Replacement Dam Program which would constitute a cost or expense for which moneys in the Construction Fund may be used under the Act of December 28, 1973, the State Act and the Indenture, including fees and expenses of the Trustee during the construction period.

(d) The Constructing Agency has entered into the Falling Water Contract with Idaho Power Company in accordance with Section 4 of the Act of December 28, 1973, and has entered into Spaceholder Contracts with an appropriate number of the Waterusers satisfactory to the Secretary in accordance with Section 3 of the Act of December 28, 1973, in order to finance the construction of the American Falls Replacement Dam Program. The Constructing Agency will use its best efforts to authorize, pursuant to the provisions of the State Act as then in force, and issue the Bonds in an amount which shall be sufficient to pay the Cost of Construction of the American Falls Replacement Dam Program not prepaid by the Spaceholders and when issued such Bonds shall be payable solely from a special fund into which the Constructing Agency will be obligated to deposit the Spaceholder Bond Payments made by the Spaceholder pursuant to the provisions of the State Act representing its respective proportionate share of the Cost of Construction and allocated to the Spaceholder by the Constructing Agency pursuant to the requirements of the State Act if the Spaceholder does not exercise its right to prepay its obligation hereunder as provided in Article 23 hereof. The Constructing Agency covenants and agrees with the Contracting Officer and the Spaceholder that all Falling Water Payments and Supplemental Falling Water Payments received from the Idaho Power Company pursuant to the Falling Water Contract and all

Spaceholder Bond Payments received from the Spaceholders pursuant to the Spaceholder Contracts will be assigned to the Trustee for deposit into the Bond Fund created in the Indenture for the purpose of paying principal of, premium, if any, and interest on the Bonds.

Storage Capacity to be Made Available to Spaceholder

21. (a) The United States will continue to operate and maintain the Existing Dam during the construction of the Replacement Dam and upon substantial completion of such construction will operate and maintain the Replacement Dam.

(b) The United States will continue to make available to the Spaceholder stored water accruing to % of the active capacity of the Replacement Dam unless the Spaceholder is in default under the terms and conditions of the Existing Spaceholder Contract or this Spaceholder Contract.

(c) The Spaceholder acknowledges that the proposed Plan of Operation provides for the evacuation of stored water from the Existing Dam and the passing of inflow in lieu of storing. The Spaceholder has heretofore advised the Constructing Agency and the Contracting Officer that such operation is acceptable to the Spaceholder.

PART III

SPACEHOLDER COST OBLIGATIONS, PREPAYMENT, AND SPACEHOLDER PAYMENTS

(Articles 22-27)

Spaceholder Cost Obligation

22. In consideration of the preservation, restoration, protection, and maintenance of the rights of storage, diversion and delivery of water from the Replacement Dam resulting from the construction of the American Falls Replacement Dam Program by the Constructing Agency, the Spaceholder, pursuant to the provisions of Section 3 of the Act of December 28, 1973, shall pay its proportionate share of the total cost of engineering, financing, designing, and constructing the American Falls Replacement Dam Program as set forth in Article 20(c) hereof and which is assigned to the Spaceholder by the Constructing Agency pursuant to the State Act, either by prepayment as permitted under Article 23 hereof or by electing to make Spaceholder Bond Payments as permitted under Article 24 hereof.

Pursuant to the State Act, the Constructing Agency has authorized the issuance of $44,750,000 principal amount of Bonds to pay the Cost of Construction of the American Falls Replacement Dam Program. In accordance with the provisions of Section 8.3 of the Falling Water Contract, the Authorized Representatives will, after receipt of construction bids, prepare an estimate of such cost. If such construction bids are accepted, the Constructing Agency will issue an initial series of the Bonds in an amount sufficient to pay the estimated costs. Additional Bonds for completion purposes will be issued by the Constructing Agency, if necessary, to pay the total costs which are over the estimated costs, either by selling the balance of the authorized but as yet unissued Bonds or by authorizing an additional issue of Bonds in accordance with the applicable provisions of the State Act as then in force. The obligation of the Spaceholder to pay its proportionate share of the total cost of the American Falls Replacement Dam Program is set forth in this Part III.

Prepayment

23. (a) The Spaceholder shall have the option, until 10 days from and after the Constructing Agency shall give notice to the Spaceholder of the expiration of the prepayment period, to prepay the principal amount of $, without interest, to the Constructing Agency for deposit by the Constructing Agency into the Prepayment Fund to be established by the Constructing Agency and to be used by the Constructing Agency solely for the purpose of paying the proportionate share of the Spaceholder

of the total Cost of Construction of the American Falls Replacement Dam Program. If the Constructing Agency does not issue its Series 1976 Bonds, the Constructing Agency shall cause the prepayment to be returned to the Spaceholder, without interest. In accordance with the provisions of Section 8.3 of the Falling Water Contract, after the final estimated cost of the American Falls Replacement Dam Program has been determined and the amount of the Series 1976 Bonds to be initially issued has been determined, the Constructing Agency on or prior to the delivery of the Series 1976 Bonds, shall transfer from the Prepayment Fund into the Construction Fund that portion of the Spaceholder's prepayment so deposited into the Prepayment Fund as is shown on the schedule of the obligation of the Spaceholder to be filed with the Spaceholder in accordance with the provisions of Section 8.3 of the Falling Water Contract. If Additional Bonds are issued pursuant to the provisions of Section 9.10 of the Falling Water Contract, the Constructing Agency, on or prior to the delivery of such Additional Bonds, shall transfer from the Prepayment Fund to the Construction Fund that portion of the Spaceholder's prepayment shown on the schedule contemplated to be filed with the Spaceholder in accordance with the provisions of Section 8.6 of the Falling Water Contract.

(b) At such time as the Secretary shall have given notice in accordance with Article 14(d) of the Government Contract that the construction of the Replacement Dam, the Related Facilities and the Water Quality Facilities has been completed, and the Authorized Representatives shall have determined the total costs of the American Falls Replacement Dam Program as provided in Section 7.10 of the Falling Water Contract and filed with the Trustee the certificate contemplated in Section 603 of the Indenture, the Constructing Agency shall cause the Trustee to return to the Spaceholder that portion, if any, of the prepayment made by the Spaceholder under Article 23(a) hereof which remains in the Construction Fund and which was not utilized by the Constructing Agency for the purposes of paying the cost of the American Falls Replacement Dam Program. The Constructing Agency shall return to the Spaceholder that portion, if any, of the prepayment made by the Spaceholder under Article 23(a) hereof which remains in the Prepayment Fund and which was not utilized by the Constructing Agency for the purpose of paying the cost of the American Falls Replacement Dam Program.

(c) All prepayments collected by the Constructing Agency under Article 23(a) of this Spaceholder Contract shall be placed in a separate account to be known as the "Prepayment Fund" by the Constructing Agency, to be held and used in accordance with the provisions of the Spaceholder Contracts and the Falling Water Contract. The Prepayment Fund shall be established in The Idaho First National Bank, Twin Falls, Idaho, and the Authorized Representatives shall cause an annual audit of the Prepayment Fund to be made and a copy of each such annual audit to be supplied upon request to each Spaceholder which prepaid its obligation pursuant to the provisions of Article 23(a) hereof.

Spaceholder Bond Payments

24. (a) If the Spaceholder does not make the prepayment within the time and in the manner as permitted under Article 23(a) hereof, it shall be deemed that the Spaceholder has elected to pay the principal amount of its proportionate share of the total Cost of Construction of the American Falls Replacement Dam Program, plus applicable interest, in 40 approximately equal annual installments to be shown on the Schedule of Spaceholder Bond Payments to be furnished to the Spaceholder by the Authorized Representatives in accordance with the provisions of Section 9.8 of the Falling Water Contract or as such Schedule of Spaceholder Bond Payments may be revised in the event that Additional Bonds are issued by the Constructing Agency pursuant to either Section 9.10 or Section 9.11 of the Falling Water Contract. Unless sooner terminated as provided in Article 19(c) hereof, and subject only to the issuance by the Constructing Agency of its Bonds, the Spaceholder shall pay the Spaceholder Bond Payments on April 1 of each of the years as shown on the Schedule of Spaceholder Bond Payments to be filed with the Spaceholder directly to the Trustee for the account of the Constructing Agency, in lawful money of the United States, at the Trustee's address shown in the Indenture, or at such other place as the Trustee from time to time shall designate. The Spaceholder shall pay to the Trustee annually at the same time as it pays the Spaceholder Bond Payments that portion of the yearly fees,

charges and expenses of the Trustee and any paying agent bank contemplated in Section 1002 of the Indenture, not paid from funds in the Bond Fund and as are assigned to the Spaceholder by the Authorized Representatives.

(b) Any amounts remaining in the Bond Fund after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the fees, charges and expenses of the Trustee and paying agents in accordance with the Indenture and all other amounts required to be paid under the Spaceholder Contracts, the Falling Water Contract and this Indenture, shall be paid to the Constructing Agency in accordance with Section 14.9 of the Falling Water Contract. Such amounts shall be distributed to the Spaceholders which did not prepay in accordance with their respective interests.

ARBITRAGE

25. (a) The Constructing Agency and the Spaceholder hereto covenant and represent to each other that:

(1) On the basis of their own knowledge, and on examination of the reports and cost projections in connection with the construction of the American Falls Replacement Dam Program:

(i) All of the principal proceeds of the Bonds are needed for the purpose of paying the Cost of Construction of the American Falls Replacement Dam Program, including expenses preliminary and incidental thereto and to the issuance of the Bonds.

(ii) At least 85% of the expendable proceeds of the Bonds, including investment proceeds, will be expended for the Cost of Construction of the American Falls Replacement Dam Program on or before three years following the date of issue of the Bonds.

(iii) The Constructing Agency, prior to the issuance of the Bonds, will have incurred substantial binding obligations equal to at least 2½% of the total Cost of Construction of the American Falls Replacement Dam Program.

(iv) Work on the construction of the American Falls Replacement Dam Program is expected to proceed with due diligence to completion.

(v) Except as required pursuant to the provisions of the Act of December 28, 1973, the American Falls Replacement Dam Program is not expected to be sold or otherwise disposed of, in whole or in part, prior to the maturity of the Bonds.

(vi) Accrued interest received upon the sale of the Bonds is to be applied to the first interest due thereon.

(2) On the basis of the foregoing certifications and representations, it is not expected by either the Constructing Agency or the Spaceholder that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be classified as an "arbitrage bond" under Section 103(d) of the Internal Revenue Code of 1954, as amended, and the regulations promulgated under that section; that to the best knowledge and belief of the Constructing Agency and the Spaceholder, there are no facts or circumstances that would materially change the foregoing conclusion.

(b) The Constructing Agency and the Spaceholder jointly and severally covenant that so long as any of the Bonds shall remain outstanding and any provision in this Spaceholder Contract or the Indenture to the contrary notwithstanding with respect to an investment of monies, whether such monies were derived from the proceeds of the Bonds, or from any other source, no use will be made of such monies which, if such use could have been reasonably expected on the date of the issue of the Bonds, would have caused the Bonds to be classified as an "arbitrage bond" within the meaning of Section 103(d)

of the Internal Revenue Code of 1954, as amended, and further jointly and severally covenant to comply with the requirements of said Section 103(d) and any regulations promulgated thereunder.

Refunding Bonds

26. In the event that it is mutually agreed among the Constructing Agency, the Idaho Power Company, and the Spaceholders obligated to make Spaceholder Bond Payments that an attempt should be made to authorize the issuance of Bonds by the Constructing Agency for the purpose of refunding all of the outstanding Bonds in accordance with the State Act (Sections 43-2202 and 43-2203, Idaho Code), as then in force, the Idaho Power Company and the Spaceholders obligated to make Spaceholder Bond Payments shall share the costs of such refunding effort, whether successful or unsuccessful, in direct proportion to their respective obligations to pay the annual principal and interest falling due on the Bonds to be refunded.

Additional Bonds

27. (a) If it is determined necessary for the Constructing Agency to issue all or part of the balance of any authorized but as then unissued Bonds, the Constructing Agency will, to the extent then legally permitted, issue and sell a series of Additional Bonds as permitted under Section 207 of the Indenture for completion purposes and the Schedule of Spaceholder Bond Payments shall be increased in accordance with the provisions of Section 9.8 and Section 9.10 of the Falling Water Contract.

(b) If the amount of the Bonds which has been initially authorized, together with any prepayments, is not sufficient to complete the payment of the total cost of the American Falls Replacement Dam Program, the Constructing Agency will, to the extent then legally permitted, issue and sell a series of Additional Bonds in excess of the initial authorization as permitted under Section 207 of the Indenture for completion purposes. In recognition of the Spaceholder's obligation under the Act of December 28, 1973, to pay its proportionate share of the total cost of the American Falls Replacement Dam Program not paid pursuant to the Falling Water Contract, the Spaceholder shall cause supplements to the Spaceholder Contract to be executed with the Contracting Officer and the Constructing Agency and may elect to prepay or to make additional Spaceholder Bond Payments. The Schedule of Spaceholder Bond Payments shall be increased in accordance with the provisions of Section 9.11 of the Falling Water Contract for all Spaceholders which do not prepay.

(c) No such Additional Bonds shall be issued unless the Constructing Agency shall receive a written opinion by an attorney or firm of attorneys of recognized standing on the subject of municipal bonds to the effect that the exemption from Federal income tax of interest on the Series 1976 Bonds and any series of Additional Bonds theretofore issued will not be affected by the issuance of such series of Additional Bonds then being issued.

(d) If the Constructing Agency shall issue a series of Additional Bonds, pursuant to the provisions of Section 207 of the Indenture, as contemplated in Sections 9.10 and 9.11 of the Falling Water Contract, for the purpose of paying the costs of completing the construction of the American Falls Replacement Dam Program not paid from the proceeds of the Series 1976 Bonds, and the Constructing Agency thereafter levies additional assessments and enters into supplementary Spaceholder Contracts with the Spaceholders increasing the amount of Spaceholder Bond Payments obligated to be made to the Constructing Agency by the Spaceholders for the purpose of repaying the Cost of Construction of the American Falls Replacement Dam Program, the Idaho Power Company shall be obligated to make Supplemental Falling Water Payments representing the obligations of the Spaceholder for the increased amounts if there is a default by the Spaceholder in the payments of such increased amounts attributable to such Additional Bonds for completion purposes and shall be entitled to the use of stored water of the Defaulted Spaceholder all in accordance with the provisions of Section 3.4 of the Falling Water Contract.

PART IV

OPERATION AND MAINTENANCE

(Article 28)

28. (a) Upon substantial completion of construction of the Replacement Dam and the Related Facilities, the United States will operate and maintain the Replacement Dam and the Related Facilities as a part of the Minidoka Project for the beneficial use of the water on the land within the service areas of the Spaceholders pursuant to Section 8 of the Reclamation Act of June 17, 1902 (32 Stat. 388).

(b) Commencing with the year the first Spaceholder Bond Payments are due, the Spaceholder Replacement Dam Operation and Maintenance Payments shall be paid by the Spaceholder to the United States and shall be (%) of the total cost of operation and maintenance of the Existing Dam during the construction of the Replacement Dam and of the Replacement Dam and the Related Facilities not paid by the Idaho Power Company pursuant to Section 10.6 of the Falling Water Contract. Such costs shall be determined in accordance with the applicable provisions of the Existing Spaceholder Contract and shall continue to be due and payable to the United States on or before April 1 of each calendar year under procedures established therein, except that the operation and maintenance charge notice shall be furnished to the Spaceholder on or before February 20 of the calendar year for which the notice is issued.

(c) The United States has allocated for return from power revenues $293,978.17 of the costs of constructing the Existing Dam which amount has been excluded from the existing repayment obligations of the Spaceholders. The Spaceholder shall pay its proportionate share of the annual amount necessary to return this sum in 40 years to the United States, such share to be in accordance with the percentage in Article 21(b) hereof. The annual payments will be made as part of the Spaceholder Replacement Dam Operation and Maintenance Payments, unless the Secretary is authorized to find that this obligation need not be assumed by the Spaceholders.

(d) Pursuant to Article 15(b) of the Government Contract, the United States shall continue an annual program for the correction and prevention of erosion related to the Replacement Dam or for the full and adequate compensation of adjacent landowners, including owners of land subject to a flowage easement for the Replacement Dam, if such erosion cannot be corrected or prevented. The costs thereof shall be billed to the Spaceholder as a part of the Spaceholder Replacement Dam Operation and Maintenance Payments as provided in (c) of Article 15 of the Government Contract.

(e) The Replacement Dam will be operated by the United States pursuant to the operating criteria set forth in Article 16 of the Government Contract in a manner so that (1) the present proportionate storage rights of the Spaceholders shall not be altered or changed except as provided in the Government Contract and in the Spaceholder Contracts, (2) the water surface elevation of the Replacement Dam shall not exceed a maximum of 4,354.5 feet above mean sea level U.S.C.&G.S. datum, and (3) the primary irrigation purpose and the incidental purposes of the Minidoka Project shall not be impaired by the subordinate utilization for power generation at the Powerplant of the water released from the Replacement Dam. The United States is not obligated to operate the Replacement Dam in a manner to have water in the Replacement Dam at elevations for power generation or to operate to increase the head in the Replacement Dam for power generation.

(f) (1) The Water Quality Facilities are included as a part of the American Falls Replacement Dam Program and pursuant to Article 15(a) of the Government Contract the Constructing Agency is responsible for the operation and maintenance of the Water Quality Facilities. The Constructing Agency has provided for the operation and maintenance of the Water Quality Facilities in the Water Quality Facilities Agreement attached hereto as Exhibit A, to the provisions of which the Spaceholder consents and agrees as if the Water Quality Facilities Agreement were set forth in full herein and made a part hereof.

(2) The Spaceholder shall pay on or before April 1 of each calendar year, the Spaceholder Water Quality Facilities Operation and Maintenance Payments to the Constructing Agency, at its office or at such other place from time to time designated by the Constructing Agency, on the basis of annual billings by the Constructing Agency submitted to the Spaceholder on or before February 20 commencing with the year in which it is anticipated that the Water Quality Facilities will become operational. The Spaceholder Water Quality Facilities Operation and Maintenance Payments shall consist of: (i) (%) of the obligation of the Spaceholders, excluding Idaho Power Company, to pay the costs of operation and maintenance of the Water Quality Facilities under Paragraph 13 of the Water Quality Facilities Agreement; and (ii) (%) of the obligation of the Spaceholders, including Idaho Power Company, to pay the cost of the audit and other incidental costs incurred in the administration of the Water Quality Facilities Operation and Maintenance Fund under Paragraph 13 of the Water Quality Facilities Agreement.

(3) The Constructing Agency shall not bill Non-Participating Waterusers or Spaceholders for the operation and maintenance costs of the Water Quality Facilities which are assignable to the space of Non-Participating Waterusers and shall maintain accountings of such amounts that are assignable to the space of Non-Participating Waterusers until a permanent disposition of the water accruing to the space of a Non-Participating Wateruser has been made as provided in the Government Contract.

PART V

DEFAULT AND REMEDIES

(Articles 29-31)

DEFAULT

29. (a) Failure by the Spaceholder to make all or any part of any Spaceholder Payment required to be made pursuant to the provisions of Articles 24 and 28 hereof at the times and places specified in this Spaceholder Contract and (i) continuation of said failure for a period of 5 days after notice by telegram or, in the alternative, after notice by mail given to the Spaceholder by the Constructing Agency, or the Trustee on behalf of the Constructing Agency, or the Contracting Officer that the payment referred to in such notice has not been received, or (ii) continuation of said failure for a period of 12 days, shall constitute a default under the provisions of this Spaceholder Contract. Notice of any such default shall be given to, or as the case may be, by the Contracting Officer, the Constructing Agency and the Trustee, and to the Idaho Power Company and to the Spaceholder within 7 days after such default has occurred. Inasmuch as the delivery of water from the Replacement Dam to the Spaceholder is contingent upon the continued fulfillment of its obligations under this Spaceholder Contract, upon receipt of such notice of default or upon failure to receive in full any Spaceholder Replacement Dam Operation and Maintenance Payment, the Contracting Officer shall withhold the delivery of the water to the Spaceholder from the Existing Dam or from the Replacement Dam accruing to the space of the Spaceholder, for the year in which such default occurs and until such time as the Contracting Officer determines that the default has been cured as provided in (c) of this Article.

(b) If the Spaceholder is deemed to be a Defaulted Spaceholder, the Contracting Officer shall make the water accruing to the space of the Defaulted Spaceholder available for use in the year in which the default occurs: first, for irrigation water use by other Spaceholders not in default; second, for irrigation water use by a person or entity which is not a Spaceholder; and third, for use by the Contracting Officer. In no event shall such water be made available for use by a Defaulted Spaceholder or a Non-Participating Wateruser in such year. Charges for such use shall be at least sufficient to pay the Spaceholder Payments, or any portion thereof, including interest and penalties, due on behalf of the Spaceholder. If the Contracting Officer does not arrange for the use of such space as provided herein on or before May 15 of such year, such space will be made available by the Contracting Officer to the Idaho Power Company for power generation subject to the provisions of Article 18(b) of the Government Contract, in return for the payment by the Idaho Power Company of Supplemental Falling Water

Payments pursuant to the Falling Water Contract in order to prevent a default in the payment of the principal of and interest on the Bonds of the Constructing Agency and in order to pay the balance of the Spaceholder Payments then due.

(c) At any time on or before the April 1 next succeeding any default under (a) of this Article, the Defaulted Spaceholder may cure the default by paying to the Contracting Officer: (i) the amount of the Spaceholder Bond Payment which is in default, plus a penalty consisting of 1% per month; (ii) the amount of the Spaceholder Replacement Dam Operation and Maintenance Payment which is in default, plus a penalty consisting of 1% per month; and (iii) the amount of the Spaceholder Water Quality Facilities Operation and Maintenance Payment which is in default, plus a penalty consisting of 1% per month. Thereafter, so long as the Spaceholder is not in default hereunder, the Spaceholder shall be entitled to the use of the water from the Existing Dam or from the Replacement Dam accruing to the space of the Spaceholder in years subsequent to the year in which the default occurred.

(d) Any monies received by the Contracting Officer pursuant to (b) or (c) of this Article in excess of those required to meet all or any part of the Spaceholder Payments including interest and penalties which is in default and which is due on behalf of the Defaulted Spaceholder under the provisions of this Spaceholder Contract or to reimburse the Idaho Power Company for Supplemental Falling Water Payments, including interest, shall be applied by the Contracting Officer toward future operation and maintenance costs of the Spaceholders on the Replacement Dam and the Related Facilities.

(e) The Contracting Officer shall give notice to the Spaceholder on or before December 31 of the year in which a default hereunder has occurred and is continuing, that if the Spaceholder remains in default hereunder and does not cure the default on or prior to the next succeeding April 1 as provided in (c) of this Article, this Spaceholder Contract shall, on April 2, be terminated and the United States will no longer make available to the Defaulted Spaceholder the stored water described in Article 21(b) hereof. If the default is not cured by the Defaulted Spaceholder within the time specified in the foregoing notice, this Spaceholder Contract shall be terminated as provided in such notice, and the Spaceholder thereafter shall have no right, title or interest in, to or with respect to storage capacity in the Existing Dam or the Replacement Dam, but if at the time of such termination the Idaho Power Company shall then be in default in the payment of Falling Water Payments or Supplemental Falling Water Payments under the Falling Water Contract, the Spaceholder shall remain liable as provided in Article 30 hereof.

Remedies on Default

30. Whenever a default referred to in Article 29 hereof shall have happened and be subsisting, but only if the Idaho Power Company shall then be in default in the payment of Falling Water Payments or Supplemental Falling Water Payments under the Falling Water Contract and if this Spaceholder Contract has not theretofore been terminated as provided in Article 29 hereof:

(a) The Constructing Agency, or the Trustee on behalf of the Constructing Agency, or the Contracting Officer, may take any one or more of the following remedial actions in addition to those provided in Article 29 hereof.

(1) In the event of the termination of this Spaceholder Contract as provided in Article 29(e) hereof, the Constructing Agency or the Trustee, as provided in the Indenture, or the Contracting Officer, shall forthwith, notwithstanding any other provision of this Spaceholder Contract to the contrary, be entitled to recover in accordance with their respective interests from the Defaulted Spaceholder, as and for liquidated damages (in lieu of all other claims for damages on account of such termination) and not as a penalty, an amount equal to the unpaid amount of the Spaceholder Replacement Dam Operation and Maintenance Payment, an amount equal to the unpaid amount of the Spaceholder Water Quality Facilities Operation and Maintenance Payment and an amount equal to that portion of the unpaid principal amount of the Bonds then outstanding as defined in the Indenture which would be required to be paid by the Spaceholder under the provisions of Article 24 hereof.

(2) The Spaceholder agrees that, in addition to its other obligations under this Spaceholder Contract, upon demand it will pay to the Trustee, the Constructing Agency and the Contracting Officer all expenses incurred in connection with any suspension of the use of water and any grant of the suspended rights to another person, and that the Spaceholder will be and remain liable to make all Spaceholder Payments, when due, required to be made by the Spaceholder hereunder, without regard to any such suspension and as if any suspended rights exercised by another person were exercised by the Spaceholder. The Constructing Agency, or the Trustee acting on behalf of the Constructing Agency, or the Contracting Officer, shall have the right from time to time to begin and maintain successive proceedings against the Spaceholder for the recovery of damages or for a sum equal to all or any part of any Spaceholder Payments and any other payments required to be made by the Spaceholder pursuant to this Spaceholder Contract, and to recover the same upon the liability of the Spaceholder herein provided.

(3) Any amounts collected pursuant to action taken under this Article shall be paid into the Bond Fund and must be applied in accordance with the provisions of the Indenture, except that any amounts remaining after all payments required to be made under the Indenture have been made may be applied by the Constructing Agency to payment of the operation and maintenance expenses of the Water Quality Facilities and by the Contracting Officer to the operation and maintenance of the Replacement Dam.

(b) No suspension of any or all of the Spaceholder's rights to the use of the water from the Replacement Dam accruing to the space of the Spaceholder shall be construed as an election on the part of the Constructing Agency, the Trustee, or the Contracting Officer to terminate the Spaceholder's interest in, to and under this Spaceholder Contract unless a notice of intention be given to the Spaceholder or such termination be decreed at the instance of the Constructing Agency, the Trustee or the Contracting Officer by a court of competent jurisdiction.

NO REMEDY EXCLUSIVE

31. (a) No right or remedy herein conferred upon or reserved to the Constructing Agency, or to the Trustee on behalf of the Constructing Agency, or the Contracting Officer, is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder, or now or hereafter legally existing, upon the occurrence of a default hereunder. The failure of the Constructing Agency, or the Trustee on behalf of the Constructing Agency, or the Contracting Officer, to insist at any time upon the strict observance or performance by the Spaceholder of any of the provisions of this Spaceholder Contract, or to exercise any right or remedy provided for in this Spaceholder Contract, shall not impair any such right or remedy nor be construed as a waiver or relinquishment thereof for the future. Receipt by the Trustee, on behalf of the Constructing Agency, of any Spaceholder Bond Payment, receipt by the Contracting Officer of any Spaceholder Replacement Dam Operation and Maintenance Payment, or receipt by the Constructing Agency of any Spaceholder Water Quality Facilities Operation and Maintenance Payment, with knowledge of the breach of any provisions of this Spaceholder Contract, shall not be deemed a waiver of such breach. In addition to all other remedies provided in this Spaceholder Contract, the Constructing Agency or the Trustee on behalf of the Constructing Agency, or the Contracting Officer, shall be entitled, to the extent permitted by applicable law, to injunctive relief in case of the violation, or attempted or threatened violation, of any of the provisions of this Spaceholder Contract, or to a decree concerning performance of any of the provisions of this Spaceholder Contract, or to any other remedy legally allowed to the Constructing Agency, or to the Trustee on behalf of the Constructing Agency, or to the Contracting Officer.

(b) The Constructing Agency, or the Trustee on behalf of the Constructing Agency, or the Contracting Officer, may take whatever action at law or in equity may appear necessary or desirable to collect all or any part of the Spaceholder Payments payable by Spaceholder hereunder, then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Spaceholder under this Spaceholder Contract.

(c) If any proceeding shall be brought for the enforcement of any right or remedy provided for in this Spaceholder Contract in which it shall be determined that a default hereunder has occurred and was continuing at the time of commencement thereof, the Spaceholder shall pay to the Constructing Agency, or to the Trustee on behalf of the Constructing Agency, all expenses incurred in connection therewith including, without limitation, reasonable attorneys' fees and expenses.

(d) At any time the Trustee on behalf of the Constructing Agency or the holders of the Bonds, is entitled to enforce any of the rights or remedies provided for in this Spaceholder Contract, it may proceed either in its own name and as Trustee of an express trust or otherwise to protect and enforce its rights and those of the Constructing Agency under this Spaceholder Contract, whether or not the Constructing Agency shall have complied with any of the provisions hereof or proceeded to take any action authorized or permitted under applicable law. Such rights and remedies as are given the Constructing Agency hereunder shall also extend to the Trustee, and the Trustee and the holders of the Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

(e) Any waiver by a party of its rights with respect to a default under this Spaceholder Contract, or with respect to any other matter arising in connection with this Spaceholder Contract, shall not be deemed to be a waiver with respect to any other matter arising in connection with this Spaceholder Contract. No delay in asserting or enforcing any rights by the Contracting Officer, Constructing Agency, or the Trustee hereunder shall be deemed a waiver of such rights.

PART VI

GENERAL PROVISIONS

(Articles 32-51)

Books, Records, and Reports

32. The Spaceholder shall establish and maintain accounts and other books and records pertaining to its financial transactions, land use and crop census, water supply, water use, changes of project works, and to other matters as the Contracting Officer may require. Reports thereon shall be furnished to the United States in such form and on such date or dates as the Contracting Officer may require. Subject to applicable Federal laws and regulations, each party shall have the right during office hours to examine and make copies of each other's books and records relating to matters covered by this Spaceholder Contract.

Rules, Regulations, and Determinations

33. (a) The Contracting Officer, after an opportunity has been offered to the Constructing Agency and Spaceholder for consultation, shall have the right to make rules and regulations consistent with the provisions of the Government Contract and this Spaceholder Contract and the laws of the United States, to add to or to modify such rules and regulations as may be deemed proper and necessary to carry out this Spaceholder Contract, and to supply necessary details of its administration which are not covered by express provisions of this Spaceholder Contract. Such rules and regulations shall (1) not limit the right of the Spaceholder to the stored water pursuant to the provisions of this Spaceholder Contract so long as the Spaceholder is not in default hereunder, and (2) not limit the right of the Constructing Agency under the laws of the State of Idaho to collect the Falling Water Payments or the Supplemental Falling Water Payments under the Falling Water Contract or the Spaceholder Bond Payments and the Spaceholder Water Quality Facilities Operation and Maintenance Payments under this Spaceholder Contract. The Spaceholder and the Constructing Agency shall observe such rules and regulations.

(b) Where the terms of this Spaceholder Contract provide for action to be based upon the opinion or determination of any party to this Spaceholder Contract, whether or not stated to be conclusive, said terms shall not be construed as permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or determinations. In the event that the Constructing Agency or Spaceholder

questions any factual determinations made by the Contracting Officer, the findings as to the facts shall be made by the Secretary only after consultation with the Constructing Agency and Spaceholder and shall be conclusive upon the parties.

Water and Air Pollution

34. The Spaceholder shall, within its legal authority, comply fully with all applicable Federal laws, orders, and regulations, and the laws of the State of Idaho, all as administered by appropriate authorities, concerning the pollution of streams, reservoirs, groundwater, or water courses with respect to thermal pollution, dissolved gases or the discharge of refuse, garbage, sewage effluent, industrial waste, oil, mine tailings, mineral salts or other pollutants, and concerning the pollution of the air. The United States is under no obligation to operate, maintain, or replace the Water Quality Facilities or to construct or to acquire water treatment facilities in order to maintain or to better the quality of the water stored in, released, or downstream from the Replacement Dam as a result of the construction, operation, and maintenance of the Replacement Dam.

No Liability for Water Shortage or Interruptions

35. No liability shall accrue against the United States or any of its officers, agents, or employees or the Constructing Agency for damage, direct or indirect, arising by reason of shortages in the quantity of water available through the Existing Dam or the Replacement Dam or interruptions in water releases resulting from drought, inaccuracy in distribution, hostile diversion, prior or superior claims, accident to or failure of the Existing Dam or the Replacement Dam, or the bypassing of water around the Powerplant pursuant to Article 18(d) of the Government Contract, whether or not attributable to negligence of officers, agents, or employees of the United States or of the Constructing Agency, or other causes of whatsoever kind; nor shall the obligations of the Spaceholder to the United States or to the Constructing Agency under this Spaceholder Contract be reduced by reason of such shortages or interruptions.

Changes in Organization of Spaceholder

36. While this Spaceholder Contract is in effect, no change shall be made in the organization of the Spaceholder by exclusion of lands, dissolution, consolidation or merger, except upon the Contracting Officer's written consent.

Levies and Assessments by the Spaceholder; All Benefits Conditioned Upon Payment

37. (a) The Spaceholder shall cause to be levied and collected all necessary assessments and charges and will use all the authority and resources of the Spaceholder (including, without limitation by reason of this enumeration, its taxing power, the power to create liens in connection with its taxing power, and the power to withhold delivery of water), to meet the obligations of the Spaceholder under the Existing Spaceholder Contract and this Spaceholder Contract.

(b) The Spaceholder shall make each year a reasonable estimate of probable delinquencies in collections based on past experience, and shall levy assessments, tolls, or other charges sufficiently large against the lands in the area under its jurisdiction to meet the requirements of the Existing Spaceholder Contract and this Spaceholder Contract, notwithstanding any individual delinquency which may occur in the payment to the Spaceholder of any assessments, tolls or other charges.

(c) Should the Spaceholder fail to levy the assessments, tolls, or other charges against any lands under its jurisdiction as required by this Spaceholder Contract, or, having levied, should the Spaceholder be prevented from collecting such assessments, tolls, or other charges by any judicial proceedings or otherwise fail to collect them, such lands shall not be entitled to receive water made available under the Existing Spaceholder Contract and this Spaceholder Contract and the Spaceholder, except as otherwise ordered by a court of competent jurisdiction, shall not deliver such water to such lands until the Spaceholder Payments have been made.

Assignment Limited—Successors and Assigns Obligated

38. (a) The provisions of this Spaceholder Contract shall apply to and bind the successors and assigns of the parties hereto, but no assignment or transfer of this Spaceholder Contract or any part thereof or interest therein by the Spaceholder shall be valid until approved by the Contracting Officer and by the Trustee but only so long as any of the Bonds are outstanding and unpaid. The assignment to the Trustee of the Spaceholder Bond Payments shall not be considered such an assignment or transfer.

(b) No instrument of transfer or assignment shall be executed unless the successor, assignee or transferee Spaceholder shall agree to assume all obligations of the Spaceholder hereunder including making the Spaceholder Payments.

(c) So long as any of the Bonds are outstanding and unpaid, the Trustee and the Idaho Power Company shall be given 30 days notice prior to the execution of any instrument of transfer or assignment.

Title VI, Civil Rights Act of 1964

39. (a) The Spaceholder agrees that it will comply with Title VI of the Civil Rights Act of July 2, 1964 (78 Stat. 241) and all requirements imposed by or pursuant to the Department of the Interior Regulation (43 CFR 17) issued pursuant to that title, to the end that, in accordance with Title VI of that Act and the Regulation, no person in the United States shall, on the grounds of race, color, sex, or national origin be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity for which the Spaceholder receives financial assistance from the United States and hereby gives assurance that it will immediately take any measures to effectuate this Spaceholder Contract.

(b) If any real property or structure thereon is provided or improved with the aid of Federal financial assistance extended to the Spaceholder by the United States, this assurance obligates the Spaceholder, or in the case of any transfer of such property, any transferee for the period during which the real property or structure is used for a purpose involving the provision of similar services or benefits. If any personal property is so provided, this assurance obligates the Spaceholder for the period during which it retains ownership or possession of the property. In all other cases, this assurance obligates the Spaceholder for the period during which the Federal financial assistance is extended to it by the United States.

(c) This assurance is given in consideration of and for the purpose of obtaining any and all Federal grants, loans, contracts, property, discounts, or other Federal financial assistance extended after the date hereof to the Spaceholder by the United States, including installment payments after such date on account of arrangements for Federal financial assistance which were approved before such date. The Spaceholder recognizes and agrees that such Federal financial assistance will be extended in reliance on the representations and agreements made in this assurance, and that the United States shall reserve the right to seek judicial enforcement of this assurance. This assurance is binding on the Spaceholder, its successors, transferees, and assignees.

Election Costs—Confirmation By Irrigation Districts

40. (a) The Spaceholder recognizes that the costs of the American Falls Replacement Dam Program include the costs of any election at which the Bonds of the Constructing Agency were authorized and the confirmation proceedings required to authorize the Constructing Agency to proceed in accordance with the provision of the Act of December 28, 1973, and the State Act to finance and construct the American Falls Replacement Dam Program.

(b) The Spaceholder at its expense has caused the execution of this Spaceholder Contract and the levy of assessments as contemplated in Section 43-2201(D)(2) of the State Act to be approved, as provided under Title 43, Idaho Code, as amended, at an election held for such purpose, and shall join in appropriate confirmation proceedings in the proper court of the State of Idaho and obtain a judgment and decree approving and confirming this Spaceholder Contract and the levy and collection of the assessments, to be lawful, valid, and binding. The Spaceholder shall furnish to the Contracting Officer and the Constructing Agency a certified copy of the confirmation decree and of all pertinent supporting records.

Officials Not to Benefit

41. (a) No Member of or Delegate to Congress or Resident Commissioner shall be admitted to any share or part of this Spaceholder Contract or to any benefit that may arise herefrom. This restriction shall not be construed to extend to this Spaceholder Contract if made with a corporation or company for its general benefit.

(b) No official of the Spaceholder shall receive any benefit that may arise by reason of this Spaceholder Contract other than as a landowner and in the same manner as other landowners.

Contingent on Appropriation or Allotment of Funds

42. The expenditure or advance of any money or the performance of any work by the United States hereunder which may require appropriation of money by the Congress or the allotment of funds shall be contingent upon such appropriation or allotment being made. The failure of the Congress to appropriate funds or the absence of any allotment of funds shall not relieve the Spaceholder from any obligations under this Spaceholder Contract. No liability shall accrue to the United States in case such funds are not appropriated or allotted.

Advanced Monies

43. Upon the filing with the Trustee of a written statement of the Authorized Representatives in conformity with the provisions of Section 602 of the Indenture, the Trustee shall repay to the Spaceholder from the Construction Fund such monies, if any, which have been and may be hereafter, prior to the delivery of the Bonds, advanced to the Constructing Agency to pay costs of the American Falls Replacement Dam Program, as contemplated in Article 20(c) hereof, plus interest on the principal amount of such advancement at the rate of 6½% per annum.

Disclaimer and Release

44. The Spaceholder further acknowledges that the approved plans, designs and specifications for the American Falls Replacement Dam Program are in the best interest of the Spaceholder, and the Spaceholder hereby waives any and all rights, claims or causes of action which the Spaceholder may have against the Constructing Agency, the Contracting Officer or the Idaho Power Company by reason of the loss of use of storage space or storage water in any year during the construction of the American Falls Replacement Dam Program which might have otherwise been available to the Spaceholder if said construction had not been undertaken.

Advisory Committee

45. In its operation and maintenance of the Replacement Dam and the other various dams and reservoirs of the Minidoka Project, the United States, acting through the Regional Director of the Bureau of Reclamation or his designee or such other officer as may be designated in writing by the Secretary, shall consult from time to time with the Advisory Committee on the various matters specifically requiring consultation under the terms of this Spaceholder Contract and on such other matters as will have a substantial bearing on the determination of the amount of stored water to be available in the various

reservoirs in the Minidoka Project and on the costs of operation and maintenance of those reservoirs which are required to be borne by the space allocated to irrigation storage, all as provided in the Existing Spaceholder Contract.

AUTHORIZED SPACEHOLDER REPRESENTATIVE

46. (a) Recognizing the need to coordinate the construction of the Powerplant with the Construction of the American Falls Replacement Dam Program, the interests of the Spaceholders in effecting construction cost savings which will result in minimizing their Spaceholder Bond Payments and as a means of securing effective cooperation between the Constructing Agency and the Contracting Officer, and among the Constructing Agency, the Idaho Power Company and the Spaceholders in resolving, on a prompt and orderly basis, the various administrative, technical, financing, construction, ownership and operating issues which may arise in connection with the performance of the Falling Water Contract, the Spaceholder Contracts, and the Water Quality Facilities Agreement, the Constructing Agency, the Idaho Power Company and the Spaceholders shall each name an Authorized Representative. Each Authorized Representative shall be authorized by the party or parties by whom he is designated to act on their behalf with respect to those matters herein provided to be responsibilities of the Authorized Representative.

(b) The Authorized Spaceholder Representative shall be elected for a one year term by a majority vote of the Spaceholders, excluding the Constructing Agency and the Idaho Power Company, at a meeting of the Spaceholders called for that purpose by the Authorized Constructing Agency Representative. Each Spaceholder shall be entitled to one vote for each acre-foot of storage space to which such Spaceholder is entitled in the Replacement Dam. The Idaho Power Company and the Constructing Agency shall be advised promptly of the designation of the Authorized Spaceholder Representative. The Constructing Agency, the Idaho Power Company and the Spaceholders shall each have the power to appoint an alternate Authorized Representative.

(c) The responsibilities of the Authorized Representatives prior to the completion date (as defined in the Falling Water Contract) shall be: (i) to approve the award of any construction or equipment contract in connection with the American Falls Replacement Dam Program; (ii) to establish general policies to be followed in the administration of the Falling Water Contract, in the construction of the American Falls Replacement Dam Program as it relates to the Falling Water Contract, and, to the extent such policies are relevant to the subject matter of the Falling Water Contract in the construction of the Powerplant; (iii) to establish general policies and practices to be followed in the administration and coordination of the construction of the Powerplant with the construction of the Replacement Dam; (iv) to consult with the Contracting Officer concerning any policies which might hereafter be required among the Constructing Agency, the Idaho Power Company, the Spaceholders, and the Contracting Officer, or any of them, concerning the Construction of the American Falls Replacement Dam Program or the construction of the Powerplant; (v) to establish procedures for consultation with respect to notices received by the Constructing Agency from the Contracting Officer under Article 12(d) of the Government Contract; and (vi) to do such other things as are specifically assigned to the Authorized Representatives during the construction period.

(d) The responsibilities of the Authorized Representatives after the completion date (as defined in the Falling Water Contract) shall be limited to: (i) matters pertaining to the collection and payment of the Spaceholder Bond Payments, the Spaceholder Water Quality Facilities Operation and Maintenance Payments, the Falling Water Payments, and the Supplemental Falling Water Payments, to the extent necessary; (ii) consultation concerning any policies which might hereafter be required among the Contracting Officer, the Constructing Agency, the Idaho Power Company and the Spaceholders, or any of them, concerning operation and maintenance of the Water Quality Facilities and payment of the costs thereof as provided in the Spaceholder Contracts and the Water Quality Facilities Agreement; and (iii) collection of and payment by the Idaho Power Company and the Spaceholders of the fees, charges and expenses of the Trustee and any paying agent bank contemplated in Section 1002 of the Indenture.

(e) The establishment of any procedure or practice and any other action or determination by the Authorized Representatives shall be made by unanimous agreement to become effective when signed by each of the Authorized Representatives.

(f) The Authorized Representatives shall have no authority to modify any of the provisions of the Falling Water Contract, the Spaceholder Contracts, the Government Contract, or the Water Quality Facilities Agreement, nor shall they establish policies, rules, or regulations which are not in accordance with policies, rules, or regulations established by the Contracting Officer with respect to the construction of the American Falls Replacement Dam Program or the operation and maintenance of the Replacement Dam, the Related Facilities or the Water Quality Facilities or which conflict with the approved plan of construction, the Plan of Operation, or the designs and specifications.

(g) With respect to all matters contemplated in Article IX of the Falling Water Contract, the Constructing Agency shall consult with the Authorized Representatives in connection with the issuance of the Bonds, however, the Constructing Agency shall at all times comply with the State Act in the performance of its duties contemplated hereunder in connection with the issuance of the Bonds. The Constructing Agency shall conform to any public bidding requirements applicable to it in connection with the construction of the American Falls Replacement Dam Program.

(h) If, at any time, it is determined by a court of competent jurisdiction that any responsibilities assigned to the Authorized Representatives under the Falling Water Contract constitute an undue delegation of power by the Constructing Agency, action shall be taken by the Constructing Agency, the Idaho Power Company and the Spaceholders in order to comply with the court determination and, if legally permissible and desirable under the determination of the court the Constructing Agency shall be substituted for the Authorized Representatives appointed by the Constructing Agency.

Prohibition Against Amendment

47. Subsequent to the sale of the Bonds of the Constructing Agency, and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), this Spaceholder Contract may not be effectively supplemented, amended, changed, modified, altered or terminated without the written consent of the Trustee and of the Contracting Officer, nor may the Existing Spaceholder Contract be effectively supplemented, amended, changed, modified, altered or terminated in any way so as to adversely affect the obligation of the Spaceholder to make Spaceholder Bond Payments hereunder without the written consent of the Trustee, or so as to adversely affect the obligation of the Spaceholder to make Water Quality Facilities Operation and Maintenance Payments without the consent of the Constructing Agency.

Status of Existing Spaceholder Contract

48. This Spaceholder Contract is supplemental and in addition to the Existing Spaceholder Contract between the United States and the Spaceholder as to the Replacement Dam, as set out in Article 19(a) hereof.

Acknowledgment As To Water Rights

49. The Spaceholder acknowledges that the water storage rights evidenced by permits, licenses and court decrees for the Existing Dam are held in the name of the United States and by this Spaceholder Contract the water rights are reaffirmed and neither the United States, the Constructing Agency or the Spaceholders are required to make additional filings for the Replacement Dam.

Notices; Manner of Giving; Duplicate Copies to Contracting Officer and Trustee

50. Any notice, demand, or request authorized or required by this Spaceholder Contract shall be deemed to have been given when mailed, postage prepaid, or delivered to the Regional Director, Pacific

Northwest Region, Bureau of Reclamation, Box 043, 550 West Fort Street, Boise, Idaho 83724, on behalf of the United States, and to the Secretary of the Constructing Agency, 1132 Locust Street, Twin Falls, Idaho 83301, on behalf of the Constructing Agency. Notices required by this Spaceholder Contract to be given to the Spaceholder shall be deemed to have been given when mailed, postage prepaid, or delivered to

Notices required by this Spaceholder Contract to be given to the Idaho Power Company shall be deemed to have been given when mailed, postage prepaid, or delivered to the President of the Idaho Power Company, 1220 Idaho Street, Boise, Idaho 83701, on behalf of the Idaho Power Company. Notices required by this Spaceholder Contract to be given to the Trustee shall be deemed to have been given when mailed, postage prepaid, or delivered to the Corporate Trust Office of the Trustee on behalf of the Trustee. The designation of the addressee or the address may be changed by notice given in the same manner as provided in this Article for other notices.

EFFECTIVE DATE OF THIS CONTRACT

51. Notwithstanding the execution hereof, this Spaceholder Contract shall not be effective until the Government Contract has been executed. The Contracting Officer shall give immediate notice thereof to the Spaceholder and the Constructing Agency.

IN WITNESS WHEREOF, the parties hereto have signed their names as of the day and year first above written.

UNITED STATES OF AMERICA

By: .....
Regional Director

Pacific Northwest Region
Bureau of Reclamation
Box 043—550 West Fort Street
Boise, ID 83724

AMERICAN FALLS RESERVOIR DISTRICT

Attest:

By: .....
President

.....
Secretary (SEAL)

SPACEHOLDER

Attest:

By: .....
President

.....
Secretary (SEAL)

STATE OF IDAHO
COUNTY OF ..... } ss.

On this .... day of March, in the year 1976, before me, ..., a Notary Public, personally appeared Rodney J. Vissia, known to me to be the Regional Director, Pacific Northwest Region, Bureau of Reclamation, United States Department of the Interior, that executed the said instrument, and acknowledged to me that the United States of America executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

.....

Notary Public in and for the State of Idaho

Residing at: ....., Idaho

My commission expires: .....

(SEAL)

STATE OF IDAHO
COUNTY OF ..... } ss.

On this .... day of March, in the year 1976, before me, ..., a Notary Public, personally appeared John M. Barker and Dianne Bridegum, known to me to be, respectively, the President and the Secretary of the American Falls Reservoir District that executed the said instrument, and acknowledged to me that the American Falls Reservoir District executed the same.

IN WITNESS WHEREOF, I set my hand and affixed my official seal the day and year first above written.

.....

Notary Public in and for the State of Idaho

Residing at: ....., Idaho

My commission expires: .....

(SEAL)

STATE OF IDAHO
COUNTY OF ..... } ss.

On this .... day of March, in the year 1976, before me, ..., a Notary Public, personally appeared ..... and ....., known to me to be, respectively, the President and the Secretary of the ..... that executed the said instrument, and acknowledged to me that the ..... executed the same.

IN WITNESS WHEREOF, I set my hand and affix my official seal the day and year first above written.

.....

Notary Public in and for the State of Idaho

Residing at: ....., Idaho

My commission expires: .....

(SEAL)

ALTERNATE SECTIONS FOR CANAL COMPANIES

Levies and Assessments by Spaceholder; All Benefits Conditioned Upon Payment; Lien to Secure Obligations

37. (a) The Spaceholder shall cause to be levied and collected all necessary assessments and charges against its members and stockholders and will use all the authority and resources of the Spaceholder (including, without limitation by reason of this enumeration, its power to create liens and to withhold the delivery of water) to meet the obligations of the Spaceholder under this Spaceholder Contract.

(b) Should the Spaceholder fail to levy the assessments and other charges against any land or the owners thereof as required by this Spaceholder Contract, or, having levied, should the Spaceholder be prevented from collecting such assessments or other charges by any judicial proceedings or otherwise fail to collect them, such land and owners shall not be entitled to receive water made available under this Spaceholder Contract and the Spaceholder, except as otherwise ordered by a court of competent jurisdiction, shall not deliver such water to such lands or the owners thereof.

(c) Any construction charge obligations owing on the Existing Spaceholder Contract and this Spaceholder Contract shall be and remain a lien on the Spaceholder's storage rights in the Replacement Dam until paid or otherwise satisfied.

---

40. (b) The Spaceholder shall at its cost cause the execution of this Spaceholder Contract to be approved by a majority vote at an election of the stockholders or landowners of the Spaceholder. Copies of the appropriate resolutions, minutes of the meetings or other official proceedings and pertinent supporting records shall be certified and furnished to the Contracting Officer and the Constructing Agency.

EXHIBIT D

FALLING WATER CONTRACT

Dated as of March 31, 1976

by and between

AMERICAN FALLS RESERVOIR DISTRICT

and

IDAHO POWER COMPANY

CONTRACT

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(This Table of Contents is not a part of this Contract and is only for convenience of reference.)

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FALLING WATER CONTRACT

BY AND BETWEEN

AMERICAN FALLS RESERVOIR DISTRICT

AND

IDAHO POWER COMPANY

THIS CONTRACT, entered into this 31st day of March, 1976, between the AMERICAN FALLS RESERVOIR DISTRICT, an instrumentality of the State of Idaho, with its offices located in Twin Falls, Idaho, hereinafter referred to as the "Constructing Agency", and the IDAHO POWER COMPANY, a corporation organized under the laws of the State of Maine, authorized to do business in the State of Idaho, with its principal office therein located in Boise, Idaho, hereinafter referred to as "Idaho Power Company";

WITNESSETH:

WHEREAS, the existing American Falls Dam and Reservoir ("Existing Dam") was constructed on the Snake River in southern Idaho adjacent to the City of American Falls, Idaho, by the United States ("United States"), and was placed in operation in 1927 as a part of the Minidoka Project, Idaho-Wyoming, and the United States contracted with certain organizations and individuals ("Waterusers") for various amounts of the storage space of the Existing Dam and which Waterusers agreed to pay the United States their proportionate share of the cost of the Existing Dam and the United States has retained ownership of the Existing Dam and has operated and maintained the Existing Dam primarily for the furnishing of water for irrigation purposes; and

WHEREAS, the Existing Dam provides irrigation storage water for beneficial use on approximately 900,000 acres of land in southern Idaho to which said water is appurtenant; and

WHEREAS, the United States has determined the Existing Dam to be no longer structurally competent, and in 1972 restricted storage in the top 11.3 feet of the Existing Dam on a year-round basis for safety reasons, and additional restrictions may possibly be required to continue to meet applicable safety standards as the deterioration of the Existing Dam advances, which present and future storage restrictions have and will cause severe economic losses to the Waterusers, reductions in recreational benefits and adverse effects on fish and wildlife facilities associated with the Existing Dam; and

WHEREAS, Chapter 22 of Title 43, Idaho Code, as amended, ("State Act"), authorizes the Constructing Agency, for the purpose of preserving, restoring, protecting and maintaining rights of storage, diversion and delivery of water necessary and appurtenant to the purposes for which the Constructing Agency and other like similarly situated irrigation districts were organized: (1) to reconstruct, rehabilitate, replace and improve dams and other related structures and works together with all necessary appurtenances related thereto whether located within or without its boundaries and whether or not legal title thereto is owned by it, including without limitation as a part thereof the reconstruction and relocation of all roads, bridges and highways made necessary by reason of such reconstruction, rehabilitation, replacement and improvement, the construction of penstocks and other facilities related to hydroelectric production plant which are made necessary in order to carry out the provisions of this Falling Water Contract and facilities for flood control, public recreation and fish and wildlife mitigation purposes made necessary in order to comply with applicable state and Federal requirements; (2) to enter into all necessary agreements, contracts and other legal arrangements with the United States and its agencies and departments, the State of Idaho and its agencies, departments and political subdivisions, and public and private persons, firms, corporations and associations in order to carry out such reconstruction, rehabilitation, replacement and improvement; and (3) to issue its Bonds ("Bonds") in the manner provided therein for the purpose of paying all or part of the cost of such reconstruction, rehabilitation, replacement and improvement, together with all expenses preliminary and incidental thereto; and

WHEREAS, the State Act provides that any Bonds issued and sold pursuant to the provisions thereof shall be payable solely out of a special fund into which the Constructing Agency shall be obligated to deposit, as from time to time received: (1) the proceeds of the collection of certain assessments to be levied and collected by the Constructing Agency on lands contained within its boundaries; (2) payments pursuant to contracts to be entered into by the Constructing Agency with other irrigation districts; (3) payments pursuant to contracts to be entered into by the Construction Agency with other public or private persons, firms, corporations and associations; and (4) when so authorized by Act of Congress, the proceeds from the sale or use of falling water released from the dam to be so reconstructed, rehabilitated, replaced and improved, pursuant to a contract for the use of such falling water for power generation to be entered into by the Construction Agency with a public or private person, firm, corporation or association; and

WHEREAS, pursuant to the provisions of the Act of Congress of December 28, 1973 ("Act of December 28, 1973"), the United States, acting through the Regional Director, Pacific Northwest Region, Bureau of Reclamation ("Contracting Officer") upon authorization of the United States Secretary of the Interior ("Secretary") has entered into an agreement with the Constructing Agency ("Government Contract") of even date herewith, authorizing the Constructing Agency to finance and provide for the construction of a new dam ("Replacement Dam") and related structures and works to replace the Existing Dam (which Replacement Dam and related structures and works, together with the storage reservoir to be created behind the Replacement Dam, are hereinafter collectively referred to as the "American Falls Replacement Dam Program"); and

WHEREAS, the Government Contract provides that delivery of water is to be contingent upon the execution by each Wateruser of a contract with the Constructing Agency and the United States (which contracts are collectively referred to as "Spaceholder Contracts") providing for the repayment by such Wateruser of its proportionate share of the total costs to be incurred by the Constructing Agency for engineering, financing, designing and constructing the American Falls Replacement Dam Program not returned by this Falling Water Contract, and providing that the delivery of water to each Wateruser shall be contingent upon the fulfillment of the obligations thereunder, said Spaceholder Contracts being otherwise consistent with the terms of the various existing contracts between the Secretary and the Waterusers for the delivery of water from and the payment of costs associated with the Existing Dam; and

WHEREAS, an appropriate number of the Waterusers satisfactory to the Secretary and the Constructing Agency have entered into Spaceholder Contracts of even date herewith to pay their proportionate share of the cost of the American Falls Replacement Dam Program (which Waterusers which have entered into Spaceholder Contracts being herein referred to as "Spaceholders"); and

WHEREAS, the Act of December 28, 1973, also authorizes the Constructing Agency to contract with a non-Federal entity, as herein provided, for the use by such non-Federal entity for power generation of the falling water released from the Replacement Dam for irrigation and other purposes incidental thereto, which contract shall provide for a monetary return to the Constructing Agency to defray in part the costs of financing and constructing the American Falls Replacement Dam Program and for the coordination of the construction of hydroelectric power facilities with the construction of the Replacement Dam, provided said contract shall be approved by the Secretary and shall not impair the efficiency of the Replacement Dam to serve the other purposes of the Minidoka Project; and

WHEREAS, the State Act provides that the contract for the use of falling water may contain such provisions as are contemplated in the Act of December 28, 1973, providing for the reconstruction, rehabilitation, replacement and improvement of such dam and other related structures and works and appurtenances, the coordination of the construction of the hydroelectric power facilities, the conditions under which the non-Federal entity shall make payments to the Construction Agency, the rights and remedies of the parties to such contract in the event of a failure of the non-Federal entity to make the required payments, and the securing of all necessary permits and licenses required in connection therewith; and

WHEREAS, the Idaho Power Company is a Wateruser and is also the owner and operator of a hydroelectric generating powerplant located on the Snake River below the Existing Dam adjacent to the City of American Falls, Idaho pursuant to a license issued by the Federal Power Commission on March 31, 1975, for Project No. 2258; and

WHEREAS, the construction and operation by Idaho Power Company of a new hydroelectric generating facility ("Powerplant") attached to the Replacement Dam will increase power generation over that produced by the existing powerplant by utilizing the additional head and more of the water released from the Replacement Dam for irrigation and other purposes incidental thereto; and

WHEREAS, as contemplated in Section 4 of the Act of December 28, 1973 and in the State Act (Section 43-2201(D)(4), Idaho Code), the Idaho Power Company heretofore proposed to pay an amount necessary to amortize, at a tax exempt interest rate in 40 approximately equal annual installments, for utilization by it for power generation at the Powerplant of falling water released from the Replacement Dam for irrigation and other purposes incidental thereto, within the limitations specified in the Government Contract, $19,550,000 of the principal amount of the cost of financing and constructing the American Falls Replacement Dam Program, and subsequently further agreed to increase such amount by the cost of the facilities included in the American Falls Replacement Dam Program for the purpose of meeting the amended State of Idaho water quality dissolved oxygen standard as approved on April 17, 1975, by the United States Environmental Protection Agency for water released from the Replacement Dam ("Water Quality Facilities") and if necessary by approximately 50% of the costs of financing and constructing the American Falls Replacement Dam Program in excess of $38,000,000; and

WHEREAS, under the provisions of Section 4 of the Act of December 28, 1973, and the provisions of the State Act (Section 43-2201(D)(4), Idaho Code), the Constructing Agency and the Idaho Power Company have agreed to enter into this falling water contract (hereinafter referred to as the "Falling Water Contract"), but only upon satisfaction of the conditions set forth herein; and

WHEREAS, the Constructing Agency has made provision for the estimation of the cost of financing and constructing the American Falls Replacement Dam Program, and, as required in the State Act, the allocation of the costs of financing and constructing the American Falls Replacement Dam Program as between the sums to be paid pursuant to this Falling Water Contract and the Spaceholder Contracts, and has made provision for a determination as to the actual amount of Bonds of the Constructing Agency to be issued, depending upon the amounts to be prepaid pursuant to the provisions of the several Spaceholder Contracts, it being contemplated that the United States will, pursuant to Section 7 of the Act of December 28, 1973, pay, as provided in the Michaud Division, Fort Hall Indian Reservation Spaceholder Contract entered into between the Constructing Agency and the United States, the proportionate share of the Michaud Division, Fort Hall Indian Reservation of the total cost of financing and constructing the American Falls Replacement Dam Program not returned pursuant to this Falling Water Contract; and

WHEREAS, pursuant to authority contained in the State Act the Constructing Agency has heretofore authorized the issuance of not to exceed $44,750,000 Bonds of the Constructing Agency for the purpose of paying all or part of the costs of financing and constructing the American Falls Replacement Dam Program, and further the Constructing Agency has called and held an election at which the Constructing Agency was authorized to impose assessments on lands within the Constructing Agency, approving said assessments, and was authorized to execute a Spaceholder Contract with the United States and to execute the Government Contract; and

WHEREAS, the Constructing Agency will institute proceedings pursuant to the provisions of the State Act for the purpose of obtaining confirmation decrees approving this Falling Water Contract, the Spaceholder Contracts, the Government Contract, and the levy and collection of the assessments, which confirmation proceedings will, prior to the issuance of the Bonds, be completed in accordance with the provisions of the State Act; and

WHEREAS, the Constructing Agency has entered into an agreement dated November 27, 1974, with the State of Idaho, acting by and through the Department of Transportation, Division of Highways, providing for construction of a two-lane highway on the crest of the Replacement Dam and construction of a two-lane highway bridge located immediately downstream from the Replacement Dam, and providing for the payment by the Constructing Agency of 50% of the total cost of the construction of said highway and bridge as part of the American Falls Replacement Dam Program; and

WHEREAS, the Constructing Agency has entered into an agreement dated July 2, 1974, with the Idaho Fish and Game Department providing for the payment by the Constructing Agency of costs relating to the mitigation of anticipated loss of existing recreational and fish and wildlife resources and constituting the Recreation and Fish and Wildlife Mitigation Facilities (as hereinafter defined); and

WHEREAS, it is provided in the Act of December 28, 1973, that this Falling Water Contract shall be approved by the Secretary and all requirements and conditions of the Act of December 28, 1973 have or will have been satisfied prior to the delivery of any of the Bonds of the Constructing Agency herein contemplated to be issued; and

WHEREAS, the Idaho Power Company has received a fifty (50) year license for Project No. 2736 issued March 31, 1975 by the Federal Power Commission authorizing it to construct, operate, and maintain the Powerplant; and

WHEREAS, the Constructing Agency has executed the Government Contract with the United States, as contemplated in the Act of December 28, 1973, to which Government Contract a copy of this Falling Water Contract is attached as an exhibit, and by the execution of the Government Contract the Secretary, in accordance with the provisions of the Act of December 28, 1973, approves this Falling Water Contract as though incorporated in and made a part of the Government Contract; and

WHEREAS, the Constructing Agency and the Idaho Power Company desire to provide that the issuance, sale and delivery by the Constructing Agency of its Bonds pursuant to the authority contained in the State Act, in an amount which shall be sufficient to pay the estimated cost of financing and constructing the American Falls Replacement Dam Program not paid in advance by Spaceholders pursuant to the Spaceholder Contracts, shall be a condition precedent to the obligation of the Idaho Power Company to make the payments to the Constructing Agency provided for in this Falling Water Contract in consideration of the utilization by the Idaho Power Company at the Powerplant for power generation, within the limitations specified in the Government Contract, of the falling water released from the Replacement Dam for irrigation and other purposes incidental thereto; and

WHEREAS, the Idaho Power Company and the Constructing Agency desire to enter into an arrangement hereunder whereby the Constructing Agency, having entered into the Spaceholder Contracts and the Government Contract, and as a Spaceholder having imposed assessments on lands within its boundaries, will issue and sell its Bonds for the purpose of paying the costs of financing and constructing the American Falls Replacement Dam Program not paid in advance by the Spaceholders, and whereby the Idaho Power Company in accordance with the provisions of the Federal Power Commission license, will finance, construct and own the Powerplant, and will make the payments to the Constructing Agency contemplated hereunder; and

WHEREAS, the Constructing Agency and the Idaho Power Company wish to delineate their mutual responsibilities and to set forth the terms and conditions for the use of the Falling Water by the Idaho Power Company, for the engineering, financing, construction, ownership and operation of the American Falls Replacement Dam Program and the Powerplant and the coordination of the construction of the Powerplant with the construction of the Replacement Dam;

NOW, THEREFORE, in consideration of the mutual and dependent stipulations and covenants herein contained, it is agreed by and between the parties hereto as follows:

ARTICLE I

DEFINITIONS

The following words and phrases shall have the following meanings, unless the context clearly indicates to the contrary:

"Act of December 28, 1973" shall mean the Act of Congress approved December 28, 1973 (87 Stat. 904).

"Additional Bonds" shall mean any additional parity Bonds authorized to be issued by the Constructing Agency pursuant to the terms and conditions of Section 207 of the Indenture.

"American Falls Replacement Dam Program" shall mean the program to be undertaken by the Constructing Agency consisting of the Replacement Dam including the two-lane highway on the crest of the Replacement Dam, the two-lane highway bridge located immediately downstream from the Replacement Dam, the Related Facilities, the Recreation and Fish and Wildlife Mitigation Facilities, and the Water Quality Facilities, to be accomplished pursuant to the Act of December 28, 1973, and under the authority of Section 43-2201(A), Idaho Code, which provides for the reconstruction, rehabilitation, replacement, and improvement of dams and other related structures and works together with all necessary appurtenances related thereto.

"Assessments" shall mean the Assessments to be levied pursuant to Title 43, Idaho Code, as contemplated in the State Act (Section 43-2201(D)(1) and (2), Idaho Code), representing the amount of benefits to accrue to each tract or subdivision in an irrigation district based upon the allocation of the Cost of Construction of the American Falls Replacement Dam Program, in the proportion that the right to the storage, diversion and delivery of water appurtenant to each such tract or subdivision bears to the total right to the storage, diversion and delivery of water from the Replacement Dam.

"Authorized Company Representative" shall mean the person at the time designated to act in behalf of the Idaho Power Company by written certificate furnished to the Contracting Officer, the Constructing Agency and the Trustee, containing the specimen signature of such person, and signed on behalf of the Idaho Power Company by its President or any Vice President thereof. Such certificate shall designate an alternate or alternates. The Authorized Company Representative may be an employee of the Idaho Power Company.

"Authorized Constructing Agency Representative" shall mean the person at the time designated to act in behalf of the Constructing Agency by written certificate furnished to the Contracting Officer, the Idaho Power Company and the Trustee, containing the specimen signature of such person, and signed on behalf of the Constructing Agency by the President of the Board, or the Vice President thereof. Such certificate shall designate an alternate or alternates. The Authorized Constructing Agency Representative may be an employee of the Constructing Agency.

"Authorized Representatives" shall mean collectively the Authorized Company Representative, the Authorized Constructing Agency Representative, and the Authorized Spaceholder Representative.

"Authorized Spaceholder Representative" shall mean the person at the time designated to act in behalf of the Spaceholders, pursuant to the provisions of Article 46 of the Spaceholder Contracts, by written certificate furnished to the Contracting Officer, the Constructing Agency, the Idaho Power Company, and the Trustee, containing the specimen signature of such person, and signed on behalf of the Spaceholders by the Chairman of the meeting of the Spaceholders at which such representative is designated. Such certificate shall designate an alternate or alternates. The Authorized Spaceholder Representative may be an employee of a Spaceholder.

"Board" shall mean the Board of Directors of the Constructing Agency.

"Bond Fund" shall mean the Bond Fund created in Section 502 of the Indenture for the purpose of paying principal of and interest on the Bonds.

"Bonds" shall mean bonds issued, and to be issued, by the Constructing Agency under authority contained in the State Act, pursuant to the Indenture to pay the costs of the American Falls Replacement Dam Program.

"Completion Date" shall mean the date of completion of the construction of the Replacement Dam, the Related Facilities and the Water Quality Facilities within the meaning of the Act of December 28, 1973, which shall be deemed to be the date upon which the Constructing Agency, the Idaho Power Company and the Trustee are given the completion notice by the Secretary as provided in Article 14(d) of the Government Contract.

"Constructing Agency" shall mean the American Falls Reservoir District, an instrumentality of the State of Idaho, being an irrigation district organized and existing under the provisions of Title 43, Idaho Code, as amended, and its successors and assigns.

"Construction Fund" shall mean the Construction Fund created by Section 602 of the Indenture for the purpose of paying the cost of financing and constructing the American Falls Replacement Dam Program.

"Construction Period" shall mean the period commencing upon the initiation of construction of the American Falls Replacement Dam Program and ending on the Completion Date.

"Construction Work Schedule" shall mean a schedule showing each item of major construction activity of the American Falls Replacement Dam Program including detailed coordination arrangements for the construction of the Powerplant with the construction of the Replacement Dam, and the time period within which each item is proposed to be started and concluded.

"Contracting Officer" shall mean the Regional Director, Pacific Northwest Region, Bureau of Reclamation, or his duly authorized representative.

"Cost of Construction" shall mean all or part of the total cost of the engineering, financing, designing and constructing of the American Falls Replacement Dam Program, and all expenses preliminary and incidental thereto, including all engineering, fiscal, and legal expenses, and costs of issuance, printing and advertising, as authorized in the Act of December 28, 1973 and the State Act and for which funds may be disbursed from the Construction Fund pursuant to Section 8.4 hereof.

"Defaulted Spaceholder(s)" shall mean the Spaceholders determined to be in default in all or any part of the Spaceholder Payments required to be made under a Spaceholder Contract, in accordance with the provisions of Article 29(a) thereof.

"Designs and Specifications" shall mean the final Designs and Specifications of any facility required pursuant to Article 10(a) of the Government Contract to be constructed by the Constructing Agency as a part of the American Falls Replacement Dam Program, as approved by the Contracting Officer pursuant to Article 10(b) of the Government Contract.

"Existing Dam" shall mean the American Falls Dam and Reservoir owned by the United States located on the Snake River in southern Idaho adjacent to the City of American Falls, Idaho.

"Falling Water" shall mean the water released from the Replacement Dam for irrigation and other purposes incidental thereto, the utilization of which during the Original Term of this Falling Water Contract, within the limitations specified in the Government Contract, is granted to the Idaho Power Company for power generation at the Powerplant in return for the Falling Water Payments to the Constructing Agency, which utilization shall be subordinate to the furnishing of water for irrigation purposes.

"Falling Water Contract" shall mean this contract entered into between the Constructing Agency and the Idaho Power Company as the same may be supplemented or amended.

"Falling Water Payments" shall mean the principal amount, plus applicable interest, to be paid to the Constructing Agency in 40 approximately equal annual Installments by the Idaho Power Company pursuant to this Falling Water Contract as a part of the consideration for the utilization for power generation at the Powerplant of the Falling Water released from the Replacement Dam.

"Government Contract" shall mean the contract of even date herewith entitled: "Contract between the United States of America and the American Falls Reservoir District for the Construction and Operation and Maintenance of the American Falls Replacement Dam Program" as the same may be supplemented or amended.

"Idaho Power Company" shall mean the Idaho Power Company, a Maine corporation authorized to do business in the State of Idaho, and its permitted successors and assigns.

"Indenture" shall mean the Indenture of Trust to be entered into between the Constructing Agency and the Trustee in connection with the issuance of the Series 1976 Bonds (including any indenture supplemental thereto).

"Independent Engineer" shall mean an engineer or engineering firm registered or licensed to practice the profession of engineering under the laws of Idaho, together with an appropriate staff and supporting equipment and who or which is not a full-time engineer of either the Constructing Agency or the Idaho Power Company.

"Interim Notes" shall mean interim notes of the Constructing Agency issued, and to be issued, under authority contained in the State Act, for the purpose of borrowing funds on a temporary basis in advance of the issuance of the Series 1976 Bonds.

"Installment" shall mean an annual payment of the principal and interest of the Falling Water Payments as such Installments are set forth in the Schedule of Falling Water Payments to be filed with the Idaho Power Company and the Trustee pursuant to the provisions of Section 9.8 hereof and which are assigned to the Trustee pursuant to Section 501 of the Indenture.

"License" shall mean the license for Project No. 2736 issued by the Federal Power Commission on March 31, 1975, and expiring on March 31, 2025, and any continuation or renewal thereof, authorizing the Idaho Power Company to construct, operate, and maintain the Powerplant.

"Minidoka Project" shall mean the Minidoka Reclamation Project of the United States, located on the Snake River in the States of Idaho and Wyoming.

"Non-Participating Wateruser(s)" shall mean the Waterusers which have not executed Spaceholder Contracts. The initial Non-Participating Waterusers are set forth in *Exhibit II* hereto. Upon the execution of a Spaceholder Contract by a Non-Participating Wateruser, such Non-Participating Wateruser shall be deemed to be a Spaceholder.

"Original Term" shall mean the duration of this Falling Water Contract, as specified in Section 14.1 hereof, ending concurrent with the expiration of the initial 50 year term of the License.

"Plan of Operation" shall mean a schedule of the storage and release of water from the Existing Dam and the Replacement Dam during the construction of the Replacement Dam.

"Plans, Designs and Specifications" shall mean the plans for the American Falls Replacement Dam Program, as set forth in Section 4.1 hereof, the Designs and Specifications, the Plan of Operation and the Construction Work Schedule.

"Powerplant" shall mean the hydroelectric generating facility, attached to the Replacement Dam, to be constructed, operated, and maintained by the Idaho Power Company in accordance with the License.

"Prepayment Fund" shall mean the Prepayment Fund created by Article 23(c) of the Spaceholder Contracts for the purpose of holding prepayments made by Spaceholders pursuant to Article 23 of the Spaceholder Contracts.

"Recreation and Fish and Wildlife Mitigation Facilities" shall mean the facilities to be included in the American Falls Replacement Dam Program pursuant to that certain agreement between the Constructing Agency and the Idaho Fish and Game Department dated July 2, 1974, to mitigate the anticipated loss of existing recreational and fish and wildlife resources.

"Related Facilities" shall mean the facilities included in the American Falls Replacement Dam Program which are required by the United States as part of the construction of the Replacement Dam and which are to be transferred to the United States to operate and maintain, consisting of the warehouse, shop, offices, scenic overlook including health and safety facilities, hydrologic and meteorologic data collection facilities.

"Renewal Term" shall mean any term following the Original Term of this Falling Water Contract, as specified in Section 14.2 hereof.

"Replacement Dam" shall mean the new dam, including the reservoir, to be constructed by the Constructing Agency on the Snake River in southern Idaho adjacent to the City of American Falls, Idaho, to replace the Existing Dam.

"Schedule of Falling Water Payments" shall mean that schedule supplied to the Idaho Power Company, pursuant to the provisions of Section 9.8 of this Falling Water Contract, showing the annual Installments to be paid to the Trustee for deposit into the Bond Fund.

"Schedules of Spaceholder Bond Payments" shall mean the schedules supplied to the Spaceholders, pursuant to the provisions of Section 9.8 of this Falling Water Contract, showing the annual sums to be paid to the Trustee for deposit into the Bond Fund.

"Secretary" shall mean the Secretary of the Interior.

"Series 1976 Bonds" shall mean the initial series of Bonds to be issued by the Constructing Agency under the State Act for the purpose of paying all or part of the Cost of Construction of the American Falls Replacement Dam Program pursuant to the terms and conditions of Section 202 of the Indenture.

"Spaceholder(s)" shall mean the Waterusers which have executed Spaceholder Contracts, together with their successors and assigns. The initial Spaceholders are set forth in *Exhibit I* hereto.

"Spaceholder Bond Payments" shall mean the payments obligated to be made by the Spaceholders to the Constructing Agency pursuant to the Spaceholder Contracts to pay the Spaceholders' portion of the principal of and interest on the Bonds and which are assigned to the Trustee.

"Spaceholder Contracts" shall mean the contracts of even date herewith entered into among the United States, the Constructing Agency, and the Spaceholders for storage in the Replacement Dam and the payment of construction, operation, and maintenance costs of the American Falls Replacement Dam Program, as the same may be supplemented or amended.

"Spaceholder Payments" shall mean collectively the payments to be made by the Spaceholders pursuant to the Spaceholder Contracts as follows:

1. Spaceholder Bond Payments.
2. Spaceholder Replacement Dam Operation and Maintenance Payments.
3. Spaceholder Water Quality Facilities Operation and Maintenance Payments.
4. The fees, charges and expenses of the Trustee and any paying agent bank.

"Spaceholder Replacement Dam Operation and Maintenance Payments" shall mean the payments obligated to be made pursuant to the Spaceholder Contracts by the Spaceholders to the United States to pay the annual costs of operation and maintenance of the Replacement Dam and the Related Facilities, and to return the unpaid costs of the Existing Dam as set forth in Article 19 of the Government Contract.

"Spaceholder Water Quality Facilities Operation and Maintenance Payments" shall mean the payments obligated to be made by the Spaceholders to the Constructing Agency in accordance with paragraph 13 of the Water Quality Facilities Agreement.

"State Act" shall mean Chapter 22, Title 43, Idaho Code, as enacted by Chapter 1, Session Laws of Idaho, 1974, as amended by Chapter 48, Session Laws of Idaho, 1975.

"Supplemental Falling Water Payments" shall mean the supplemental amounts agreed to be paid to the Constructing Agency by the Idaho Power Company pursuant to this Falling Water Contract representing the obligations of Defaulted Spaceholders or of Non-Participating Waterusers, or both.

"Trustee" shall mean the bank, Trustee or bank co-trustee, or either, at the time serving as such under the Indenture.

"Underwriter" or "Underwriters" shall mean Kidder, Peabody & Co. Incorporated, an investment banking firm, located in the City of New York, New York, which has agreed to submit a proposal for the purchase of the Series 1976 Bonds and, if such proposal is accepted, shall be the Underwriter of the Series 1976 Bonds, but if such proposal is not accepted, then, any investment banking firm or firms with whom the Constructing Agency shall execute a bond purchase agreement for the purchase of the Series 1976 Bonds or any Bonds issued pursuant to the provisions hereof.

"Water Quality Facilities" shall mean facilities included in the American Falls Replacement Dam Program for the purpose of meeting the amended State of Idaho water quality dissolved oxygen standard, as approved on April 17, 1975, by the United States Environmental Protection Agency, for water released from the Replacement Dam through the Powerplant, including necessary monitoring equipment to be installed immediately downstream from the tailrace of the Powerplant to measure the dissolved oxygen in the water.

"Water Quality Facilities Agreement" shall mean the agreement of even date herewith between the Constructing Agency and the Idaho Power Company providing for the construction, operation, and maintenance of the Water Quality Facilities, as the same may be supplemented or amended.

"Wateruser(s)" shall mean the organizations and individuals which have heretofore contracted for storage space in the Existing Dam.

ARTICLE II

REPRESENTATIONS

SECTION 2.1. *General Representations.* The Constructing Agency and the Idaho Power Company represent and warrant, one to the other, that:

(a) This Falling Water Contract is the contract contemplated to be entered into by the Constructing Agency, with the approval of the Secretary, with an appropriate non-Federal entity for the utilization of the Falling Water at the Powerplant for power generation, and the coordination of the construction of the Powerplant with the construction of the Replacement Dam, in accordance with Section 4 of the Act of December 28, 1973, and the State Act (Section 43-2201(D)(4), Idaho Code).

(b) This Falling Water Contract, having been approved by the Secretary as required by the Act of December 28, 1973, shall not in any way impair the efficiency of the Replacement Dam to serve the other purposes of the Minidoka Project.

(c) The Constructing Agency herein proposes to contract with the Idaho Power Company for the utilization by the Idaho Power Company of the Falling Water at the Powerplant for power generation within the limitations specified in the Government Contract and in accordance with the conditions set forth in the License, and in consideration thereof the Idaho Power Company shall make the Falling Water Payments to the Constructing Agency to help defray the Cost of Construction and shall make the Supplemental Falling Water Payments as herein contemplated. The Idaho Power Company and the Constructing Agency shall coordinate the construction of the Powerplant with the construction of the American Falls Replacement Dam Program to the mutual benefit of the Idaho Power Company and the Constructing Agency, including joint bidding if such shall be deemed desirable. As provided in Section 4 of the Act of December 28, 1973, this Falling Water Contract shall not be the subject of the limitations of Section 9(c) of the Reclamation Project Act of 1939 (53 Stat. 1194), or of any similar limitations in any other applicable Acts of Congress.

(d) The utilization by the Idaho Power Company of the Falling Water at the Powerplant for power generation is and shall continue to be subordinate to the furnishing of water from the Replacement Dam for irrigation purposes.

(e) Less than ten per cent (10%) of the water accruing to the active storage capacity in the Replacement Dam may be contractually scheduled for release from the Replacement Dam by the Idaho Power Company, except for temporary increases following a default by a Non-Participating Wateruser or a Spaceholder as provided in Section 3.5 hereof or arising from unusually wet or dry weather in the service area of the Replacement Dam.

SECTION 2.2. *Representations of the Constructing Agency.* The Constructing Agency represents and warrants as follows:

(a) The Constructing Agency is a lawfully organized and existing irrigation district, pursuant to the provisions of Title 43, Idaho Code, as amended by the State Act, and has been such since June 1, 1923. The Constructing Agency is the "constructing agency" which is authorized to finance and provide for the construction of the American Falls Replacement Dam Program pursuant to the provisions of the Act of December 28, 1973, and the provisions of the Government Contract.

(b) The Constructing Agency is authorized to enter into the Government Contract and into this Falling Water Contract for the purpose of accomplishing the construction of the American Falls Replacement Dam Program pursuant to the provisions of the Act of December 28, 1973 and the State Act. The Constructing Agency intends to issue its Bonds pursuant to the State Act in reliance upon the obligation of Idaho Power Company during the Original Term to make the Falling Water Payments and the Supplemental Falling Water Payments and it is, therefore, necessary to recognize and provide for the rights of the holders, from time to time, of the Bonds of the Constructing Agency contemplated to be issued for the purpose of paying all or part of the Cost of Construction of the American Falls Replacement Dam Program. The Idaho Power Company, within the limitations specified in the Government Contract, will utilize for power generation at the Powerplant the Falling Water during the Original Term and it is, therefore, necessary in the Government Contract, to recognize and provide for the right of the Idaho Power Company for the continued utilization of the Falling Water after title to the Replacement Dam, the Related Facilities, and the Water Quality Facilities shall be taken by the United States, pursuant to the requirements of the Act of December 28, 1973.

(c) The Constructing Agency will not construct the Replacement Dam so as to result in an increase in the elevation of the water surface of the Replacement Dam above that maintained for the Existing Dam, *i.e.*, 4354.5 feet above mean sea level U.S.C.& G.S. datum.

(d) The Constructing Agency has made adequate provision in the Government Contract for the correction and prevention of erosion related to the Replacement Dam or for the payment, from lawfully available funds arising from sources other than the Falling Water Payments or the Spaceholder Bond Payments, for full and adequate compensation of the adjacent landowners, including owners of land subject to a flowage easement, if such erosion cannot be corrected or prevented.

(e) Construction of the Replacement Dam will in no way alter or change the present proportionate storage rights of the Waterusers, except as provided in the Government Contract and the Spaceholder Contracts, and constitutes a reaffirmation by the United States of the existing contract rights between the Secretary and the Waterusers, except as otherwise provided in the Act of December 28, 1973.

(f) The Constructing Agency, together with the State of Idaho, has provided for compliance with the provisions of Section 2(b) and (c) of the Act of December 28, 1973 by the execution of that certain agreement dated November 27, 1974, by and between the Constructing Agency and the State of Idaho, providing for the inclusion in the American Falls Replacement Dam Program of: (i) a river crossing, consisting of a bridge for two-lane traffic, downstream from the Replacement Dam; (ii) an additional two lanes on top of the Replacement Dam; and (iii) the maintenance of an adequate two-lane, two-way crossing at or near the site of the Existing Dam during construction of the Replacement Dam.

(g) The Constructing Agency, together with the Idaho Fish and Game Department, has provided for compliance with the provisions of the Government Contract by the execution of that certain agreement dated July 2, 1974, providing for the payment by the Constructing Agency to the Idaho Fish and Game Department of the costs of the Recreation and Fish and Wildlife Mitigation Facilities included in the American Falls Replacement Dam Program.

(h) All requirements of the Act of December 28, 1973, the State Act, and the Government Contract will be complied with by the Constructing Agency in connection with the financing and construction of the American Falls Replacement Dam Program.

(i) The Constructing Agency will use its best efforts to authorize, pursuant to the provisions of the State Act as then in force, and issue the Bonds in an amount which shall be sufficient to pay the Cost of Construction not prepaid by the Spaceholders and when issued such Bonds shall be payable solely from a special fund into which the Constructing Agency will be obligated to deposit: (a) the payments by the Constructing Agency under its Spaceholder Contract of sums arising from Assessments to be levied by the Constructing Agency, pursuant to the provisions of the State Act as a Spaceholder on lands within its boundaries for its proportionate share of the Cost of Construction and allocated to such lands by the Construction Agency pursuant to the requirements of the State Act; (b) the payments by other irrigation districts under their respective Spaceholder Contracts of sums arising from Assessments to be levied by said irrigation districts, pursuant to the provisions of the State Act, representing their respective proportionate shares of the Cost of Construction and allocated to each such irrigation district by the Constructing Agency pursuant to the requirements of the State Act; (c) the payments by the remaining Spaceholders under their respective Spaceholder Contracts of their respective proportionate shares of the Cost of Construction; and (d) the Falling Water Payments and Supplemental Falling Water Payments contemplated to be paid to the Constructing Agency by the Idaho Power Company, pursuant to the provisions of Article III hereof.

(j) The Constructing Agency will, at no additional expense to it, cooperate with the Idaho Power Company in its studies of fish mortality through the turbines and in its consultation and cooperation with other state and Federal agencies in the protection and development of the natural resources of the area of the "project" as defined in the License.

(k) The Constructing Agency will, at no additional expense to it, cooperate with the Idaho Power Company in the making of a project study of the feasibility of including the Old Island Powerhouse as a historical resource.

(l) The Constructing Agency agrees to recommend to the Fish and Game Department of the State of Idaho that the Department consider construction of a foot trail to provide public access from the Powerplant parking area under the railroad bridge to the west river bank of the tailrace area, with a portion of the funds to be provided by the Constructing Agency to the Idaho Fish and Game Department for the purpose of mitigating the anticipated loss of existing recreational and fish and wildlife resources.

(m) The Constructing Agency is not in default under any of the provisions contained in any agreement to which it is a party, and, by proper action, the Board has duly authorized its President to execute and deliver this Falling Water Contract, and its Secretary to attest and affix the seal of the Constructing Agency to this Falling Water Contract, all on behalf of the Constructing Agency.

(n) No additional or further approval, consent or authorization of any governmental unit, public agency or authority not already obtained is required by the Constructing Agency in connection with the execution of this Falling Water Contract.

SECTION 2.3. *Representations of the Idaho Power Company.* The Idaho Power Company represents and warrants as follows:

(a) The Idaho Power Company is a corporation duly incorporated under the laws of, and is in good standing in, the State of Maine; is duly qualified to do business as a foreign corporation and is in good standing in the State of Idaho; has power under the laws of Main and Idaho and its charter and by-laws to enter into this Falling Water Contract and by proper corporate action has been duly authorized to execute and deliver this Falling Water Contract.

(b) No additional or further approval, consent or authorization of any governmental unit, public agency or authority not already obtained is required by the Idaho Power Company in connection with the execution of this Falling Water Contract, except those recognized in subsection (c) hereof.

(c) The power of the Idaho Power Company to enter into the transactions contemplated by this Falling Water Contract and to carry out its obligations hereunder with respect to the Falling Water Payments and Supplemental Falling Water Payments contemplated hereunder is subject to the obtaining, by the Idaho Power Company, of approvals by any and all state and Federal regulatory agencies having jurisdiction thereof, and the Idaho Power Company covenants that it will use its best efforts to obtain such approvals prior to the issuance of any of the Series 1976 Bonds or any Interim Notes.

(d) There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best of the Idaho Power Company's knowledge and information, threatened against or affecting the Idaho Power Company, or, to the best of the Idaho Power Company's knowledge and information, any basis for any such action, suit, proceeding or investigation, wherein an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of this Falling Water Contract.

(e) Neither the execution and delivery of this Falling Water Contract, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Falling Water Contract, conflict with or result in a breach of any of the terms, conditions or provisions or any corporate restriction or any agreement or instrument to which the Idaho Power Company is now a party or by which it is bound, or constitute a default under any of the foregoing, or result in the creation or imposition of any lien, charge or encumbrance of any

nature whatsoever upon any of the property or assets of the Idaho Power Company under the terms of any instrument or agreement.

(f) The Idaho Power Company is able to and will obtain funds necessary for the construction of the Powerplant pursuant to the provisions of Article X hereof.

(g) Under date of April 25, 1975, the Idaho Power Company acknowledged acceptance of all of the provisions, terms and conditions of the License; that the License is in full force and effect, has not been rescinded or amended in any way; and, except with respect to the provisions of Articles 38, 43 and 45 hereof as to which an application for an extension of time has been filed with the Federal Power Commission, the Idaho Power Company is in compliance with all the provisions, terms and conditions of the License.

(h) That the Idaho Power Company shall commence construction of the Powerplant and complete construction of the project works described in the License within the period specified in the License or any amendment thereto.

(i) So long as any of the Bonds or Interim Notes are outstanding and unpaid, the Idaho Power Company will not acquire, on a permanent contractual basis, an additional amount of the water accruing to the active storage capacity in the Replacement Dam for the purpose of scheduled releases for generating electric energy, which together with the amount of active storage capacity presently owned by the Idaho Power Company under its Spaceholder Contract (2.6471%) would exceed eight per cent (8%) of the active storage capacity of the Replacement Dam.

ARTICLE III

Use of Falling Water

SECTION 3.1. *Falling Water Payments; Use of Falling Water.* Unless sooner terminated as provided in Section 4.11 hereof, and subject only to the issuance by the Constructing Agency of its Series 1976 Bonds as contemplated by Section 9.1 hereof, in consideration of the utilization by the Idaho Power Company of the Falling Water at the Powerplant for power generation within the limitations specified in the Government Contract, the Idaho Power Company shall pay the Falling Water Payments determined in accordance with the provisions of Article IX hereof directly to the Trustee for the account of the Constructing Agency, in lawful money of the United States, at the times as determined in Section 9.3 hereof and at the Trustee's address shown in the Indenture, or at such other place as the Trustee from time to time shall designate. The Falling Water Payments, pursuant to this Falling Water Contract, shall constitute the monetary return to the Constructing Agency to defray in part the Cost of Construction contemplated to be paid in the Act of December 28, 1973. So long as the Idaho Power Company is not in default under the provisions hereof, the Idaho Power Company shall be entitled to utilize, during the term of the License or any continuation or renewal thereof, the Falling Water in accordance with the provisions of the License, at the Powerplant for power generation in connection with the operation by the United States of the Replacement Dam, within the limitations specified in Articles 16 and 18 of the Government Contract. The Secretary has, by his approval of this Falling Water Contract, evidenced his consent to such utilization, provided, that such approval does not preclude the Secretary from making any recommendations or comments in respect to the License or any continuation or renewal thereof.

SECTION 3.2. *Trustee and Paying Agent Costs.* The Idaho Power Company shall pay to the Trustee annually at the same time as it pays the Installments of the Falling Water Payments that portion of the yearly fees, charges and expenses of the Trustee and any paying agent bank contemplated in Section 1002 of the Indenture as determined in accordance with the provisions of Article IX hereof.

SECTION 3.3. *Interest on Overdue Installments of Falling Water Payments.* In the event of the failure of the Idaho Power Company to pay all or any part of any Installment of the Falling Water

Payments, such overdue Installment or portion thereof shall bear interest at the rate of the lesser of eight per cent (8%) per annum or the maximum interest rate then permitted by Idaho law.

SECTION 3.4. *Supplemental Falling Water Payments.* (A) The Constructing Agency and the Idaho Power Company recognize that a higher investment quality rating for the Bonds will be obtained from the respective rating agencies by the Constructing Agency (resulting in a lower net interest cost on the Bonds), if the Idaho Power Company would agree to make to the Trustee on behalf of the Constructing Agency, Supplemental Falling Water Payments in the manner contemplated in this Section 3.4, in the event that Waterusers fail to execute Spaceholder Contracts thereby becoming Non-Participating Waterusers or in the event that Spaceholders to which Article 17 of the Government Contract applies default in the making of all or any part of a Spaceholder Payment. Accordingly, within seven (7) days after the occurrence thereof, the Constructing Agency, or the Trustee on behalf of the Constructing Agency, or the Contracting Officer, as the case may be, shall give notice to the Idaho Power Company, the Contracting Officer, the Constructing Agency, the Defaulted Spaceholder and the Non-Participating Wateruser as the case may be, in the manner provided in Section 14.6 hereof, of:

(1) any default by any Spaceholder to which Article 17 of the Government Contract applies under a Spaceholder Contract of its obligation to make all or any part of a Spaceholder Payment, or

(2) failure to receive all or any part of a Spaceholder Payment which would have been due with respect to the space of a Non-Participating Wateruser had the Non-Participating Wateruser executed a Spaceholder Contract.

(B) The Idaho Power Company shall make a Supplemental Falling Water Payment to the Trustee, within ten (10) days after the notice provided for in (A) of this Section 3.4 has been given, which shall be sufficient:

(1) to pay all Spaceholder Payments including penalties and interest, or any portion thereof, then in default and due under any Spaceholder Contract, and

(2) to pay all Spaceholder Payments, including penalties and interest, or any portion thereof, which would have been due and payable with respect to the space of a Non-Participating Wateruser had the Non-Participating Wateruser executed a Spaceholder Contract and defaulted on the Spaceholder Payments becoming due and payable thereunder, as contemplated in Article 17(b) of the Government Contract.

The Supplemental Falling Water Payments shall be made by the Idaho Power Company to the Trustee at the same place as the Constructing Agency would make such payments pursuant to the Spaceholder Contracts.

(C) The Trustee shall apply the Supplemental Falling Water Payments as follows:

(1) that portion of the Supplemental Falling Water Payment represented by Spaceholder Bond Payments attributable either to a Defaulted Spaceholder or to a Non-Participating Wateruser shall be applied to the payment of principal of and interest on the Bonds as the same become due and payable (such portion of the Supplemental Falling Water Payments shall be credited separate and apart from the obligation of the Idaho Power Company to make the Installments of Falling Water Payments);

(2) that portion of the Supplemental Falling Water Payment represented by Spaceholder Replacement Dam Operation and Maintenance Payments attributable either to a Defaulted Spaceholder or to a Non-Participating Wateruser shall be paid to the Contracting Officer to be accounted for in accordance with the applicable provisions of the Government Contract and of the Spaceholder Contracts; and

(3) that portion of the Supplemental Falling Water Payment represented by Spaceholder Water Quality Facilities Operation and Maintenance Payments attributable either to a Defaulted

Spaceholder or to a Non-Participating Wateruser shall be paid to the Constructing Agency to be accounted for in accordance with the applicable provisions of the Spaceholder Contracts and the Water Quality Facilities Agreement.

(D) As provided in Article 17(d) of the Government Contract, if by May 15 of each year in which the Idaho Power Company shall have made a Supplemental Falling Water Payment to the Trustee pursuant to this Section 3.4, the Contracting Officer has not repaid to the Idaho Power Company the amount of the Supplemental Falling Water Payment made by the Idaho Power Company in that year, plus interest at the lesser of eight per cent (8%) per annum or the maximum then permitted under Idaho law, the water accruing to the space of the Defaulted Spaceholders or Non-Participating Waterusers will be made available to the Idaho Power Company for power generation as provided in Section 3.5 hereof, pursuant to Article 18(b) of the Government Contract.

(E) If the use of space by any Non-Participating Wateruser is terminated as provided in Article 17 of the Government Contract or if any Spaceholder Contract is terminated as provided in Article 29 thereof, and a Spaceholder Contract providing for the disposition of such space shall have been executed, as contemplated in Article 17(e) of the Government Contract, the Idaho Power Company and the Trustee shall be notified by the Constructing Agency of the execution of such Spaceholder Contract. Whenever a Non-Participating Wateruser executes a Spaceholder Contract, the Idaho Power Company and the Trustee shall be notified by the Constructing Agency of the execution of such Spaceholder Contract. Upon the execution of any such Spaceholder Contract, the Idaho Power Company will make Supplemental Falling Water Payments with respect to a default pursuant to such Spaceholder Contract, as though such Spaceholder Contract were one of the Spaceholder Contracts initially executed by the Contracting Officer and the Constructing Agency and will treat such Spaceholder Contract as a Spaceholder Contract for all purposes of this Falling Water Contract.

SECTION 3.5. *Use by Idaho Power Company of Space of Defaulted Spaceholder or Non-Participating Wateruser.* The Idaho Power Company shall, subject to the limitations of Article 16 and Article 18 of the Government Contract, be entitled to schedule for release and to utilize for power generation at the Powerplant and at the downstream powerplants of the Idaho Power Company the water accruing to the storage space of a Defaulted Spaceholder or a Non-Participating Wateruser that is made available under the procedures of Article 17 of the Government Contract; provided, however, that any such water may be utilized only during the period of May 15 through December 31 of the year in which such water is made available and only under a schedule of release so that the quantity of such water released during the period of November 1 through December 31 without regard to other released water, will not result in releases of water at the Minidoka Dam and Reservoir in excess of the hydraulic capacity of the Minidoka Powerplant as it now exists or as it may be enlarged in the future.

The Idaho Power Company agrees to make the Supplemental Falling Water Payments contemplated herein, whether or not the Idaho Power Company actually uses the water for power generation during the period it has the right to use such water or whether or not any or all of such water is actually available in the Replacement Dam as a result of failure to completely fill the reservoir in the preceding storage seasons due to inadequate streamflow or as a result of the occurrence of any of the events described in Section 4.8 hereof.

SECTION 3.6. *Net Contract; Non-Terminability.* This is a "net contract," and the Falling Water Payments and the Supplemental Falling Water Payments required to be made hereunder or pursuant hereto by the Idaho Power Company shall be paid without notice (other than the notice contemplated by the second sentence of Section 3.4(A) hereof), or demand and without any offset, counterclaim, deduction, defense, abatement, suspension, deferment or diminution of any kind or for any reason.

SECTION 3.7. *Non-Termination of Falling Water Contract or Idaho Power Company Obligation.* This Falling Water Contract shall not terminate, nor shall the Idaho Power Company have any right to

terminate this Falling Water Contract or its obligations under this Falling Water Contract, or be entitled to the abatement, deferment or diminution of any Installment of the Falling Water Payments or of any of the Supplemental Falling Water Payments required to be made by the Idaho Power Company hereunder, nor shall the obligations of the Idaho Power Company be affected by reason of:

(A) any defect or impairment of the Constructing Agency's title to the Replacement Dam, or any portion thereof, during the construction of the American Falls Replacement Dam Program or the failure to complete substantially the construction of the Replacement Dam, the Related Facilities or the Water Quality Facilities;

(B) any defect or impairment of the Construction Agency's right to contract with the Idaho Power Company for the use of the Falling Water or to any right provided or intended to be provided by Constructing Agency to Idaho Power Company hereunder;

(C) the damage to or destruction of the Replacement Dam, the Water Quality Facilities or the Powerplant, or any portion thereof, by any cause, including without limitation, fire, earthquake, explosion, wind, hail or flood;

(D) the taking of the Replacement Dam or the Powerplant, or any portion thereof, or the use thereof, by any condemnation or other eminent domain proceeding;

(E) the prohibition, limitation or restriction on the construction, operation or maintenance of the Replacement Dam, the construction, operation or maintenance of the Water Quality Facilities, the construction, operation or maintenance of the Powerplant, or of the Idaho Power Company's rights hereunder to the utilization of the Falling Water at the Powerplant for power generation or the interference with the operation by the Idaho Power Company of the Powerplant or with any such right of use by any person;

(F) any eviction of the Construction Agency or the Idaho Power Company from the Replacement Dam or the Powerplant, or any portion thereof, by paramount title or otherwise or the loss of the License by the Idaho Power Company;

(G) any default on the part of the Constructing Agency under this Falling Water Contract, or under any other contract;

(H) any claim as a result of the transactions contemplated by the Indenture, the Spaceholder Contracts, the Government Contract, or of any other business dealings of the Constructing Agency or the Idaho Power Company;

(I) any mortgage, pledge, sale, assignment or transfer by the Idaho Power Company of the Powerplant or the use of the Falling Water, or any portion or portions thereof, or any portion of its rights under this Falling Water Contract, or under any contract;

(J) the impossibility or illegality of performance by any or all of the parties hereto, the parties to the Spaceholder Contracts, or the parties to the Government Contract;

(K) force majeure;

(L) any action or pending action of any court, administrative agency or other governmental authority;

(M) any order or decision of a court of competent jurisdiction, either state or Federal, which shall hold that the provisions of the Government Contract which provide for the disposition of the water accruing to the space of a Non-Participating Wateruser are invalid or in whole or in part unenforceable;

(N) any order of the Federal Power Commission pursuant to Article 48 of the License requiring the Idaho Power Company to pay annual charges for the purpose of recompensing the United States for the use, occupancy and enjoyment of the Replacement Dam; or

(O) any other cause, whether similar or dissimilar to the foregoing, any present or future law notwithstanding.

ARTICLE IV

GOVERNMENT CONTRACT

SECTION 4.1. *Plans for the Construction of the American Falls Replacement Dam Program.* Pursuant to the provisions of Article 10(a) of the Government Contract, the Constructing Agency is responsible for the preparation of the plans for the American Falls Replacement Dam Program. Such plans for the Replacement Dam shall be substantially in accordance with the construction plans for the Replacement Dam contemplated at the Engineering Review Session in San Francisco, California, on October 8 and 9, 1974, and shall provide, among other things, for the following:

(A) The construction of a Replacement Dam having:

(1) a reservoir with an active capacity of 1,700,000 acre-feet;

(2) a spillway, outlet works, and power penstocks capable of passing an approved design flood without exceeding a maximum water surface elevation of 4354.5 feet above mean sea level U.S.C.&G.S. datum;

(3) a two-lane highway on the crest of the Replacement Dam adequate to meet the then current United States Department of Transportation Standards for Federal-Aid Secondary Highway Two-Lane Traffic;

(4) appropriate controls of spillway, intake, and sluiceway gates for operation of the Replacement Dam in the event of an emergency at the Powerplant; and

(5) sufficient portions of the Existing Dam removed to permit evacuation of the total active capacity of the Replacement Dam at a satisfactory rate to permit full utilization of the storable water.

(B) The construction of the Related Facilities.

(C) The construction, operation, and maintenance of the Water Quality Facilities.

(D) The construction, operation, and maintenance of the Recreation and Fish and Wildlife Mitigation Facilities.

(E) Provision for the relocation or replacement of the residence occupied by the Falls Irrigation District's personnel. The plan for the construction of the Replacement Dam and the Powerplant shall be such as not to interfere with the Falls Irrigation District pumping plant, nor to destroy the Old Island Powerplant unless first approved by the Contracting Officer.

(F) A proposed Construction Work Schedule and a proposed Plan of Operation.

(G) Provision for power intake structures, power penstocks, and attachment facilities to the penstocks of the Powerplant with a precise boundary line between the Replacement Dam and the Powerplant.

(H) The two-lane highway bridge located immediately downstream from the Replacement Dam adequate to meet the then current United States Department of Transportation Standards for Federal-Aid Secondary Highway Two-Lane Traffic, pursuant to the agreement dated November 23, 1973, between the United States and the State of Idaho, and the agreement dated November 27, 1974, between the Constructing Agency and the State of Idaho, and which two-lane highway bridge shall be utilized to satisfy the requirements of Section 2(c) of the Act of December 28, 1973.

SECTION 4.2. *Permits for Construction.* The Constructing Agency, pursuant to Article 11(a) of the Government Contract, has obtained from the Contracting Officer such special use permits and will, in accordance with Article 11(c) and (d) of the Government Contract, secure title to all lands not owned by the United States, or such interest therein, and all permits and licenses which are required for the Construction Agency to construct the Replacement Dam, the Related Facilities and the Water Quality Facilities designated in the Plans, Designs and Specifications approved by the Contracting Officer, as contemplated in this Falling Water Contract and in the Government Contract. The Idaho Power Company hereby grants to the Constructing Agency such licenses, permits and easements over and through the lands of the Idaho Power Company adjacent to the Replacement Dam which are within the project area as defined in the License as shall be necessary for the Constructing Agency to construct the Replacement Dam, the Related Facilities and the Water Quality Facilities according to the Plans, Designs and Specifications approved by the Contracting Officer, as contemplated in this Falling Water Contract and in the Government Contract.

SECTION 4.3. *Approval of Designs and Specifications.* As provided in the Act of December 28, 1973, and the Government Contract, the Idaho Power Company acknowledges that construction of the Replacement Dam, of each of the Related Facilities and of the Water Quality Facilities shall not be initiated until the Contracting Officer has approved in writing the Plan of Operation, the Construction Work Schedule and the applicable portion of the Designs and Specifications. The Constructing Agency and the Idaho Power Company shall abide by such Designs and Specifications, the Plan of Operation and the Construction Work Schedule.

SECTION 4.4. *Operation of Replacement Dam During Construction.* As provided in Article 13 of the Government Contract, the United States shall continue to operate and maintain the Existing Dam during the construction of the Replacement Dam. The Contracting Officer shall coordinate the storage and release of water to facilitate the construction of the Replacement Dam under the approved Plan of Operation. Daily operations under the approved Plan of Operation shall be determined by the Contracting Officer after consultation with the Constructing Agency and the Idaho Power Company, taking into account weather conditions, anticipated peak floodflows, irrigation water requirements, and construction activities.

If the Contracting Officer determines that the construction of the Replacement Dam or the Powerplant is interfering with the operation of the Existing Dam contrary to the approved Plan of Operation, the Constructing Agency, or the Idaho Power Company, or both, upon notification, shall immediately modify construction to permit the Contracting Officer to operate the Existing Dam or the Replacement Dam, or both, as contemplated in the approved Plan of Operation.

The proposed Plan of Operation provides for the evacuation of stored water from the Existing Dam and the passing of inflow in lieu of storing. The Idaho Power Company has heretofore advised the Constructing Agency and the Contracting Officer that such operation is acceptable to the Idaho Power Company.

At such time during the construction of the Replacement Dam that water control at the Existing Dam is transferred to water control at the Replacement Dam, the United States shall assume operation of the facilities which control the storage and release of water through the Replacement Dam.

SECTION 4.5. *Title to Replacement Dam, Related Facilities and Water Quality Facilities in United States upon Completion.* The Act of December 28, 1973, and the Government Contract provide that the United States shall take title to the Replacement Dam, the Related Facilities, and the Water Quality Facilities upon the determination by the Secretary that construction is substantially complete. Such title shall remain in the United States until otherwise provided by Congress. Upon substantial completion of the construction of the Replacement Dam and the Related Facilities the United States will operate and maintain the Replacement Dam and the Related Facilities as part of the Minidoka Project for the beneficial use of the water on the land within the service areas of the Spaceholders pursuant to Section 8 of the Reclamation Act of June 17, 1902 (32 Stat. 388).

The Constructing Agency will execute such conveyances of title of the Replacement Dam, the Related Facilities, and the Water Quality Facilities as shall be necessary to vest title thereto in the United States, pursuant to the requirements of the Act of December 28, 1973, and the Government Contract. The Constructing Agency agrees that it will recognize, in any such instruments or conveyances of title to the Replacement Dam, the Related Facilities and the Water Quality Facilities, the continued right of the Idaho Power Company during the term of its License or any continuation or renewal thereof, to utilize the Falling Water at the Powerplant for power generation in accordance with the provisions of the License or any continuation or renewal thereof, within the limitations specified in the Government Contract, pursuant to Section 4 of the Act of December 28, 1973, and Articles 18(a) and (b) of the Government Contract, so long as the Idaho Power Company is not in default under the provisions of this Falling Water Contract. The Idaho Power Company recognizes that title to the Replacement Dam during the term of its License or any continuation or renewal thereof, shall be vested in the United States.

As provided in Article 14(d) of the Government Contract, upon the acceptance of the final transfer review memoranda, the correction of any construction deficiencies therein specified, the submission of the documents and equipment specified in Article 14(c) of the Government Contract and the giving of notice by the Secretary to the Constructing Agency, the Trustee and the Idaho Power Company, construction of the Replacement Dam, the Related Facilities and the Water Quality Facilities shall be deemed to have been completed. The determination of completion of construction by the Secretary in accordance with the applicable provisions of the Government Contract shall be binding upon the Idaho Power Company. The Idaho Power Company agrees to cooperate with the Constructing Agency, the Secretary and the Authorized Representatives in the furnishing of any or all of the documents or copies thereof and equipment set forth in Article 14(c) of the Government Contract as shall be necessary to aid in the determination of the Secretary that construction of the Replacement Dam, the Related Facilities and the Water Quality Facilities is complete.

SECTION 4.6. *Operation and Maintenance of Replacement Dam by United States.* The Idaho Power Company agrees to the provisions of the Government Contract governing operation and maintenance of the Replacement Dam. The following Articles of the Government Contract are incorporated herein and made a part hereof as follows:

(A) Article 16 which reads:

The Replacement Dam will be operated by the United States in a manner so that (1) the present proportionate storage rights of the Spaceholders shall not be altered or changed except as provided herein and in the Spaceholder Contracts, (2) the water surface elevation of the Replacement Dam shall not exceed a maximum of 4354.5 feet above mean sea level U.S.C. & G.S. datum, and (3) the primary irrigation purpose and the incidental purposes of the Minidoka Project shall not be impaired by the subordinate utilization for power generation at the Powerplant of the water released from the Replacement Dam. The United States is not obligated to operate the Replacement Dam in a manner to have water in the Replacement Dam at elevations for power generation or to operate to increase the head in the Replacement Dam for power generation.

(B) Article 18(d) which reads:

In the event that the Contracting Officer determines that the water being released from the Replacement Dam through the Powerplant does not meet the amended State of Idaho water quality dissolved oxygen standard, as approved on April 17, 1975, by the United States Environmental Protection Agency, the Contracting Officer, after oral notice to the Idaho Power Company's American Falls Powerplant Chief Operator, may bypass part or all of such water around the Powerplant until satisfactory arrangements are made to meet such standard. The Contracting Officer in such circumstances will attempt to bypass only the amounts of water necessary to meet such standard. As contemplated in the Water Quality Facilities Agreement the Constructing Agency, the Contracting Officer, and the Idaho Power Company shall develop

operating criteria for the Water Quality Facilities and following mutual agreement on such criteria, the operation of the Water Quality Facilities or the bypassing of the water which is being released from the Replacement Dam around the Powerplant, or both, shall be in accordance with such criteria.

(C) Article 18(e) which reads:

The entitlement of the Idaho Power Company to utilize for power generation at the Powerplant the water released from the Replacement Dam under the provisions of this Article is subject at all times to scheduled interruptions for inspections, maintenance, and repairs of the Replacement Dam and at all times for any emergency operating situations relating to the Replacement Dam. In any such event, the Contracting Officer, in cooperation with the Constructing Agency and the Idaho Power Company, will endeavor to correct expeditiously such situations to permit the utilization for power generation at the Powerplant of the water released from the Replacement Dam.

(D) Article 18(f) which reads:

The Contracting Officer during the period that water is being released from the Replacement Dam for irrigation use by the Spaceholders, will provide to the Idaho Power Company from time to time schedules of anticipated water releases from the Replacement Dam in such form and detail as shall be mutually determined from time to time between the Contracting Officer and the Idaho Power Company and the Idaho Power Company will provide to the Contracting Officer its schedule of the amount of such releases anticipated by the Idaho Power Company to be used for power generation at the Powerplant. In the event the Idaho Power Company changes its schedule or in the event of an emergency, the Idaho Power Company shall promptly inform the Contracting Officer, so that the Contracting Officer can cause appropriate adjustments to be made in the outlet gates of the Replacement Dam. The providing to the Idaho Power Company by the Contracting Officer of schedules of anticipated water releases in no way guarantees that such schedules will be followed and the right to utilize the water released from the Replacement Dam for power generation at the Powerplant is subject to the provisions hereof, particularly to the limitation that the water releases from the Replacement Dam are to be determined at all times by the Contracting Officer. The Idaho Power Company, however, shall retain the right to schedule its stored water under its Spaceholder Contract and the water available to the Idaho Power Company, if any, under the provisions and limitations of (b) of this Article and schedules for the release of such water shall be provided by the Idaho Power Company.

(E) Article 22(a) which reads:

The Contracting Officer, after an opportunity has been offered to the Constructing Agency for consultation, shall have the right to make rules and regulations consistent with the provisions of this Government Contract and the laws of the United States, to add to or to modify such rules and regulations as may be deemed proper and necessary to carry out this Government Contract, and to supply necessary details of its administration which are not covered by express provisions hereof. Such rules and regulations shall (i) not limit the right of the Idaho Power Company, pursuant to the provisions of the Falling Water Contract, to utilize for power generation at the Powerplant the water released from the Replacement Dam so long as the Idaho Power Company is not in default thereunder, (ii) not limit the right of any Spaceholder to the stored water pursuant to the provisions of a Spaceholder Contract so long as the Spaceholder is not in default thereunder, or (iii) not limit the right of the Constructing Agency under the laws of the State of Idaho to collect the Falling Water Payments or the Supplemental Falling Water Payments under the Falling Water Contract or the payments due to the Constructing Agency from the Spaceholders under the Spaceholder Contracts. The Constructing Agency shall observe such rules and regulations.

SECTION 4.7. *Operation of Water Quality Facilities.* The Water Quality Facilities shall be operated and maintained in accordance with the provisions of the Water Quality Facilities Agreement as the same may be from time to time amended. The Constructing Agency shall notify the Administrator, Environmental Services Division, Idaho Department of Health and Welfare, when construction of the Replacement Dam has been commenced. The Constructing Agency shall notify the Regional Administrator, U. S. Environmental Protection Agency, Region X, upon receipt of the notice from the Contracting Officer pursuant to Section 14(d) of the Government Contract, that construction of the Replacement Dam, the Related Facilities, and the Water Quality Facilities has been completed.

SECTION 4.8. *No Liability for Water Shortage or Interruption.* No liability shall accrue against the United States or any of its officers, agents, or employees, or against the Constructing Agency, for damage, direct or indirect, arising by reason of shortages in the quantity of water available through the Existing Dam or the Replacement Dam or interruptions in water releases resulting from drought, inaccuracy in distribution, hostile diversion, prior or superior claims, accident to or failure of the Existing Dam or the Replacement Dam, or the bypassing of water around the Powerplant pursuant to Article 18(d) of the Government Contract, whether or not attributable to negligence of the officers, agents, or employees of the United States or the Constructing Agency, or other causes of whatsoever kind; nor shall the obligations of the Idaho Power Company to the Constructing Agency under this Falling Water Contract be reduced by reason of such shortages or interruptions.

SECTION 4.9. *Idaho Power Company Spaceholder Contract.* The Idaho Power Company's rights, duties and obligations as a Spaceholder are governed exclusively by the Spaceholder Contract of even date herewith entered into among the United States, the Constructing Agency, and the Idaho Power Company, and not by the terms and conditions of this Falling Water Contract, except as provided in Section 2.3(i) hereof.

SECTION 4.10. *Suspension or Termination of Use of Falling Water by Idaho Power Company upon Default.* In the event of the failure of the Idaho Power Company to pay when due all or any part of any Installment of the Falling Water Payments or any Supplemental Falling Water Payment as contemplated in this Falling Water Contract, the Trustee, on behalf of the Constructing Agency, or the Constructing Agency, shall request the Contracting Officer to take such steps pursuant to Article 18(c) of the Government Contract as shall be necessary to suspend all rights of the Idaho Power Company to the use of the Falling Water or any water accruing to the storage space of a Defaulted Spaceholder or of a Non-Participating Wateruser. The Secretary has, by his approval of this Falling Water Contract, acknowledged his duty, upon request of the Trustee on behalf of the Constructing Agency, or the Constructing Agency, to implement, or to cause to be implemented, the provisions of this Falling Water Contract and of the Government Contract which provide for the suspension or termination of the Idaho Power Company's right to the use of the Falling Water or water accruing to the storage space of a Defaulted Spaceholder or of a Non-Participating Wateruser.

SECTION 4.11. *Termination of Government Contract and Falling Water Contract.* The Constructing Agency will not, during the Original Term or any Renewal Term, consent to the termination of the Government Contract pursuant to Article 9(b) of the Government Contract, so long as the Idaho Power Company is not in default under any of the provisions of this Falling Water Contract and so long as the License or any continuation or renewal thereof is in full force and effect.

The Constructing Agency shall promptly advise the Idaho Power Company of the receipt of notice of termination of the Government Contract given pursuant to the provisions of Article 9(c) of the Government Contract, in which event this Falling Water Contract shall be deemed to have been terminated unless within 60 days after the giving of such notice by the Contracting Officer, the Constructing Agency has contracted to sell the Series 1976 Bonds or Interim Notes to construct or equip the Replacement Dam.

Either the Constructing Agency or the Idaho Power Company may terminate this Falling Water Contract after April 1, 1977, by the giving of notice to the other, unless prior to the giving of such

notice or within 60 days after the giving of such notice by the Idaho Power Company the Constructing Agency has contracted to sell the Series 1976 Bonds or Interim Notes to construct or equip the Replacement Dam.

ARTICLE V

Federal Power Commission License

SECTION 5.1. *Federal Power Commission License.* The Idaho Power Company has received a fifty (50) year License from the Federal Power Commission for the construction, operation, and maintenance by the Idaho Power Company of the Powerplant attached to the Replacement Dam, which License was initially conditioned upon commencement of construction of the Powerplant within two years from the effective date of the License, and completion within four years from the effective date of the License.

SECTION 5.2. *Documents Filed with Federal Power Commission.* The Idaho Power Company shall promptly file with the Federal Power Commission an executed copy of this Falling Water Contract, together with executed copies of all other contracts and documents required to be so filed in Article 36 of the License.

SECTION 5.3. *Compliance with License.* The Idaho Power Company shall comply with the provisions of the License and with the license for Project 2258 so long as the same shall be in full force and effect.

SECTION 5.4. *Notice of Amendment to License.* The Idaho Power Company shall give notice to the Contracting Officer and the Constructing Agency of any amendments to the License within 30 days after the effective date of any such amendment.

SECTION 5.5. *Failure to Renew License.* If after the expiration of the initial term of the License the Federal Power Commission fails to issue a renewal license to the Idaho Power Company, the Idaho Power Company and the Constructing Agency hereto will make all reasonable efforts to have the Federal Power Commission require as a condition to the granting of a license to a party other than the Idaho Power Company that (A) the new licensee shall pay the net investment of the Idaho Power Company in the Powerplant and such other amounts as are then permitted by law, plus reasonable severance damages of the Idaho Power Company, if any, and (B) the new licensee shall assume all contracts of the Idaho Power Company relating to the Powerplant.

ARTICLE VI

Authorized Representatives

SECTION 6.1. *Authorized Representatives.* Recognizing the need to coordinate the construction of the Powerplant with the construction of the American Falls Replacement Dam Program, the interests of the Spaceholders in effecting construction cost savings which will result in minimizing their Spaceholder Bond Payments, and as a means of securing effective cooperation between the Constructing Agency and the Contracting Officer, and among the Constructing Agency, the Idaho Power Company and the Spaceholders in resolving, on a prompt and orderly basis, the various administrative, technical, financing, construction, ownership and operating issues which may arise in connection with the performance of this Falling Water Contract, the Spaceholder Contracts, and the Water Quality Facilities Agreement, the Constructing Agency, the Idaho Power Company and the Spaceholders shall each name an Authorized Representative.

There shall be three Authorized Representatives, consisting of the Authorized Company Representative designated by the Idaho Power Company, the Authorized Constructing Agency Representative designated by the Constructing Agency and the Authorized Spaceholder Representative designated by the Spaceholders, in the manner provided in the Spaceholder Contracts. Each Authorized Representative

shall be authorized by the party or parties by whom he is designated to act on their behalf with respect to those matters herein provided to be responsibilities of the Authorized Representatives.

The Constructing Agency and the Idaho Power Company shall promptly notify each other and the Contracting Officer of the designation of their Authorized Representatives and of any subsequent changes in such designation. As provided in the Spaceholder Contracts, the Contracting Officer, the Idaho Power Company and the Constructing Agency shall be advised promptly of the designation of the Authorized Spaceholder Representative.

The Constructing Agency, the Idaho Power Company and the Spaceholders shall each have the power to appoint an alternate Authorized Representative.

SECTION 6.2. *Responsibilities of Authorized Representatives.* (A) The responsibilities of the Authorized Representatives prior to the Completion Date shall be:

(1) to approve the award of any construction or equipment contract in connection with the American Falls Replacement Dam Program;

(2) to establish general policies to be followed in the administration of this Falling Water Contract, in the construction of the American Falls Replacement Dam Program as it relates to this Falling Water Contract, and, to the extent such policies are relevant to the subject matter of this Falling Water Contract, in the construction of the Powerplant;

(3) to establish general policies and practices to be followed in the administration and coordination of the construction of the Powerplant with the construction of the Replacement Dam;

(4) to consult with the Contracting Officer concerning any policies which might hereafter be required among the Constructing Agency, the Idaho Power Company, the Spaceholders, and the Contracting Officer, or any of them, concerning the construction of the American Falls Replacement Dam Program or the construction of the Powerplant;

(5) to establish procedures for consultation with respect to notices received by the Constructing Agency from the Contracting Officer under Article 12(d) of the Government Contract; and

(6) to do such other things as are specifically assigned to the Authorized Representatives during the Construction Period.

(B) The responsibilities of the Authorized Representatives after the Completion Date shall be limited to:

(1) matters pertaining to the collection and payment of the Spaceholder Bond Payments, the Spaceholder Water Quality Facilities Operation and Maintenance Payments, the Falling Water Payments and the Supplemental Falling Water Payments, to the extent necessary;

(2) consultation concerning any policies which might hereafter be required among the Contracting Officer, the Constructing Agency, the Idaho Power Company and the Spaceholders, or any of them, concerning operation and maintenance of the Water Quality Facilities and payment of the costs thereof as provided in the Spaceholder Contracts and the Water Quality Facilities Agreement; and

(3) collection of and payment by the Idaho Power Company and the Spaceholders of the fees, charges and expenses of the Trustee and any paying agent bank contemplated in Section 1002 of the Indenture.

SECTION 6.3. *Procedures of Authorized Representatives.* The establishment of any procedure or practice and any other action or determination by the Authorized Representatives shall be made by unanimous agreement to become effective when signed by each of the Authorized Representatives. The Authorized Representatives shall have no authority to modify any of the provisions of this Falling Water

Contract, the Spaceholder Contracts, the Government Contract, or the Water Quality Facilities Agreement, nor shall they establish policies, rules, or regulations which are not in accordance with policies, rules, or regulations established by the Contracting Officer with respect to the construction of the American Falls Replacement Dam Program or the operation and maintenance of the Replacement Dam, the Related Facilities or the Water Quality Facilities, or which conflict with the approved Plan of Construction, the Plan of Operation or the Designs and Specifications.

SECTION 6.4. *Continued Responsibility of Constructing Agency.* With respect to all matters contemplated in Article IX hereof, the Constructing Agency shall consult with the Authorized Representatives in connection with the issuance of the Series 1976 Bonds, however, the Constructing Agency shall at all times comply with the State Act in the performance of its duties contemplated hereunder in connection with the issuance of the Series 1976 Bonds.

The Constructing Agency shall conform to any public bidding requirements applicable to it in connection with the construction of the American Falls Replacement Dam Program.

If, at any time, it is determined by a court of competent jurisdiction that any responsibilities assigned to the Authorized Representatives under the provisions of this Falling Water Contract constitute an undue delegation of power of the Constructing Agency, action shall be taken by the Constructing Agency, the Idaho Power Company and the Spaceholders in order to comply with the court determination and, if legally permissible and desirable under the determination of the court the Constructing Agency shall be substituted for the Authorized Representative appointed by the Constructing Agency.

ARTICLE VII

COORDINATION OF CONSTRUCTION OF REPLACEMENT DAM AND POWERPLANT AND ASSIGNMENT OF CONSTRUCTION COSTS

SECTION 7.1. *Coordination of Construction of Powerplant with Construction of Replacement Dam.* Pursuant to the provisions of Section 4 of the Act of December 28, 1973, the construction of the Powerplant by the Idaho Power Company shall be such that it is coordinated with the construction of the Replacement Dam pursuant to the approved Plan of Construction, Plan of Operation and the Designs and Specifications. To this end the Constructing Agency and the Idaho Power Company shall, at the earliest possible date after the execution hereof and to the extent not theretofore approved, cooperate one with the other in the submission by the Constructing Agency to the Contracting Officer for approval of the Plan of Construction and the Construction Work Schedule to the extent necessary to provide for the coordination of construction of the Powerplant with the construction of the Replacement Dam.

SECTION 7.2. *Constructing Agency in Owner Capacity during Construction.* The Constructing Agency, in accordance with the provisions of the Act of December 28, 1973, and the Government Contract, shall act in the capacity of owner of the Replacement Dam, the Related Facilities and the Water Quality Facilities during the Construction Period and in such capacity shall have and exercise all ownership responsibilities with respect thereto, except as provided by Article 13(c) of the Government Contract, until the United States shall take title thereto as contemplated in Article 14 of the Government Contract.

SECTION 7.3. *Construction Engineer.* During the Construction Period and the period of construction of the Powerplant the Constructing Agency and the Idaho Power Company shall each retain on a continuous basis as a construction engineer, an Independent Engineer of national reputation, recognized for knowledge, skill and experience in the design and construction of major dams and hydroelectric facilities, except that in lieu of an Independent Engineer Idaho Power Company may use its own engineering staff for such purpose.

SECTION 7.4. *Books and Records; Federal Power Commission Requirement.* The Authorized Representatives shall administer the maintenance and preservation, by the Constructing Agency of appropriate records and books of account, containing detailed entries of the Cost of Construction and, where

applicable to the construction of the American Falls Replacement Dam Program, of appropriate records and books of account of the Idaho Power Company containing detailed entries of all costs of engineering, financing and constructing the Powerplant. Accounting for all of such costs shall be in accordance with the requirements of the Federal Power Act, if any, and the requirements of the Federal Power Commission (presently FPC Form No. 6), as such requirements may be modified by the Federal Power Commission from time to time. The basic records and documents shall be made available to the Authorized Representatives, to the Contracting Officer, and to the Federal Power Commission for inspection during regular business hours upon reasonable notice and request therefor.

SECTION 7.5. *Assignment of Facilities of the American Falls Replacement Dam Program.* The Constructing Agency shall be responsible for the Cost of Construction of the American Falls Replacement Dam Program. In order to assist in the coordination of the construction of the Powerplant with the construction of the American Falls Replacement Dam Program and with particular reference to the determination of respective cost responsibilities as between the Constructing Agency and the Idaho Power Company, the Cost of Construction of the American Falls Replacement Dam Program shall be assigned and prorated as provided in Section 7.9 hereof to the following generally described items:

(A) Land and Land Rights.

(B) Structures and Improvements (Recreational Facilities, Fish and Wildlife Facilities only).

(C) Reservoirs, Dams and Waterways, including penstock gates and facilities on the upstream side of the Replacement Dam and the penstock extending through the Replacement Dam to the boundary line on the downstream face of the Replacement Dam.

(D) Roads, Railroads and Bridges.

SECTION 7.6. *Assignment of Powerplant Facilities.* The Idaho Power Company shall be responsible for the cost of construction of the Powerplant as contemplated in this Falling Water Contract. In order to assist in the coordination of the construction of the Powerplant with the construction of the American Falls Replacement Dam Program and with particular reference to the determination of the respective cost responsibilities as between the Constructing Agency and the Idaho Power Company, the cost of construction of the Powerplant shall be assigned and prorated as provided in Section 7.9 hereof to the following generally described Federal Power Commission Accounts in effect on January 1, 1970, as related to hydraulic production plant:

No. 300—Land and Land Rights

No. 331—Structures and Improvements (all except Recreational Facilities and Fish and Wildlife Facilities).

No. 332—Reservoirs, Dams and Waterways (only penstock and waterways downstream from the boundary line on the downstream face of the Replacement Dam).

No. 333—Waterwheels, Turbines and Generators.

No. 334—Accessory Electric Equipment, including control to intake and sluice gates.

No. 335—Miscellaneous Powerplant Equipment.

No. 397—Communication Equipment.

SECTION 7.7. *Completion Audits.* Within ninety (90) days after the Completion Date, the Authorized Representatives shall be supplied by the Constructing Agency with an audit of the Construction Fund and by the Idaho Power Company an audit of construction accounts established by the Idaho Power Company in connection with the construction of the Powerplant. The cost of the audit of the Construction Fund shall be included by the Constructing Agency as a Cost of Construction. The Idaho Power Company shall be responsible for the cost of the audit of the construction accounts established in connection with the construction of the Powerplant. Each such audit shall be made by a firm of independent certified public accountants, licensed, registered and entitled to practice as such

under the laws of the State of Idaho. A copy of each audit showing the Cost of Construction of the American Falls Replacement Dam Program and the costs of construction of the Powerplant, in reasonable detail, and the amount each party has theretofore paid for such purposes, shall be furnished promptly to the Constructing Agency, the Idaho Power Company, the Trustee, the Contracting Officer, and the Spaceholders.

SECTION 7.8. *Ownership of Powerplant.* At all times mentioned herein and after the construction of the Powerplant by the Idaho Power Company, the ownership of the Powerplant shall be in the Idaho Power Company in accordance with the provisions of the License.

SECTION 7.9. *Initial Assignment of Cost Responsibilities.* At the earliest practical date after the Designs and Specifications are approved by the Contracting Officer and after the final designs and specifications for the Powerplant are available, the Authorized Representatives, in consultation with the Independent Engineers, shall identify and assign to the Constructing Agency or to the Idaho Power Company by the cost accounts described in Section 7.4 hereof, the following:

(A) the work items and quantities of materials and excavation which are identifiable as related solely to the construction of the American Falls Replacement Dam Program or to the construction of the Powerplant, and

(B) the work items and quantities of materials and excavation which are so related both to the construction of the American Falls Replacement Dam Program and the construction of the Powerplant as not to be separately identifiable.

The assignment under (B) shall be to the Constructing Agency and the Idaho Power Company in accordance with criteria mutually agreed to by the Authorized Representatives. Such criteria shall be based on the ratio of cost savings to be derived from the particular item either by the function of the Replacement Dam or by the function of the Powerplant, if determinable, otherwise equally. The initial assignment of cost responsibilities shall be reduced to writing and copies shall be supplied to the Constructing Agency, the Idaho Power Company, the Contracting Officer, and the Authorized Spaceholder Representative. Such assignment of cost responsibilities for the American Falls Replacement Dam Program shall not be construed as an allocation of such costs for other than the primary irrigation purpose and the incidental purposes of the Minidoka Project.

SECTION 7.10. *Final Assignment of Cost Responsibilities.* Upon receipt from the Secretary of the notice of completion of construction of the Replacement Dam, the Related Facilities, and the Water Quality Facilities as provided for in Article 14(d) of the Government Contract, the Authorized Representatives, in consultation with the Independent Engineer, shall review the initial assignment of cost responsibilities, modify the same to conform to the actual work items and quantities of materials and excavation in accordance with the criteria previously established pursuant to Article 7.9 hereof, compute the actual Cost of Construction of the American Falls Replacement Dam Program which is the responsibility of the Constructing Agency, and to the extent applicable, the actual cost of construction of the Powerplant which is the responsibility of the Idaho Power Company. The review and modification shall also take into account any sums required to be paid by or to the Constructing Agency pursuant to Section 4 of that certain agreement dated November 27, 1974, between the Constructing Agency and the State of Idaho providing for the two-lane highway on the crest of the Replacement Dam and the two-lane highway bridge located immediately downstream from the Replacement Dam. This final assignment of cost responsibilities shall be reduced to writing and copies supplied to the Constructing Agency, the Idaho Power Company, the Contracting Officer, and the Authorized Spaceholder Representative.

After completion of the above required computation, the Authorized Representatives shall give notice to the Constructing Agency of any then unreimbursed costs which were incurred by the Idaho Power Company and which are assigned pursuant to the final assignment of cost responsibilities, in

whole or in part, to the Constructing Agency. The Constructing Agency shall thereupon reimburse the Idaho Power Company from the Construction Fund for such costs as are itemized in the notice.

After completion of the above required computation, the Authorized Representatives shall give notice to the Idaho Power Company of any then unreimbursed costs which were incurred by the Constructing Agency and which are assigned pursuant to the final assignment of cost responsibilities, in whole or in part, to the Idaho Power Company. The Idaho Power Company shall thereupon reimburse the Constructing Agency for such costs as are itemized in the notice. Any such reimbursement shall be deposited into the Construction Fund.

SECTION 7.11. *Arbitration.* Any controversy or claim arising out of or relating to any assignment of cost responsibilities pursuant to this Article VII shall be settled by arbitration in accordance with the Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be introduced in any court having jurisdiction thereof.

ARTICLE VIII

ENGINEERING, FINANCING AND CONSTRUCTION OF AMERICAN FALLS REPLACEMENT DAM PROGRAM

SECTION 8.1. *Cost Estimates; Plans, Designs and Specifications.* The Constructing Agency shall arrange for the preparation of the Plans, Designs and Specifications for submission to the Contracting Officer. The Constructing Agency and the Idaho Power Company shall obtain cost estimates on the Designs and Specifications based on the initial assignment of cost responsibilities determined as provided in Section 7.9 hereof, together with such other costs and estimates as are necessary for the Constructing Agency and the Idaho Power Company to make such filings and obtain such approvals, consents and authorizations as may be necessary from any governmental unit, public agency or authority in connection with the construction of the American Falls Replacement Dam Program and the construction, operation, and maintenance of the Powerplant.

SECTION 8.2. *Approval of Plans, Designs and Specifications.* Pursuant to Article 10(b) of the Government Contract, the Constructing Agency is responsible for the preparation of Designs and Specifications for the American Falls Replacement Dam Program. As a condition precedent to the approval of the final Designs and Specifications for the construction of the Replacement Dam, the Constructing Agency must have submitted to, and received written approval from the Contracting Officer of, a Plan of Operation and the Construction Work Schedule. Final Designs and Specifications for any facility to be constructed or acquired as part of the American Falls Replacement Dam Program may not be issued by the Constructing Agency until the Contracting Officer has provided written approval thereof. The procedure for obtaining approval of the final Designs and Specifications which have not been approved prior to the execution of the Government Contract, is as set forth in Article 10(b) of the Government Contract.

SECTION 8.3. *Issuance of Designs and Specifications; Construction Bids; Cost Estimates.* Upon receipt by the Constructing Agency of the written approvals of the various Designs and Specifications by the Contracting Officer, the Constructing Agency shall issue specifications for the construction of the American Falls Replacement Dam Program and shall, in the manner then required by law, advertise for the submission of bids for the construction of the American Falls Replacement Dam Program. As contemplated in Section 10.1 hereof, the Idaho Power Company shall also request bids for construction of the Powerplant in accordance with its standard procedures. If mutually acceptable to the Constructing Agency and the Idaho Power Company, to the extent permitted by law, joint bidding for the construction of the Replacement Dam and the construction of the Powerplant shall be undertaken. After receipt of bids for the construction of the American Falls Replacement Dam Program and for the construction of the Powerplant by the respective parties hereto, but prior to the sale of the Series 1976 Bonds, the Authorized Representatives shall cause a final estimate of the Cost of Construction of the American

Falls Replacement Dam Program and a final estimate of the cost of construction of the Powerplant to be prepared. Included in the aforesaid final cost estimate shall be a separate identifiable estimate of the cost of the Water Quality Facilities to be included in the American Falls Replacement Dam Program.

After preparation of the final cost estimate for the American Falls Replacement Dam Program, the Authorized Representatives shall prepare a schedule setting forth the obligation of the Idaho Power Company, of each Spaceholder and, to the extent applicable, attributable to the space of each Non-Participating Wateruser, to share in the estimated Cost of Construction of the American Falls Replacement Dam Program[1]. The schedule shall be approved by the Constructing Agency and shall be filed with the Idaho Power Company, the Contracting Officer and each Spaceholder.

The Authorized Representatives shall next determine (A) the amount of money representing prepayments of Spaceholder obligations under Article 23 of the Spaceholder Contracts which should be transferred from the Prepayment Fund to the Construction Fund and (B) the amount of the Series 1976 Bonds which should be issued and the amount of the proceeds thereof deposited into the Construction Fund in order to pay the Cost of Construction. The Authorized Representatives shall thereafter recommend to the Constructing Agency the amount of the Series 1976 Bonds which should be issued.

After the Constructing Agency has determined the amount of the Series 1976 Bonds to be issued as contemplated in Section 9.3 hereof, the Authorized Representatives shall make any necessary adjustments in the schedules above contemplated to be made and shall thereupon give notice to the Contracting Officer, in accordance with Article 15(a) of the Michaud Division, Fort Hall Indian Reservation Spaceholder Contract, of the payments which will be due thereunder. The Constructing Agency shall, on or prior to the date of delivery of the Series 1976 Bonds, transfer from the Prepayment Fund to the Construction Fund the amount above computed by the Authorized Representatives which is attributable to Spaceholders prepayments.

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[1] (A) The obligation of the Idaho Power Company to share in the estimated cost of the American Falls Replacement Dam Program shall be equal to the sum of:

(1) $19,550,000,

(2) the estimated cost of the Water Quality Facilities determined under the provisions of this Section 8.3, and

(3) .486405 (see Section 9.7 hereof) times the amount by which the total estimated cost of the American Falls Replacement Dam Program exceeds $38,000,000.

(B) The obligation of each Spaceholder and, to the extent applicable, attributable to the space of each Non-Participating Wateruser, to share in the estimated cost of the American Falls Replacement Dam Program shall be computed in accordance with the following formula:

where:

SP = the Waterusers share of the estimated cost of the American Falls Replacement Dam Program

p = a Wateruser's percentage of total space

C = $38,000,000, less $19,550,000 and the estimated cost of Water Quality Facilities

A = the estimated cost of American Falls Replacement Dam Program over $38,000,000

B = Idaho Power Company's share of the estimated cost of the American Falls Replacement Dam Program over $38,000,000

then:

$SP = p\,(C + (A - B))$

SECTION 8.4. *Cost of Construction.* The Cost of Construction of the American Falls Replacement Dam Program shall consist of:

(A) payment of principal of and interest on outstanding Interim Notes, if any, issued by the Constructing Agency pursuant to the authority contained in the State Act, and

(B) payments made under Section 602 of the Indenture for:

(1) payment of the initial or acceptance fee of the Trustee;

(2) payment to the Constructing Agency, Waterusers, or Idaho Power Company, as the cast may be, of such amounts, if any, as shall be necessary to reimburse the Constructing Agency, Waterusers, or the Idaho Power Company in full for advances and payments made or costs incurred by them or any of them, prior to or after the execution of this Falling Water Contract, for expenditures in connection with the construction of the American Falls Replacement Dam Program, including, but not limited to preparation of the Plans, Designs and Specifications and review thereof by the Contracting Officer;

(3) all costs representing interest on advancements made in connection with the construction of the American Falls Replacement Dam Program prior to the sale of the Series 1976 Bonds;

(4) payments to the Contracting Officer for costs incurred in reviewing the Plans, Designs, Specifications and for costs incurred pursuant to Article 20(a) of the Government Contract in reviewing the construction of the American Falls Replacement Dam Program; costs for the obtaining of any insurance policy or policies by the Constructing Agency during the Construction Period; and costs related to the obtaining of all real and personal properties deemed necessary in connection with the construction of the American Falls Replacement Dam Program by the Constructing Agency, or any one or more of said expenditures;

(5) payment for labor, services, materials and supplies used or furnished in site improvement and in the construction of the American Falls Replacement Dam Program, all as provided in the Plans, Designs and Specifications, payment for the cost of the construction, acquisition and installation of utility services or other facilities, and all real and personal property deemed necessary in connection with the construction of the American Falls Replacement Dam Program and payment for the miscellaneous expenses incidental to any thereof, including the premium on any surety bond;

(6) payment of sums due to the State of Idaho pursuant to that certain agreement dated November 27, 1974, between the Constructing Agency and the State of Idaho providing for the two-lane highway on the crest of the Replacement Dam and the two-lane highway bridge located immediately downstream from the Replacement Dam;

(7) payment of the sums contemplated in Sections 1 and 3 of that certain agreement dated July 2, 1974, between the Constructing Agency and the Idaho Fish and Game Department with respect to the Recreation and Fish and Wildlife Mitigation Facilities;

(8) payment of audit fees and expenses for maintenance of records required to be kept hereunder, and of the fees, if any, for architectural, engineering and supervisory services with respect to the construction of the American Falls Replacement Dam Program;

(9) compensation to be paid to the Authorized Constructing Agency Representative and the Authorized Spaceholder Representative in connection with the performance of their duties and the reimbursement of their expenses incurred in connection with such duties;

(10) payment of expenses incurred in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under a contract relating to the construction of the American Falls Replacement Dam Program;

(11) payment of costs of issuance of the Bonds, and Interim Notes, any necessary litigation and confirmation proceedings, and the obtaining of all necessary permits and rulings;

(12) payment of the legal, accounting and underwriting fees and expenses and printing and engraving costs, including fees of rating agencies, incurred in connection with the authorization, sale and issuance of the Bonds and Interim Notes, the preparation of this Falling Water Contract, the Government Contract, the Spaceholder Contracts, the Water Quality Facilities Agreement, and the Indenture;

(13) payments required to be made pursuant to Article 17(g) of the Government Contract; and

(14) payment of any other costs and expenses relating to the construction of the American Falls Replacement Dam Program which would constitute a cost or expense for which moneys in the Construction Fund may be used under the Act of December 28, 1973, the State Act and the Indenture, including fees and expenses of the Trustee during the Construction Period.

SECTION 8.5. *Award or Rejection of Construction Bids.* If, in accordance with Section 8.3 hereof, joint bidding for the construction of the Replacement Dam and the construction of the Powerplant is undertaken by the Constructing Agency and the Idaho Power Company, each of the Authorized Representatives must concur in the award of any contract for construction or the purchase of equipment. If separate construction contracts are to be entered into for the construction of the Replacement Dam and the construction of the Powerplant, each of the Authorized Representatives must concur in the award of the contract for the construction of the Replacement Dam and in the award of the contracts for the purchase of equipment for the Replacement Dam; however the Authorized Constructing Agency Representative and the Authorized Spaceholder Representative need not concur in the award of contracts for the construction and equipping of the Powerplant. Nothing contained in this Falling Water Contract shall prevent the Board from exercising its discretion and rejecting any and all bids pertaining to the construction of the American Falls Replacement Dam Program or the purchase of equipment in connection therewith, and readvertising for bids.

SECTION 8.6. *Recomputation of Obligations.* If the amounts deposited into the Construction Fund pursuant to Section 8.3 hereof are or will be insufficient to pay in full the total Cost of Construction of the American Falls Replacement Dam Program, the Authorized Representatives shall from time to time revise the estimated Cost of Construction and determine the additional amounts necessary to be deposited into the Construction Fund from the Prepayment Fund and from the proceeds of Additional Bonds in order to pay the total revised Cost of Construction. The Constructing Agency shall, to the extent necessary, issue Additional Bonds as permitted under Section 207 of the Indenture for completion purposes and as contemplated in Sections 9.10 and 9.11 hereof.

In the event Additional Bonds need only be issued pursuant to Section 9.10 hereof within the initial authorization, the Authorized Representatives shall recompute the obligation of the Idaho Power Company, of each Spaceholder and, to the extent applicable, attributable to the space of each Non-Participating Wateruser, based on the revised Cost of Construction of the American Falls Replacement Dam Program and shall prepare a revised schedule of such obligations showing the increase over the initial determination for each.[1] Such schedule of obligation shall be approved by the Constructing Agency and shall be filed with the Idaho Power Company, the Contracting Officer and each Spaceholder. The Constructing Agency shall, on or prior to the date of delivery of the Additional Bonds transfer from the

[1] The respective obligations of the Idaho Power Company, each Spaceholder and, to the extent applicable, attributable to the space of each Non-Participating Waterusers, to pay the revised cost, shall be computed according to the computation set forth in Section 8.3 hereof, but substituting for the words "estimated cost" the words "revised cost" wherever they appear in the description of the computation.

Prepayment Fund to the Construction Fund the amount above computed by the Authorized Representatives which is attributable to Spaceholder prepayments. The Authorized Representatives shall also notify the Contracting Officer to increase the payments under the Michaud Division, Fort Hall Indian Reservation Spaceholder Contract accordingly.

In the event it is determined necessary to issue Additional Bonds pursuant to Section 9.11 hereof in excess of the initial authorization, and appropriate supplements to this Falling Water Contract and the Spaceholder Contracts are entered into, the Authorized Representatives shall recompute the obligation of the Idaho Power Company, of each Spaceholder and, to the extent applicable, attributable to the space of each Non-Participating Wateruser, in accordance with the principles of allocation of responsibility for the payment of the total Cost of Construction of the American Falls Replacement Dam Program in excess of the initial authorization set forth in Section 9.11 hereof and shall prepare a schedule showing the respective obligations in accordance therewith. Such schedule shall be consistent with the supplements to Spaceholder Contracts and the Falling Water Contract contemplated to be executed in Section 9.11 hereof, shall be approved by the Constructing Agency, and shall be filed with the Idaho Power Company, the Contracting Officer and each Spaceholder.

SECTION 8.7. *Computation of Actual Cost of Construction.* The Authorized Representatives, after computing the actual Cost of Construction as contemplated in Section 7.10 hereof, shall compute the obligations of Idaho Power Company, of each Spaceholder and, to the extent applicable, attributable to the space of each Non-Participating Wateruser, to pay the actual total Cost of Construction. If Additional Bonds are not issued under Section 9.11 hereof in excess of the initial authorization, then such obligations shall be computed in accordance with the computation set forth in Section 8.3 hereof, but substituting for the words "estimated cost" the words "total cost" wherever they appear in the description of the computation. If Additional Bonds are issued under Section 9.11 hereof in excess of the initial authorization, then such computation of the respective obligations shall be made in accordance with the provisions of Section 8.3 hereof as above modified and supplemented by the principles of allocation of the total Cost of Construction of the American Falls Replacement Dam Program set forth in Section 9.11 hereof and in any supplements to this Falling Water Contract and the Spaceholder Contracts. A schedule showing the final obligation of each to pay the actual total Cost of Construction shall be prepared, approved by the Constructing Agency and filed with the Idaho Power Company, the Contracting Officer and each Spaceholder. The Authorized Representatives shall then determine what sums, if any, should be retained in the Construction Fund in order to complete the American Falls Replacement Dam Program.

After the determination of the amounts needed to be retained in the Construction Fund in order to pay any Cost of Construction not then due and payable, the Constructing Agency shall cause a certificate to be filed with the Trustee pursuant to the provisions of Section 603 of the Indenture concerning the completion of the American Falls Replacement Dam Program. Such certificate shall direct the Trustee to dispose of any balance remaining in the Construction Fund, other than the amounts to be retained by the Trustee as provided in the certificate, as follows:

(A) That portion of the sums remaining in the Construction Fund attributable to prepayment by Spaceholders of their obligations under the Spaceholder Contracts shall be returned by the Trustee to the Spaceholders which made such prepayments in accordance with the percentage of active storage capacity of each such Spaceholder; and

(B) That portion remaining in the Construction Fund attributable to Spaceholders who elected to pay annual Spaceholder Bond Payments or to Idaho Power Company shall be transferred by the Trustee to the Bond Fund.

The Authorized Representatives shall also make a separate computation of the actual Cost of Construction, according to the assignment of such costs, of the Water Quality Facilities. This computation shall be filed with the Idaho Power Company, the Contracting Officer, and the Constructing Agency so that the computation contemplated to be made under paragraph 11 of the Water Quality Facilities Agreement can be completed by the Constructing Agency and the Idaho Power Company.

Any insurance rebates or dividends arising from policies taken out by the Constructing Agency in connection with the American Falls Replacement Dam Program shall, when received, be deposited into the Construction Fund. If any such rebates or dividends are received by the Constructing Agency subsequent to the closing of the Construction Fund, such rebates and dividends shall be distributed to the Spaceholders and the Idaho Power Company as their interests then appear.

ARTICLE IX

Issuance of Constructing Agency Bonds

SECTION 9.1. *Bonds; Source of Payment.* In order to provide funds for payment of all or part of the Cost of Construction of the American Falls Replacement Dam Program as set forth in Section 8.4 hereof, the Constructing Agency agrees that it will use its best efforts, at one time or from time to time, to sell and cause to be delivered to the purchasers thereof, one or more series of its Bonds in the principal amounts determined as provided in Sections 9.3, 9.10 and 9.11 hereof.

The Bonds shall be issued by the Constructing Agency pursuant to the provisions of the State Act then in force, and shall be payable solely from the special fund contemplated to be established in the State Act (Section 43-2201(D), Idaho Code).

SECTION 9.2. *Interim Notes; Idaho Power Company Guarantee of Interim Notes.* Either at or before the time the estimated Cost of the Construction of the American Falls Replacement Dam Program has been determined pursuant to Section 8.3 hereof, the Board, pursuant to the provisions of the State Act (Section 43-2202, Idaho Code), may determine it to be advisable and to be in the interests of the Constructing Agency to borrow funds temporarily in advance of the permanent financing for the payment of all or part of the Cost of Construction of the American Falls Replacement Dam Program by the issuance of one or more series of Interim Notes of the Constructing Agency. Such Interim Notes shall be issued, sold and delivered from time to time and shall be secured as provided in the State Act (Section 43-2202, Idaho Code), and the proceeds thereof shall be deposited in a fund in the hands of a bank or trust company doing business in the State of Idaho, to be disbursed by the Constructing Agency for the purposes specified in Section 8.4 hereof.

The Constructing Agency and the Idaho Power Company recognize that in order to meet the Construction Work Schedule for the American Falls Replacement Dam Program, it may be necessary to issue Interim Notes prior to the time that the Constructing Agency could market its Series 1976 Bonds. The Idaho Power Company, therefore, agrees that, in order to improve the marketability of any Interim Notes issued by the Constructing Agency, and in order to reduce the costs of borrowing represented by such Interim Notes, it will, with the consent of all regulatory agencies having jurisdiction over the Idaho Power Company for such purpose, whether state or Federal, and with the consent of all mortgage, indenture or other lien holders whose contracts or agreements with the Idaho Power Company require such consent for such purpose, simultaneously with the issuance of any Interim Notes by the Constructing Agency, to the issuance of which Interim Notes, the Idaho Power Company shall have prior thereto indicated its approval in writing, execute a guaranty agreement to the purchasers of such Interim Notes. Under the terms of the guaranty agreement the Idaho Power Company shall unconditionally guarantee to the holders at any time, and from time to time, of the Interim Notes of the Constructing Agency (a) the full and prompt payment of the principal of any Interim Note when and as the same shall become due, whether at the stated maturity thereof, by acceleration, or call for redemption or otherwise, and (b) the full and prompt payment of any interest on any Interim Note when and as the same shall become due, and shall agree to pay all expenses and charges (including court costs and attorneys' fees) paid or incurred by the holders of the Interim Notes in collecting any of the payments so guaranteed or in enforcing the guaranty agreement by the holders of the Interim Notes.

SECTION 9.3. *Determination of Details of Falling Water Payments, Spaceholder Bond Payments and Amount and Term of Series 1976 Bonds.* After the estimated Cost of Construction of the American

Falls Replacement Dam Program shall have been determined as provided in Section 8.3 hereof and the Authorized Representatives shall have recommended to the Board the amount of the Series 1976 Bonds to be sold, the Board, in consultation with the Authorized Representatives, shall then determine the date upon which the first Installment of Falling Water Payments will be made and the date upon which the first Spaceholder Bond Payments will be made, the date from which interest shall be deemed to accrue on the Falling Water Payments and the date from which interest shall be deemed to accrue on the Spaceholder Bond Payments. The Board in fixing the date upon which the first Installment of the Falling Water Payments will be made shall to the extent practicable provide that the date of the first Installment shall be not more than twelve (12) months from the date of the Series 1976 Bonds. The last Installment shall be forty (40) years from the year in which the Series 1976 Bonds first begin to mature either by their terms or by option of redemption from a sinking fund. The dates and terms of the Spaceholder Bond Payments fixed by the Board shall conform to those specified for the Falling Water Payments, taking into account the applicable provisions of the Spaceholder Contracts providing for the payment of the Spaceholder Bond Payments on April 1 of each year. The Board shall fix the due date of the Installments of the Falling Water Payments so that such payments shall become due and payable by the Idaho Power Company on the first day of the month preceding the date on which principal on the Series 1976 Bonds will fall due if such Installments are to be paid annually or on the first days of the months preceding the dates on which interest and principal, or interest alone, will fall due if such Installments are to be paid semi-annually.

The Board shall then determine the term of the Series 1976 Bonds, which term shall not exceed the maximum term specified in the proceedings taken in connection with the issuance of the Bonds and which shall be coordinated with the dates upon which the Installments of the Falling Water Payments and the Spaceholder Bond Payments will be made.

The Board shall thereupon fix the amount of the Series 1976 Bonds, which amount, within the Bond authorization, shall be sufficient, together with any prepayment of obligations under Spaceholder Contracts to be transferred into the Construction Fund from the Prepayment Fund to pay the estimated Cost of Construction of the American Falls Replacement Dam Program, and sufficient to pay, as to both principal and interest, any of the Interim Notes which shall have been issued by the Constructing Agency for such purposes pursuant to the applicable provisions of the State Act and which will be outstanding on the date of delivery of the Series 1976 Bonds. In determining the amount of the Series 1976 Bonds or of any Additional Bonds to be issued, the Constructing Agency shall increase the obligation of Idaho Power Company, determined under the provisions of Article VIII hereof, by the amount necessary to round off the total amount of Series 1976 Bonds or Additional Bonds to be issued to the next highest $5,000.

SECTION 9.4. *Details of Series 1976 Bonds.* After the amount and term of the Series 1976 Bonds shall have been determined by the Board, the Board shall thereupon fix the various details of the Series 1976 Bonds, including the date, maturity or maturities, sinking funds, serial or term nature, and option of redemption. In determining the date of the Series 1976 Bonds, the date upon which the first interest on the Series 1976 Bonds will become payable, the date upon which the first principal of the Series 1976 Bonds will become due, the maturity schedule or sinking fund of the Series 1976 Bonds, the redemption features of the Series 1976 Bonds, the Board shall take into account the requirements of Section 9.3 hereof with respect to the details of the Falling Water Payments and of the Spaceholder Bond Payments. Copies of the Indenture shall then be prepared in final form for execution. Such changes may be made in the February 1, 1976 draft of the Indenture which do not conflict with the provisions of this Falling Water Contract, the Spaceholder Contracts, the Government Contract, the Act of December 28, 1973, or the State Act and which are agreed to by the Constructing Agency and the Idaho Power Company, and bond counsel to the Constructing Agency in connection with the issuance and sale of the Series 1976 Bonds.

SECTION 9.5. *Option of Redemption of Series 1976 Bonds.* The Constructing Agency agrees that the Indenture shall provide that the Series 1976 Bonds shall be subject to redemption in whole or

in part at any time from and after ten (10) years from the date of the Series 1976 Bonds and at such premium or premiums which shall be established by the Board pursuant to the provisions of Section 9.4 hereof. If the Series 1976 Bonds are issued as term obligations with a mandatory sinking fund, the Series 1976 Bonds shall also be made subject to redemption in part on interest payment dates from the sinking fund established in the Indenture.

SECTION 9.6. *Sale of Series 1976 Bonds.* After the details of the Series 1976 Bonds shall have been fixed and determined by the Board as herein contemplated, and after the form of the Indenture shall have been agreed upon, the Constructing Agency shall sell the Series 1976 Bonds in such manner and at such price or prices as shall be determined by resolution of the Board, pursuant to the provisions of the State Act then in force. Prior to any offering of the Series 1976 Bonds the Constructing Agency shall obtain the opinion of bond counsel that interest on the Series 1976 Bonds will be excludable from Federal gross income taxes under the provisions of the Internal Revenue Code in effect on the date of the offering. No proposal or bond purchase agreement for the purchase of the Series 1976 Bonds shall be accepted or entered into by the Constructing Agency unless the Board shall determine and find that the proceeds of the Falling Water Payments together with the Spaceholder Bond Payments, computed as provided in Section 9.7 hereof, will be sufficient to pay the principal of and interest on the Series 1976 Bonds as the same shall fall due. Thereafter the Board shall complete the blanks in the Indenture and shall cause the Indenture to be executed by its duly authorized officers and the Trustee. Nothing contained in this Falling Water Contract shall prevent the Board from exercising its discretion and rejecting any and all proposals for the purchase of the Bonds, and advertising for bids or seeking new proposals for the purchase of the Bonds.

SECTION 9.7. *Computation of Falling Water Payments and Spaceholder Bond Payments.* The Falling Water Payments and the Spaceholder Bond Payments shall be calculated by the Authorized Representatives in accordance with the provisions of this Section 9.7. A schedule of the annual combined principal and interest requirements on the Series 1976 Bonds shall be prepared. The annual Installments of the Falling Water Payments shall consist of that portion of the annual combined principal and interest requirements on the Series 1976 Bonds as is represented by the proportion of the total of (A), (B) and (C) below to the principal amount of the Series 1976 Bonds:

(A) $19,550,000,

(B) the estimated cost of the Water Quality Facilities determined under the procedures of Section 8.3 hereof, and

(C) .486405[1] times the amount by which the total estimated cost of the American Falls Replacement Dam Program exceeds $38,000,000.

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[1] The .486405 is computed according to the following formula:

(i) Where .026471 equals the portion of total active storage capacity of Idaho Power Company in the Replacement Dam as a Spaceholder;

(ii) Where B equals the Idaho Power Company portion of the excess above $38,000,000 of the total estimated cost of the American Falls Replacement Dam Program in addition to its payment as a Spaceholder; and

(iii) Where A equals the cost of the American Falls Replacement Dam Program in excess of $38,000,000:

$$B + .026471\ (A-B) = .5A$$

$$.973529B = .473529A$$

$$B = \frac{.473529}{.973529}A = .486405A$$

The balance of the annual combined principal and interest requirements on the Series 1976 Bonds, after the deduction of the Falling Water Payments, shall constitute the annual Spaceholder Bond Payments, and shall be used by the Authorized Representatives in calculating the Schedule of Spaceholder Bond Payments for each of the Spaceholders which did not prepay its obligation as permitted in Article 23 of the Spaceholder Contracts and attributable to the space of each Non-Participating Wateruser to the extent applicable.[1]

SECTION 9.8. *Schedules of Falling Water Payments and Spaceholder Bond Payments.* After the receipt of a proposal for the purchase of the Series 1976 Bonds and the execution of a bond purchase agreement, but before the delivery of the Series 1976 Bonds to the Underwriters, the Authorized Representatives shall calculate the details of the Falling Water Payments and the Spaceholder Bond Payments and shall prepare the Schedule of Falling Water Payments and the Schedules of Spaceholder Bond Payments, and the percentage of the fees, charges and expenses of the Trustee and any paying agent bank for which each Spaceholder and the Idaho Power Company is responsible. Schedules of Spaceholder Bond Payments shall also be prepared with respect to the space attributable to Non-Participating Waterusers.

Each schedule shall be approved by the Trustee and shall be filed with the Trustee, the Idaho Power Company, the Contracting Officer and the Constructing Agency. Each Spaceholder which did not prepay its obligation shall be furnished with its applicable Schedule of Spaceholder Bond Payments. When the Schedule of Falling Water Payments and the Schedules of Spaceholder Bond Payments have been approved by the Trustee and filed as contemplated herein, each schedule shall be conclusively binding on the Idaho Power Company and each Spaceholder.

In the event the Constructing Agency issues Additional Bonds, either under the provisions of Section 9.10 or Section 9.11 hereof, the Authorized Representatives shall prepare a supplemental Schedule of Falling Water Payments and supplemental Schedules of Spaceholder Bond Payments for each Spaceholder which does not prepay its obligation and for the space attributable to Non-Participating Waterusers, in accordance with the calculations contemplated to be made by the Authorized Representatives in Section 9.10 and Section 9.11 hereof. Such supplemental schedules shall be approved by the Trustee, shall be filed and become conclusive as above provided with respect to the original schedules.

SECTION 9.9. *Delivery of Series 1976 Bonds; Disposition of Proceeds.* After the acceptance of the proposal of the Underwriters for the purchase of the Series 1976 Bonds and the execution of a bond purchase agreement with respect thereto, the acceptance of the bids for the construction of the Replacement Dam and the execution of the contracts for the construction of the Replacement Dam, the Series

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[1] Such calculation shall be made under the following formula:

where:

DS = each annual combined principal and interest requirement

DSsp = the amount of each annual combined principal and interest requirement attributable to non-prepaid space

P = total percentage of the active storage capacity attributable to non-prepaid space

p = the percentage of total storage capacity of a Spaceholder which did not prepay or attributable to a Non-Participating Wateruser (p = P)

K = 100% ÷ P

S = the total amount to be paid by each Spaceholder which did not prepay or attributable to the space of each Non-Participating Waterusers (S = DSsp)

then:

$$S = (K)(p)(DSsp)$$

1976 Bonds shall be delivered in accordance with the requirements of the bond purchase agreement for the purchase of the Series 1976 Bonds to be entered into between the Constructing Agency and the Underwriters, and the proceeds thereof shall be deposited in the Bond Fund and the Construction Fund, pursuant to Sections 601 and 602 of the Indenture, and disbursements shall be made from the Construction Fund, in accordance with the provisions of Section 602 of the Indenture. The Constructing Agency and the Idaho Power Company agree to cooperate, one with the other, in furnishing the Trustee with the documents referred to in Section 602 of the Indenture that are required to effect payments out of the Construction Fund.

SECTION 9.10. *Issuance of Additional Bonds Within Initial Authorization for Completion.* It is intended by the Constructing Agency that an amount of Bonds has been authorized and will be issued which will be sufficient, together with any prepayments, to pay the total cost of the American Falls Replacement Dam Program. If it is determined necessary, subsequent to the issuance of the Series 1976 Bonds, to issue all or part of the balance of any of the initially authorized but as then unissued Bonds in order to complete the payment of the total cost of the American Falls Replacement Dam Program, the Constructing Agency will, to the extent then legally permitted, issue and sell a series of Additional Bonds as permitted under Section 207 of the Indenture for completion purposes. In the event the balance of the initially authorized Bonds is issued, the annual Installments of the Falling Water Payments shall be increased by that portion of the annual combined principal and interest requirements on such series of Additional Bonds as is represented by the proportion of the total of (A) and (B) below (but as to each only to the amount of any initially authorized but as then unissued Bonds) to the pirncipal amount of such series of Additional Bonds:

(A) any increased cost of the Water Quality Facilities determined under the procedures of Section 8.7 hereof over the estimated cost thereof determined under the procedures of Section 8.3 hereof, and

(B) .486405 (see Section 9.7 hereof) times the amount by which the total cost of the American Falls Replacement Dam Program determined under the procedures of Section 8.7 hereof less the increased cost of the Water Quality Facilities included in (A) above exceeds the higher of (1) the estimated cost of the American Falls Replacement Dam Program determined under the procedures of Section 8.3 hereof or (2) $38,000,000.

The Spaceholder Bond Payments shall be increased in an amount sufficient to pay the balance of the annual combined principal and interest requirements on such series of Additional Bonds not returned pursuant to the increased Falling Water Payments. The calculation of such increases shall be in accordance with the formula set forth in Section 9.7 hereof. No such Additional Bonds shall be issued unless the Constructing Agency shall receive a written opinion by an attorney or firm of attorneys of recognized standing on the subject of municipal bonds to the effect that the exemption from Federal income tax of interest on the Series 1976 Bonds and any series of Additional Bonds theretofore issued will not be affected by the issuance of such series of Additional Bonds then being issued.

SECTION 9.11. *Issuance of Additional Bonds in Excess of the Initial Authorization for Completion.* If the amount of the Bonds which has been initially authorized together with any prepayments, is not sufficient to complete the payment of the total cost of the American Falls Replacement Dam Program and therefore it is determined necessary for the Constructing Agency to issue and sell a series of Additional Bonds as permitted under Section 207 of the Indenture for completion purposes in excess of the Bonds initially authorized to be issued, the Constructing Agency will, to the extent then legally permitted, issue and sell Additional Bonds in excess of the initial authorization under the conditions set forth in this Section 9.11:

(A) If the amount of such series of Additional Bonds is determined to be $1,000,000 or less, the Idaho Power Company shall enter into a supplement to this Falling Water Contract pursuant to which the annual Installments of the Falling Water Payments shall be increased by an amount necessary to pay principal of and interest on such series of Additional Bonds.

(B) If the amount of such series of Additional Bonds is determined to be an amount over $1,000,000 but not over $2,000,000:

(1) the Idaho Power Company shall enter into a supplement to this Falling Water Contract pursuant to which the annual Installments of the Falling Water Payments shall be increased by an amount sufficient to pay that portion of the annual combined principal and interest requirements on such series of Additional Bonds as is represented by the proportion of the total of (a) and (b) below to the principal amount of such series of Additional Bonds:

(a) $1,000,000,

(b) the remaining increased cost, if any, of Water Quality Facilities determined under the procedures of Section 8.7 hereof over the estimated cost thereof determined under the procedures of Section 8.3 hereof, which is in excess of the total of (i) the increased cost of the Water Quality Facilities provided for in Section 9.10(A) hereof and (ii) $1,000,000; and

(2) supplements to Spaceholder Contracts shall be executed pursuant to which increased Spaceholder Bond Payments will be made by Spaceholders, other than Idaho Power Company, which did not prepay their obligations, in an amount sufficient to pay the balance of the annual combined principal and interest requirements on such series of Additional Bonds not returned pursuant to this Falling Water Contract as so supplemented.

(C) If the amount of such series of Additional Bonds is determined to be an amount over $2,000,000:

(1) the Idaho Power Company shall enter into a supplement to this Falling Water Contract pursuant to which the annual Installments of the Falling Water Payments shall be increased by an amount sufficient to pay that portion of the annual combined principal and interest requirements on such series of Additional Bonds as is represented by the proportion of the total of (a), (b) and (c) below to the principal amount of such series of Additional Bonds:

(a) $1,000,000;

(b) the remaining increased cost, if any, of the Water Quality Facilities determined under the procedures of Section 8.7 hereof over the estimated cost thereof determined under the procedures of Section 8.3 hereof which is in excess of the total of (i) the increased cost of the Water Quality Facilities provided for in Section 9.10(A) hereof and (ii) $1,000,000; and

(c) .486405 (see Section 9.7 hereof) times the amount by which the total cost of the American Falls Replacement Dam Program determined under the procedures of Section 8.7 hereof less (i) the total increased cost of the Water Quality Facilities, (ii) the obligation of Idaho Power Company for other than Water Quality Facilities under Section 9.11(A)[1] hereof, and (iii) the obligations of Spaceholders other than Idaho Power Company under Section 9.11(B)[2], exceeds the higher of (1) the estimated cost of the American Falls Replacement Dam Program determined under the procedures of Section 8.3 hereof or (2) $38,000,000;

(2) supplements to Spaceholder Contracts shall be executed pursuant to which increased Spaceholder Bond Payments will be made by Spaceholders, other than Idaho Power Company, which did not prepay their obligations, in an amount sufficient to pay that portion of the annual combined principal and interest requirements on such series of Additional Bonds as is represented by the proportion of $1,000,000, less the amount determined pursuant to Section 9.11(B)(1)(b)[2] hereof to the principal amount of such series of Additional Bonds; and

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[1] Calculated as if $1,000,000 or less Additional Bonds were to be issued in excess of the initial authorization.

[2] Calculated as if $2,000,000 or less Additional Bonds were to be issued in excess of the initial authorization.

(3) supplements to Spaceholder Contracts shall be executed pursuant to which increased Spaceholder Bond Payments will be made by Spaceholders, including Idaho Power Company, which did not prepay their obligations, in an amount sufficient to pay that portion of the annual combined principal and interest requirements on such series of Additional Bonds as is represented by the proportion of the principal amount of such series of Additional Bonds issued in excess of the initial authorization, less the amounts computed under Section 9.11(C)(1) and Section 9.11(C)(2) hereof, to the total principal amount of such series of Additional Bonds.

No such Additional Bonds shall be issued unless the Constructing Agency shall receive a written opinion by an attorney or firm of attorneys of recognized standing on the subject of municipal bonds to the effect that the exemption from Federal income tax of interest on the Series 1976 Bonds and any series of Additional Bonds theretofore issued will not be affected by the issuance of such series of Additional Bonds then being issued.

The principal amounts of multiple series of Additional Bonds whether or not of the initial authorization shall be aggregated for all purposes of the computations required in Sections 9.10 and 9.11 hereof.

The increased obligations of Spaceholders computed according to (B)(2), (C)(2) and (C)(3) of this Section 9.11 shall be computed for each Spaceholder with the formula set forth in Section 9.7 hereof.

SECTION 9.12. *Obligation of Idaho Power Company after Initial Series of Bonds.* If the Constructing Agency is unable to market a series of Additional Bonds as contemplated in either Section 9.10 or 9.11, the Constructing Agency and the Idaho Power Company shall nevertheless use their best efforts, to the extent then permitted by law, to issue and sell an issue of obligations of the Constructing Agency which shall be guaranteed as to principal and interest by the Idaho Power Company, to pay such additional costs of the American Falls Replacement Dam Program which are not in excess of $1,000,000.

It is recognized that, except as specifically provided therein, the provisions of Sections 9.10 and 9.11 do not relieve the obligation of the Idaho Power Company to make increased Spaceholder Bond Payments pursuant to a supplemental Spaceholder Contract, in accordance with its percentage of total active storage capacity in the Replacement Dam.

SECTION 9.13. *Obligation of Idaho Power Company for Supplemental Falling Water Payments with Respect to Additional Bonds for Completion.* If the Constructing Agency shall issue a series of Additional Bonds, pursuant to the provisions of Section 207 of the Indenture, as contemplated in Sections 9.10 and 9.11 hereof, for the purpose of paying the costs of completing the construction of the American Falls Replacement Dam Program not paid from the proceeds of the Series 1976 Bonds, and the Constructing Agency thereafter levies additional Assessments and enters into supplementary Spaceholder Contracts with the Spaceholders increasing the amount of Spaceholder Bond Payments obligated to be made to the Constructing Agency by the Spaceholders for the purpose of repaying the Cost of Construction of the American Falls Replacement Dam Program, the Idaho Power Company shall be obligated to make Supplemental Falling Water Payments representing the obligations of the Spaceholders for the increased amounts if there is a default by any Spaceholder in the payments of such increased amounts attributable to such Additional Bonds for completion purposes and shall be entitled to the use of stored water of the Defaulted Spaceholder in accordance with the provisions of Section 3.4 hereof.

SECTION 9.14. *Refunding Bonds.* In the event that it is mutually agreed among the Constructing Agency, the Idaho Power Company and the Spaceholders obligated to make Spaceholder Bond Payments that an attempt should be made to authorize the issuance of Bonds by the Constructing Agency for the purpose of refunding all of the outstanding Series 1976 Bonds and Additional Bonds, if any, in accordance with the State Act (Sections 43-2202 and 43-2203, Idaho Code), as then in force, the Idaho Power Company and the Spaceholders obligated to make Spaceholder Bond Payments shall share the costs of such refunding effort, whether successful or unsuccessful, in direct proportion to their respective obligations to pay the annual principal and interest falling due on the Bonds to be refunded.

ARTICLE X

CONSTRUCTION OF THE POWERPLANT

SECTION 10.1. *Idaho Power Company Responsible for Powerplant Construction.* The Idaho Power Company shall be responsible for obtaining the necessary cost estimates, studies, licenses, permits, plans and specifications, construction contracts and other items necessary for the construction of the Powerplant, pursuant to the License, in coordination with the construction of the Replacement Dam, including the Plan of Operation and the Construction Work Schedule, so as not to impair the efficiency of the Replacement Dam to serve the other purposes of the Minidoka Project. The Idaho Power Company shall assume and pay all costs relating to the engineering, construction and equipping of the Powerplant, including the cost of any waterways or penstocks outside and downstream from the Replacement Dam as set forth in the approved Plans, Designs and Specifications.

SECTION 10.2. *Rights of Access to the Idaho Power Company for Construction, Operation, and Maintenance of the Powerplant.* The Idaho Power Company and its duly authorized agents shall, without charge, have such rights of access to the Replacement Dam and for ingress and egress on lands of the United States adjacent thereto as may be reasonably necessary to coordinate the construction of the Powerplant with the construction of the Replacement Dam and, after completion of construction of the Powerplant, for the proper operation and maintenance of the Powerplant by the Idaho Power Company.

SECTION 10.3. *Joint Facilities.* Any facilities which are not included in the American Falls Replacement Dam Program which may subsequently be required to be constructed, operated or maintained by the Constructing Agency and the Idaho Power Company on a joint basis must first be approved by the Authorized Representatives, and the necessary financing, construction, ownership or operation of such facilities shall be covered by special agreement between the parties hereto, to be added as an addendum to this Falling Water Contract, subject to the approval of the Contracting Officer.

SECTION 10.4. *Financing of Powerplant by Idaho Power Company.* The Idaho Power Company agrees that it will finance the construction of the Powerplant and will operate the Powerplant as contemplated in this Falling Water Contract, the License, the Government Contract and the Act of December 28, 1973. The preparation of all necessary designs and specifications for the construction of the Powerplant shall be the responsibility of the Idaho Power Company.

SECTION 10.5. *Liability.* The Constructing Agency shall be liable for its own acts and shall not be liable for the acts of others with regard to the construction, operation and maintenance of the Powerplant or with regard to the financing, construction, operation and maintenance of the American Falls Replacement Dam Program. The Constructing Agency shall require the contractor or contractors constructing the Replacement Dam, the Related Facilities and the Water Quality Facilities to carry liability insurance naming the Idaho Power Company as an additional insured party.

The Idaho Power Company shall be liable for its own acts and shall not be liable for the acts of others with regard to the construction, operation and maintenance of the Powerplant or with regard to the financing, construction, operation and maintenance of the American Falls Replacement Dam Program. The Idaho Power Company shall require the contractor constructing the Powerplant to carry liability insurance naming the Constructing Agency as an additional insured party.

SECTION 10.6. *Payment of Operation and Maintenance Expenses Related to Replacement Dam.* The Idaho Power Company shall pay directly to the Contracting Officer in each year such amounts as shall represent thirty-three per cent (33%) of the actual, direct costs of operation and maintenance of the Replacement Dam, exclusive of the reservoir. Such amounts shall be billed separately annually to the Idaho Power Company by the Contracting Officer under the same procedures, including examination of books and records, established for billing the Spaceholder Replacement Dam Operation and Maintenance Payments to the Spaceholders pursuant to the Spaceholder Contracts.

SECTION 10.7. *Supply of Energy to Operate and Maintain Replacement Dam.* As part of the consideration for the utilization by the Idaho Power Company of the Falling Water at the Powerplant for power generation within the limits specified in the Government Contract and as an additional payment for the operation and maintenance of the Replacement Dam, the Idaho Power Company shall, at a point on the line of division of ownership between the Replacement Dam and the Powerplant, which is a point accessible from the Powerplant, supply the energy required for control of the release of water from the Replacement Dam and the incidental lighting immediately adjacent thereto (exclusive of any highway and bridge lighting), at the required voltage and at a frequency of 60 cycles per second.

ARTICLE XI

EVENTS OF DEFAULT AND REMEDIES

SECTION 11.1. *Events of Default Defined; Uncontrollable Forces.* The following shall be "events of default" under this Falling Water Contract and the terms "events of default" or "default" shall mean, whenever they are used in this Falling Water Contract, any one or more of the following events:

(a) Failure by the Idaho Power Company to pay all or any part of any Installment of the Falling Water Payments specified in Section 3.1 hereof or failure by the Idaho Power Company to pay all or any part of the Supplemental Falling Water Payments specified in Section 3.4 hereof, at the times and places specified in this Falling Water Contract and (i) continuation of said failure for a period of five (5) days after notice by telegram or, if telegraph service is not available, after notice by mail given to it by the Constructing Agency that the Installment or payment referred to in such notice has not been received, or (ii) continuation of said failure for a period of twelve (12) days, shall constitute an event of default hereunder; or

(b) Failure by the Idaho Power Company to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder other than as referred to in subsection (a) of this Section, for a period of ninety (90) days after written notice, specifying such failure and requesting that it be remedied, given to the Idaho Power Company by the Board or the Trustee, unless the Board and the Trustee shall agree in writing to extension of such time prior to its expiration; or

(c) If the Idaho Power Company shall file a petition in bankruptcy or for reorganization or for an arrangement pursuant to the general bankruptcy act, as amended, or any similar Federal or state law, or shall be adjudged a bankrupt or become insolvent, or shall make an assignment for the benefit of its creditors, or shall admit in writing its inability to pay its debts generally as they become due, or if a petition or answer proposing the adjudication of the Idaho Power Company as a bankrupt or its reorganization under the general bankruptcy act or any similar Federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within sixty (60) days after the filing thereof, or if a receiver, trustee or liquidator (or similar official) of the Idaho Power Company or of more than one-third of the property of the Idaho Power Company shall be appointed in any proceeding or by any Federal or state officer or agency, and shall not be discharged within sixty (60) days after such appointment; or

(d) The occurrence of an "event of default" under Section 901 of the Indenture.

The provisions of (b) of this Section are subject to the following limitations: If by reason of uncontrollable forces the Idaho Power Company is unable, in whole or in part, to carry out its agreements on its part herein contained, other than the obligations of the Idaho Power Company contained herein to make the Falling Water Payments and the Supplemental Falling Water Payments, the Idaho Power Company shall not be deemed in default during the continuance of such inability. The term "uncontrollable forces" shall mean any cause beyond the control of the Idaho Power Company and

which, by the exercise of reasonable diligence, the Idaho Power Company is unable to overcome, and shall include, but not be limited to, an act of God, fire, flood, explosion, earthquake, strike, sabotage, an act of the public enemy, civil or military authority, including court orders, injunctions, and orders of government agencies with proper jurisdiction prohibiting acts necessary to performance hereunder or permitting any such act only subject to unreasonable conditions, insurrection or riot, an act of the elements, failure of equipment, or inability to obtain or ship materials or equipment because of the effect of similar causes on suppliers or carriers. Nothing contained herein shall be construed so as to require the Idaho Power Company to settle any strike or labor dispute in which it may be involved. If the Idaho Power Company is rendered unable to fulfill any obligation by reason of uncontrollable forces it shall exercise due diligence to remove such inability with all reasonable dispatch.

SECTION 11.2. *Remedies on Default.* Whenever any event of default referred to in Section 11.1 hereof shall have happened and be subsisting, the Constructing Agency, or the Trustee on behalf of the Constructing Agency, may take any one or more of the following remedial steps:

(a) Whenever an event of default hereunder shall have occurred and be continuing, and notwithstanding the fact that the Constructing Agency or the Trustee may have some other remedy hereunder or by virtue hereof, to give a notice of intention pursuant to the provisions of Section 14.6 hereof to terminate this Falling Water Contract on a date specified in such notice, which date shall be not less than thirty (30) days after the date of giving such notice. If the Idaho Power Company is given notice as provided herein, the Idaho Power Company's interest in, to and under this Falling Water Contract shall terminate upon the date so specified in said notice, and the Idaho Power Company thereafter shall have no right, title or interest in, to or with respect to the Falling Water but Idaho Power Company shall remain liable as hereinafter provided.

(b) In the event of any termination of this Falling Water Contract as provided in subsection (a) above, the Constructing Agency or the Trustee, as provided in the Indenture, shall forthwith, notwithstanding any other provision of this Falling Water Contract to the contrary, be entitled to recover from the Idaho Power Company, as and for liquidated damages (in lieu of all other claims for damages on account of such termination) and not as a penalty, an amount equal to the unpaid principal amount of the Bonds then outstanding as defined in the Indenture.

(c) Whenever an event of default hereunder shall have occurred and be continuing, the Constructing Agency or the Trustee on behalf of the Constructing Agency, shall have the right, then or at any time thereafter while any event of default hereunder shall continue, to request the Contracting Officer to suspend any and all rights of the Idaho Power Company to the use of the Falling Water or any water accruing to the storage space of a Defaulted Spaceholder or of a Non-Participating Wateruser upon not less than twelve (12) days' notice to the Idaho Power Company given as provided in Section 14.6 hereof. The Contracting Officer, acting with the consent of either the Constructing Agency or the Trustee, may, without further notice to the Idaho Power Company, suspend such rights of the Idaho Power Company and grant any or all of the suspended rights to any person for the duration of the suspension. Idaho Power Company agrees that, in addition to its other obligations under this Falling Water Contract, upon demand it will pay to the Trustee, the Constructing Agency and the Contracting Officer all expenses incurred in connection with such suspension and any grant of the suspended rights to another person, and that the Idaho Power Company will be and remain liable to make all payments, when due, required to be made by the Idaho Power Company hereunder, without regard to any such suspension and as if any suspended rights exercised by another person were exercised by the Idaho Power Company. The Constructing Agency, or the Trustee acting on behalf of the Constructing Agency, shall have the right from time to time to begin and maintain successive proceedings against the Idaho Power Company for the recovery of damages or for a sum equal to any and all Installments of the Falling Water Payments and Supplemental Falling Water Payments and any other payments required to be made by the Idaho Power Company pursuant to this Falling Water Contract, and to recover the same upon the liability of the Idaho Power Company herein provided. Nothing herein contained

shall be deemed to require the Constructing Agency or the Trustee to defer commencement of any such proceedings until the end of the Original Term of this Falling Water Contract.

(d) No suspension of any or all of the Idaho Power Company's rights to the use of the Falling Water under this Falling Water Contract shall be construed as an election on the part of the Construction Agency, the Trustee or the Contracting Officer to terminate the Idaho Power Company's interest in, to and under this Falling Water Contract unless a notice of intention be given to the Idaho Power Company or unless such termination be decreed at the instance of the Constructing Agency or the Trustee by a court of competent jurisdiction.

(e) The Constructing Agency, or the Trustee on behalf of the Constructing Agency, may take whatever action at law or in equity may appear necessary or desirable to collect the Falling Water Payments, or the Supplemental Falling Water Payments, or any other amounts payable by Idaho Power Company hereunder, then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Idaho Power Company under this Falling Water Contract.

Any amounts collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture.

SECTION 11.3. *No Remedy Exclusive.* No right or remedy herein conferred upon or reserved to the Constructing Agency, or to the Trustee on behalf of the Constructing Agency is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder, or now or hereafter legally existing, upon the occurrence of an event of default hereunder. The failure of the Constructing Agency, or the Trustee on behalf of the Constructing Agency, to insist at any time upon the strict observance or performance by the Idaho Power Company of any of the provisions of this Falling Water Contract, or to exercise any right or remedy provided for in this Falling Water Contract, shall not impair any such right or remedy nor be construed as a waiver or relinquishment thereof for the future. Receipt by the Trustee, on behalf of the Constructing Agency, of any Falling Water Payment or Supplemental Falling Water Payment required to be made hereunder with knowledge of the breach of any provisions of this Falling Water Contract, shall not be deemed a waiver of such breach. In addition to all other remedies provided in this Falling Water Contract, the Constructing Agency and the Trustee on behalf of the Constructing Agency, shall be entitled, to the extent permitted by applicable law, to injunctive relief in case of the violation, or attempted or threatened violation, of any of the provisions of this Falling Water Contract, or to a decree concerning performance of any of the provisions of this Falling Water Contract, or to any other remedy legally allowed to the Constructing Agency or to the Trustee on behalf of the Constructing Agency.

If any proceeding shall be brought for the enforcement of any right or remedy provided for in this Falling Water Contract in which it shall be determined that any event of default hereunder has occurred and was continuing at the time of commencement thereof, the Idaho Power Company shall pay to the Constructing Agency or to the Trustee on behalf of the Constructing Agency, all expenses incurred in connection therewith including, without limitation, reasonable attorneys' fees and expenses.

At any time the Trustee on behalf of the Constructing Agency or the holders of the Bonds, is entitled to enforce any of the rights or remedies provided for in this Falling Water Contract, it may proceed either in its own name and as Trustee of an express trust or otherwise to protect and enforce its rights and those of the Constructing Agency under this Falling Water Contract, whether or not the Constructing Agency shall have complied with any of the provisions hereof or proceeded to take any action authorized or permitted under applicable law. Such rights and remedies as are given the Constructing Agency hereunder shall also extend to the Trustee, and the Trustee and the holders of the Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

SECTION 11.4. *No Additional Waiver Implied by One Waiver.* Any waiver by a party of its rights with respect to an event of default under this Falling Water Contract, or with respect to any other matter arising in connection with this Falling Water Contract, shall not be deemed to be a waiver with respect to any other matter arising in connection with this Falling Water Contract. No delay in asserting or enforcing any rights hereunder shall be deemed a wavier of such rights.

ARTICLE XII

SPECIAL COVENANTS

SECTION 12.1. *Compliance with Laws, Rules and Regulations.* The Idaho Power Company and the Constructing Agency agree in the performance of their obligations hereunder to comply fully with all laws, rules and regulations pertaining to the subject matter of this Falling Water Contract including particularly the Federal Power Act, the Idaho Public Utilities Act and the rules and regulations of the Federal Power Commission and the Idaho Public Utilities Commission, and to the extent that their operations may be subject to the jurisdiction of any state or Federal regulatory agencies, subject to the terms of all valid and applicable orders of any of such agencies. This Falling Water Contract is subject to the laws of the State of Idaho and is subject to the approval of any state or Federal regulatory agency having jurisdiction thereof. The Idaho Power Company agrees to pay any and all costs and expenses of itself and the Constructing Agency in effecting compliance with any such laws, rules, regulations and orders which apply to construction, operation or maintenance of the Powerplant. Before incurring any such costs or expenses the Constructing Agency shall consult with the Idaho Power Company.

SECTION 12.2. *No Warranty of Suitability.* The Constructing Agency makes no warranty, either express or implied, as to the Replacement Dam or the Falling Water or that the Replacement Dam or the Falling Water or the design or the operation of the Replacement Dam will be suitable for Idaho Power Company's purposes or needs.

SECTION 12.3. *Rights of Access to the Constructing Agency and the United States for Construction, Operation, and Maintenance of the American Falls Replacement Dam Program.* The Constructing Agency and the Contracting Officer and their duly authorized agents, shall, without charge, have such rights of access to the Powerplant and for ingress and egress on all lands which are within the project area as defined in the License, as may be reasonably necessary to coordinate the construction of the Powerplant with the construction of the Replacement Dam, to permit the proper operation and maintenance of the Existing Dam during the construction of the Replacement Dam including the interim operation of the water control structures (as defined in the Government Contract) of the Replacement Dam at such time during construction that water control at the Existing Dam is transferred to water control at the Replacement Dam, and upon substantial completion of the Replacement Dam and Related Facilities for the proper operation and maintenance thereof by the United States.

The United States shall have the right to utilize without charge in the operation and maintenance of the Minidoka Project those lands of the United States which are within the area covered by the Idaho Power Company's License for the construction and operation and maintenance of the Powerplant, so long as such use by the United States is not inconsistent with or does not interfere with the uses intended in the License.

SECTION 12.4. *Corporate Existence of Idaho Power Company; Mergers and Consolidation.* The Idaho Power Company agrees that during the Original Term of this Falling Water Contract it will maintain its corporate existence, will continue to be a corporation either organized under the laws of or duly qualified to do business as a foreign corporation in the State of Idaho, and will not dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation unless the acquirer of its assets or the corporation with which it shall consolidate or into which it shall merge shall be a corporation organized and existing under the laws of one of the States of the United States of America and shall be qualified and admitted to do business in the State of Idaho, shall be or as a result of the

transaction shall become a public utility, shall have a net worth immediately subsequent to such acquisition, consolidation or merger at least equal to that of the Idaho Power Company immediately prior to such acquisition, consolidation or merger, and shall assume in writing all of the obligations of the Idaho Power Company herein.

SECTION 12.5. *Approvals.* Whenever under the provisions of this Falling Water Contract the approval of the Idaho Power Company is required or the Constructing Agency is required to take some action at the request of the Idaho Power Company, such approval or such request shall be made by the Authorized Idaho Power Company Representative unless otherwise specified in this Falling Water Contract and the Constructing Agency or the Trustee shall be authorized to act on any such approval or request and the Idaho Power Company shall have no complaint against the Constructing Agency or the Trustee as the result of taking any such action.

SECTION 12.6. *Financial Reports of Idaho Power Company and Constructing Agency.* The Idaho Power Company agrees to furnish to the Constructing Agency and to the Trustee a copy of each of the financial statements certified by a certified public accountant that it customarily furnishes to its stockholders. The Constructing Agency agrees annually to furnish to the Idaho Power Company, the Trustee, the Contracting Officer and each of the Spaceholders, a copy of a report of an independent certified public accountant, or state auditing official, if appropriate, reflecting in reasonable detail the status of each fund or account created under the terms of the Indenture, including the amount and source of the deposits therein, the amount and purpose of withdrawals, and the balance therein at the beginning and end of each fiscal year, as defined in the Indenture.

SECTION 12.7. *Non-Arbitrage Certifications and Representations.* The Constructing Agency and the Idaho Power Company covenant and represent to each other that:

1. On the basis of their own knowledge, and on examination of the reports and cost projections in connection with the construction of the American Falls Replacement Dam Program:

(a) All of the principal proceeds of the Series 1976 Bonds are needed for the purpose of paying the Cost of Construction of the American Falls Replacement Dam Program, including expenses preliminary and incidental thereto and to the issuance of the Series 1976 Bonds.

(b) At least 85% of the expendable proceeds of the Series 1976 Bonds, including investment proceeds, will be expended for the Cost of Construction of the American Falls Replacement Dam Program on or before three years following the date of issue of the Series 1976 Bonds.

(c) The Constructing Agency, prior to the issuance of the Series 1976 Bonds, will have incurred substantial binding obligations equal to at least 2½% of the total Cost of Construction of the American Falls Replacement Dam Program.

(d) Work on the construction of the American Falls Replacement Dam Program is expected to proceed with due diligence to completion.

(e) Except as required pursuant to the provisions of the Act of December 28, 1973, the American Falls Replacement Dam Program is not expected to be sold or otherwise disposed of, in whole or in part, prior to the maturity of the Series 1976 Bonds.

(f) Accrued interest received upon the sale of the Series 1976 Bonds is to be applied to the first interest due thereon.

2. On the basis of the foregoing certifications and representations, it is not expected by either the Constructing Agency or the Idaho Power Company that the proceeds of the Series 1976 Bonds will be used in a manner that would cause the Series 1976 Bonds to be classified as an "arbitrage bond" under Section 103(d) of the Internal Revenue Code of 1954, as amended, and the regulations

promulgated under that section; that to the best knowledge and belief of the Constructing Agency and the Idaho Power Company, there are no facts or circumstances that would materially change the foregoing conclusion.

SECTION 12.8. *Non-Arbitrage Covenants.* The Constructing Agency and the Idaho Power Company jointly and severally covenant that so long as any of the Series 1976 Bonds shall remain outstanding and any provision in this Falling Water Contract or the Indenture to the contrary notwithstanding with respect to an investment of moneys, whether such moneys were derived from the proceeds of the Series 1976 Bonds, or from any other source, no use will be made of such moneys which, if such use could have been reasonably expected on the date of the issue of the Series 1976 Bonds, would have caused the Series 1976 Bonds to be classified as an "arbitrage bond" within the meaning of Section 103(d) of the Internal Revenue Code of 1943, as amended, and further jointly and severally covenant to comply with the requirements of said Section 103(d) and any regulations promulgated thereunder.

ARTICLE XIII

ASSIGNMENT

SECTION 13.1. *Conditions on Assignments by Idaho Power Company.* This Falling Water Contract may be assigned in whole or in part, and the use of the Falling Water may be assigned as a whole or in part, by the Idaho Power Company without the necessity of obtaining the consent of either the Constructing Agency or the Trustee, but only upon obtaining the consent of the Secretary, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 12.4 hereof) shall relieve the Idaho Power Company from primary liability for any of its obligations hereunder, and in the event of any such assignment the Idaho Power Company shall continue to remain primarily liable for payment of the Falling Water Payments and the Supplemental Falling Water Payments, and for the performance and observance of the other covenants, representations, warranties and agreements on its part herein provided to be performed and observed by it to the same extent as though no assignment has been made.

(b) The assignee of the Idaho Power Company shall expressly assume in writing the obligations of the Idaho Power Company hereunder to the extent of the interest assigned.

(c) The Idaho Power Company shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Constructing Agency, the Secretary and the Trustee a true and complete copy of each such assignment or assumption or obligation as the case may be.

SECTION 13.2. *Assignments or Dissolution by Constructing Agency.* The Constructing Agency may assign its interest in, and pledge any moneys receivable under this Falling Water Contract, to the Trustee pursuant to the Indenture as security for payment of the principal of and interest on the Bonds, and applicable premium, if any, but each such assignment or pledge shall be subject and subordinate to the rights of the Idaho Power Company under this Falling Water Contract. The Constructing Agency, to the extent it may legally so covenant, covenants and agrees with Idaho Power Company that it will not dissolve or otherwise abandon its existence so long as this Falling Water Contract is in existence without the written consent of the Contracting Officer and the Idaho Power Company, and so long as any of the Bonds are outstanding, without the written consent of the Trustee.

ARTICLE XIV

GENERAL

SECTION 14.1. *Original Term; Liability of Constructing Agency.* This Falling Water Contract shall become effective upon its execution by the Constructing Agency and the Idaho Power Company and its approval by the Contracting Officer and, unless extended as hereinafter provided in Section 14.2

hereof, or unless this Falling Water Contract shall have been terminated in accordance with the provisions of Section 4.10 hereof, the Original Term of this Contract shall terminate on March 31, 2025, being fifty (50) years from the date of the License. The Idaho Power Company irrevocably waives, to the extent that it lawfully may, any defense based on the adequacy of a remedy at law which might be asserted as a bar to the remedy of specific performance, any suit in equity, action at law, or other legal or equitable proceeding brought against it for specific performance of the obligation of Idaho Power Company to make the Falling Water Payments and the Supplemental Falling Water Payments of this Falling Water Contract by the Constructing Agency, any receiver or the Trustee, as well as any defense to any other such proceeding which might be brought against the Idaho Power Company to enforce any of the rights or remedies provided for in this Falling Water Contract based on the fact that, at the time any payment hereunder is requested, the Constructing Agency is or may be insolvent. The Idaho Power Company's remedy for any act or omission by the Constructing Agency shall be limited to an action or actions for specific performance of this Falling Water Contract by the Constructing Agency; provided, however, as long as any Bonds are outstanding no such action shall be taken which will reduce the amount of the Installments of the Falling Water Payments or the amount of the Supplemental Falling Water Payments needed to pay principal of, premium, if any, or interest on the Bonds or will interfere with the right of the Trustee to receive and apply such Falling Water Payments and Supplemental Falling Water Payments. It is recognized by the Constructing Agency and the Idaho Power Company that the end of the term of this Falling Water Contract shall not preclude the other from seeking damages for any cause of action which shall have arisen prior to the end of the term of this Falling Water Contract.

SECTION 14.2. *Renewal Term.* If, after expiration of the Original Term of the License of the Idaho Power Company for the construction, operation, and maintenance of the Powerplant, such License is continued or renewed this Falling Water Contract shall thereupon be continued in effect during such period of continuation or the Renewal Term; provided, however, that the Constructing Agency and the Idaho Power Company may mutually consent to such annual payments to be made by Idaho Power Company to the Constructing Agency on behalf of the Spaceholders as shall be agreed to at that time.

SECTION 14.3. *Execution of Documents.* The Constructing Agency and the Idaho Power Company, upon request by the other, shall make, execute and deliver any and all documents reasonably required to implement the terms of this Falling Water Contract.

SECTION 14.4. *Supplements and Amendments.* Prior to the sale of the Series 1976 Bonds this Falling Water Contract may be supplemented or amended with the consent of the Secretary, for the purpose of complying with any directive, order or license requirement of the Federal Power Commission or of any other regulatory agency having jurisdiction over the parties and the Powerplant, or of any order, judgment or decree of any court of competent jurisdiction, either state or Federal, provided that no such supplement or amendment shall reduce the obligation of the Idaho Power Company to pay the Falling Water Payments or the Supplemental Falling Water Payments.

Subsequent to the sale of the Series 1976 Bonds, and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), this Falling Water Contract may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee and of the Secretary.

SECTION 14.5. *Spaceholders Third Party Beneficiaries.* The parties hereto recognize that the Spaceholders on whose behalf Spaceholder Contracts have been executed with the Constructing Agency in accordance with Section 3 of the Act of December 28, 1973, are in fact third party beneficiaries of the obligations of Idaho Power Company to make the Falling Water Payments and the Supplemental Falling Water Payments pursuant to this Falling Water Contract. The rights of Spaceholders shall be governed by the provisions of the Spaceholder Contracts entered among the Spaceholders, the Contracting Officer, and the Constructing Agency. The monetary return to the Constructing Agency as a result of this Falling Water Contract, shall be utilized to defray the Cost of Construction of the American Falls Replacement Dam Program as hereinabove agreed for the proportionate benefit of all Spaceholders on whose behalf

contracts are executed for the repayment of their proportionate share of the Cost of Construction of the American Falls Replacement Dam Program.

SECTION 14.6. *Notices; Manner of Giving; Duplicate Copies to United States and Trustee.* Any notice, demand, or request provided for in this Falling Water Contract, or given or made in connection with this Falling Water Contract to or upon the Constructing Agency, shall be deemed to be properly given or made if delivered or sent by registered mail to 1132 Locust Street, Twin Falls, Idaho 83301. Any notice, demand, or request provided for in this Falling Water Contract to or upon the Idaho Power Company shall be deemed to be properly given or made if delivered or sent by registered mail to 1220 Idaho Street, Boise, Idaho 83701. Any notice, demand, or request provided for in this Falling Water Contract, or given or made in connection with this Falling Water Contract to or upon the United States, shall be deemed to be properly given or made if delivered or sent by registered mail to Regional Director, Pacific Northwest Region, Bureau of Reclamation, Box 043, 550 West Fort Street, Boise, Idaho 83724.

Any notice, demand or request provided for in this Falling Water Contract or given in connection with this Falling Water Contract to or upon the Trustee shall be deemed to be properly given or made if delivered or sent by registered mail to the corporate trust office of the Trustee.

Any notice, demand or request provided for in this Falling Water Contract or given in connection with this Falling Water Contract to or upon the Spaceholders shall be deemed to be properly given or made if delivered or sent by registered mail to the Authorized Spaceholder Representative.

A duplicate copy or copies of each notice given hereunder by either the Constructing Agency or the Idaho Power Company to the other shall also be given to the United States and the Trustee. A duplicate copy of each notice given by either Constructing Agency or Idaho Power Company to either the Trustee or the United States shall also be given to the other party hereto.

The designation or the address of any person specified in this Section may be changed at any time by written notice to the other persons whose addresses are set forth in this Section.

SECTION 14.7. *Benefit of Falling Water Contract.* This Falling Water Contract shall inure to the benefit of and shall be binding upon the Constructing Agency, the Idaho Power Company, and their respective successors and assigns, subject, however, to the limitations contained in Sections 12.4, 13.1 and 13.2 hereof.

SECTION 14.8. *Severability.* In the event any provision of this Falling Water Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 14.9. *Amounts in Bond Fund.* Any amounts remaining in the Bond Fund upon expiration or sooner termination of the Original Term as provided in this Falling Water Contract, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the fees, charges and expenses of the Trustee and paying agents in accordance with the Indenture and all other amounts required to be paid under this Falling Water Contract and the Indenture, shall be paid by the Trustee to the Constructing Agency for disposition in accordance with the provisions of the Spaceholder Contracts and to Idaho Power Company in the proportion that the respective obligations of the Spaceholders and of Idaho Power Company to pay the principal of the Bonds as determined under Sections 9.7, 9.10 and 9.11 hereof bears to the total principal amount of the Bonds.

SECTION 14.10. *Execution in Counterparts.* This Falling Water Contract may be executed in several counterparts, each of which shall be an original, and all such shall constitute and be one and the same instrument.

SECTION 14.11. *Choice of Law.* This Falling Water Contract shall be construed and governed exclusively by the applicable laws of the State of Idaho.

SECTION 14.12. *Waiver of Subrogation Rights.* No payment of any kind to the Trustee or the holders of the Bonds by the Idaho Power Company pursuant to the provisions hereof, including without limitation Section 11.2 hereof, shall entitle the Idaho Power Company, by subrogation to the rights of the holders of the Bonds in respect of which such payment is made or otherwise, to any payment by the Constructing Agency or to any payment required to be made by a Spaceholder pursuant to a Spaceholder Contract or out of the property of Constructing Agency in enforcement of the Indenture or otherwise, except after payment in full of the entire principal of and premium, if any, and interest on the Bonds and any and all indebtedness evidenced by the Bonds or the Indenture, or provision for such payment satisfactory to the Trustee.

IN WITNESS WHEREOF, the Constructing Agency and the Idaho Power Company have caused this Falling Water Contract to be executed in their respective names and their respective seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

AMERICAN FALLS RESERVOIR DISTRICT

By: /s/ JOHN M. BARKER
President

(SEAL)

Attest:

/s/ DIANNE BRIDEGUM
Secretary

IDAHO POWER COMPANY

By: /s/ JAMES E. BRUCE
President

(SEAL)

Attest:

/s/ PAUL L. JAUREGUI
Secretary

APPROVED this 31st day of March, 1976

UNITED STATES SECRETARY OF THE INTERIOR

By: /s/ RODNEY J. VISSIA
Regional Director

Pacific Northwest Region
Bureau of Reclamation
Box 043—550 West Fort Street
Boise, Idaho 83724

STATE OF IDAHO }
COUNTY OF ADA } ss.

On this 24th day of March, in the year 1976, before me, John A. Rosholt, a Notary Public, personally appeared John M. Barker and Dianne Bridegum, known to me to be, respectively, the President and the Secretary of the American Falls Reservoir District that executed the said instrument, and acknowledged to me that the American Falls Reservoir District executed the same.

IN WITNESS WHEREOF, I set my hand and affix my official seal the day and year first above written.

/s/ JOHN A. ROSHOLT
Notary Public in and for the State of Idaho
Residing at: Twin Falls, Idaho

My commission expires: 1979

(SEAL)

STATE OF IDAHO }
COUNTY OF ADA } ss.

On this 24th day of March, in the year 1976, before me, Mary L. Morton, a Notary Public, personally appeared James E. Bruce and Paul L. Jauregui, known to me to be the President and Secretary of the corporation that executed the said instrument on behalf of said corporation, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I set my hand and affix my official seal the day and year first above written.

/s/ MARY L. MORTON
Notary Public in and for the State of Idaho
Residing at: Boise, Idaho

My commission expires: 4-1-76

(SEAL)

SPA)LDERS
HOLDINGS OF SPACE IN ...ERICAN FALLS RESERVOIR

Water User	Contract No.	Date	Date of Supplemental Contract	Approximate Acre-Feet	Percent of Active Capacity —Percent to Distribute Construction Costs	Percent to Distribute Annual Replacement Dam Operation and Maintenance Costs	Percent to Distribute Annual Water Quality Operation and Maintenance Costs
UPPER VALLEY ORGANIZATIONS							
Aberdeen-Springfield Canal Company(1)	14-06-W-24	10-22-52	9-26-63	32.572	1.9160	1.8276	1.9680
Andrus, Ray	14-06-100-7771	5-16-73	None	191	0.0112	.0107	.0115
The Blackfoot Irrigating Company	14-06-W-39	12-12-52	2-6-63	12,763	0.7508	.7161	.7712
The Butte and Market Lake Canal Company	14-06-W-38	12-12-52	2-6-63	4,666	0.2745	.2618	.2819
Clement Brothers, a partnership	14-05-100-7446	9-9-72	None	71	0.0042	.0040	.0043
Corbet Slough Ditch Company	14-06-W-12	12-12-52	2-6-63	3,396	0.1998	.1905	.2052
The Enterprize Canal Company, Ltd.	14-06-W-15	12-12-52	2-1-63	8,923	0.5249	.5007	.5392
Enterprise Irrigation District	14-06-100-1912	6-2-60	None	10,188	0.5993	.5716	.6156
Harrison Canal and Irrigation Company	14-06-W-30	12-12-52	2-1-63	12,025	0.7074	.6747	.7266
Michaud Division, Fort Hall Indian Reservation	Memorandum of Agreement	4-25-57	None	47,700	2.8059	2.6764	2.8822
New Sweden Irrigation District	14-06-W-14	12-12-52	2-1-63	25,731	1.5136	1.4438	1.5547
Poplar Irrigation District	14-06-W-45	12-18-52	2-1-63	673	0.0396	.0378	.0407
Progressive Irrigation District	14-06-W-47	12-18-52	1-31-63	12,485	0.7344	.7005	.7544
Rudy Canal Company, Limited	14-06-W-37	12-12-52	2-1-63	2,649	0.1558	.1486	.1601
Snake River Valley Irrigation District	14-06-W-35	12-12-52	2-1-63	26,367	1.5510	1.4795	1.5932
The Trego Ditch Company	14-06-W-23	12-12-52	2-6-63	1,314	0.0773	.0737	.0794
LOWER VALLEY ORGANIZATIONS							
American Falls Reservoir District(2)	14-06-W-59	5-13-54	3-14-60	460,170	27.0688	25.8199	27.8048
American Falls Reservoir District No. 2	14-06-W-73	10-14-54	2-2-60	400,000	23.5294	22.4438	24.1692
Hillsdale Irrigation District	Ilr-252	7-22-23 as amended and supplemented	None	41,146	2.4203	2.3087	2.4862
Milner Low Lift Irrigation District	14-06-W-92	1-7-55	1-21-66	45,687	2.6875	2.5635	2.7605
North Side Canal Company, Limited(1)	14-06-W-28	12-12-52	2-29-60	118,380	6.9635	6.6422	7.1529
A & B Irrigation District	14-06-100-2368	2-9-62	None	47,593	2.7996	2.6704	2.8757
Idaho Power Company	Ilr-733	6-15-23	None	45,000	2.6471	7.1388(3)	None

(1) Also has space through American Falls Reservoir District.

(2) American Falls Reservoir District holds this space for the following:

UPPER VALLEY ORGANIZATIONS	Percent of Capacity	Approximate Acre-Feet
Aberdeen-Springfield Canal Co.	1.3541	23,019
Martin Canal Co.	0.0839	1,426
Woodville Canal Co.	0.3356	5,706
LOWER VALLEY ORGANIZATIONS		
North Side Canal Co., Ltd.	16.4020	278,834
Twin Falls Canal Co.	8.8932	151,185
	27.0688*	460,170

* Erroneously typed as 27.0687 in supplemental contract of 3-14-60.

(3) Computed on the basis of article 17 of the contract of 6-15-23.

EXHIBIT I

NON-PARTICIPATING WATERUSERS

HOLDINGS OF SPACE IN AMERICAN FALLS RESERVOIR

Water User	Contract No.	Date	Date of Supplemental Contract	Approximate Acre-Feet	Percent of Active Capacity —Percent to Distribute Construction Costs	Percent to Distribute Annual Replacement Dam Operation and Maintenance Costs	Percent to Distribute Annual Water Quality Operation and Maintenance Costs
UPPER VALLEY ORGANIZATIONS							
Burgess Canal and Irrigating Company..	14-06-W-41	12-18-52	2-1-63	9,496	0.5586	.5328	.5738
Dilts Irrigation Company, Limited	14-06-W-32	12-12-52	2-6-63	886	0.0521	.0497	.0535
Falls Irrigation District	14-06-100-851	12-9-55	9-15-64	23,300	1.3706	1.3074	1.4079
Idaho Irrigation District	14-06-W-33	12-12-52	2-6-63	22,911	1.3477	1.2855	1.3844
The Lenroot Canal Company	14-06-W-22	12-12-52	2-1-63	3,868	0.2275	.2170	.2337
The Martin Canal Company(1)	14-06-W-36	12-12-52	9-10-73	580	0.0341	.0326	.0350
Peoples Canal & Irrigation Company ...	14-06-W-44	12-18-52	1-31-63	21,415	1.2597	1.2016	1.2940
Reid Canal Company	14-06-W-10	12-12-52	2-6-63	2,549	0.1499	.1430	.1540
Utah-Idaho Sugar Company ..... (Osgood tract)	IIr-538	6-6-25	(2)	13,459	0.7917	.7552	.8132
The Woodville Canal Company(1)	14-06-W-49	12-18-52	9-10-73	341	0.0200	.0191	.0206
LOWER VALLEY ORGANIZATIONS							
Burley Irrigation District	14-06-W-48	12-18-52	1-25-60	157,942	9.2907	8.8621	9.5433
Minidoka Irrigation District	14-06-100-1833	2-2-60	None	83,563	4.9155	4.6887	5.0491

(1) Also has space through American Falls Reservoir District.

(2) Has contract for 15,852 acre-feet—is entitled to an additional 5,378 acre-feet of which total 7,771 is transferred to Jackson. Contract to accomplish this is in progress.

EXHIBIT II

3-31-1976 IPCo Spaceholder Contract American Falls

SPACEHOLDER CONTRACT
AMONG
THE UNITED STATES,
THE AMERICAN FALLS RESERVOIR DISTRICT,
AND
IDAHO POWER COMPANY
FOR STORAGE IN THE
AMERICAN FALLS REPLACEMENT DAM
AND FOR
CONSTRUCTION AND OPERATION
AND MAINTENANCE OF THE
AMERICAN FALLS REPLACEMENT DAM PROGRAM

Dated as of March 31, 1976

SPACEHOLDER CONTRACT AMONG THE UNITED STATES, THE AMERICAN FALLS RESERVOIR DISTRICT, AND IDAHO POWER COMPANY FOR STORAGE IN THE AMERICAN FALLS REPLACEMENT DAM AND FOR CONSTRUCTION AND OPERATION AND MAINTENANCE OF THE AMERICAN FALLS REPLACEMENT DAM PROGRAM

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SPACEHOLDER CONTRACT AMONG THE UNITED STATES, THE AMERICAN FALLS RESERVOIR DISTRICT, AND IDAHO POWER COMPANY FOR STORAGE IN THE AMERICAN FALLS REPLACEMENT DAM AND FOR CONSTRUCTION AND OPERATION AND MAINTENANCE OF THE AMERICAN FALLS REPLACEMENT DAM PROGRAM

THIS SPACEHOLDER CONTRACT, made this 31st day of March, 1976, among the UNITED STATES OF AMERICA, hereinafter referred to as the "United States", acting through the Regional Director, Pacific Northwest Region, Bureau of Reclamation, upon authorization of the Secretary of the Interior and pursuant to Section 3 of the Act of Congress approved December 28, 1973 (87 Stat. 904) the AMERICAN FALLS RESERVOIR DISTRICT, an instrumentality of the State of Idaho, with its offices in Twin Falls, Idaho, hereinafter referred to as the "Constructing Agency"; and IDAHO POWER COMPANY, a corporation organized under the laws of the State of Maine, authorized to do business in the State of Idaho, with its principal office therein located in Boise, Idaho, hereinafter called "Spaceholder", when referring to it in its capacity as a Spaceholder pursuant to Section 3 of the Act of December 28, 1973 and called the "Idaho Power Company" when referring to it in its capacity as the entity contracting to utilize for power generation at the Powerplant the water released from the Replacement Dam;

WITNESSETH THAT:

EXPLANATORY RECITALS

2. WHEREAS, the United States has constructed the Existing Dam of the Minidoka Project pursuant to the Federal Reclamation Laws primarily for the furnishing of water for irrigation purposes and, due to alkali-aggregate reactions in the concrete portions of the Existing Dam, the United States is operating the Existing Dam at less than full active capacity; and

3. WHEREAS, continued operation at less than full active capacity could result in irrigation water shortages to some 900,000 acres of land which obtain a water supply from the Existing Dam; and

4. WHEREAS, the active capacity in the Existing Dam is held by Waterusers which desire that the Existing Dam be replaced at the earliest possible time; and

5. WHEREAS, the United States and the Spaceholder are parties to that certain contract hereinafter referred to as the "Existing Spaceholder Contract" dated June 15, 1923, symbol and No. Ilr-733, wherein the Spaceholder conveyed to the United States certain lands and water rights and obtained the right to use the stored water accruing to 2.6471% of the active water storage capacity of the Existing Dam as well as other rights relating to the use of water for power generation; and

6. WHEREAS, the Constructing Agency pursuant to the Act of December 28, 1973, desires to undertake the replacement of the Existing Dam on behalf of all the Spaceholders by financing and constructing the American Falls Replacement Dam Program and to issue Bonds to finance all or part of the costs thereof pursuant to the provisions of Chapter 22, Title 43, Idaho Code, as amended, and upon substantial completion thereof to transfer title to the Replacement Dam to the United States to be operated and maintained primarily for the furnishing of water for irrigation purposes as a feature of the Minidoka Project; and

7. WHEREAS, the Waterusers have advanced monies, and the Constructing Agency has employed engineers, and done those things necessary in the preparation of plans, designs and specifications, in order to begin work on the American Falls Replacement Dam Program; and

8. WHEREAS, pursuant to the provisions of the Act of December 28, 1973, the United States has entered into a contract of even date herewith with the Constructing Agency ("Government Contract") which Government Contract authorizes the Constructing Agency to finance and provide for the construction of the American Falls Replacement Dam Program; and

9. WHEREAS, the Idaho Power Company heretofore proposed to pay an amount necessary to amortize at a tax exempt interest rate in 40 approximately equal annual installments, $19,550,000 of the costs of financing and constructing the American Falls Replacement Dam Program and subsequently further agreed to increase such amount by the cost of the Water Quality Facilities, and if necessary by

approximately 50% of the costs of financing and constructing the American Falls Replacement Dam Program in excess of $38,000,000; and

10. WHEREAS, the Constructing Agency pursuant to the Act of December 28, 1973, entered into a Falling Water Contract of even date herewith with the Idaho Power Company to utilize for power generation at the Powerplant the water released from the Replacement Dam (which utilization shall be subordinate to the furnishing of water for irrigation purposes) in consideration for the Falling Water Payments in order to pay part of the costs of financing and constructing the American Falls Replacement Dam Program and the Federal Power Commission has granted to the Idaho Power Company a License to construct, operate, and maintain the Powerplant attached to the Replacement Dam for such purpose; and

11. WHEREAS, the United States is responsible for the construction of specific facilities for public recreation and fish and wildlife enhancement in accordance with Section 7 of the Act of December 28, 1973; and

12. WHEREAS, the Constructing Agency and the Idaho Power Company have entered into the Water Quality Facilities Agreement of even date herewith attached hereto as *Exhibit A* providing for the construction, operation, and maintenance of the Water Quality Facilities; and

13. WHEREAS, Section 3 of the Act of December 28, 1973, provides in part that the Secretary and the Constructing Agency may enter into contracts with the Waterusers for the repayment of their proportionate share of the costs incurred by the Constructing Agency for engineering, financing, designing and constructing the replacement of the Existing Dam and that the delivery of water to the Waterusers shall be contingent upon the execution of Spaceholder Contracts and the fulfillment of the obligations thereunder; and

14. WHEREAS, the Constructing Agency is responsible under the Government Contract and the Falling Water Contract for the preparation of the plans for the American Falls Replacement Dam Program in order to accomplish the replacement of the Existing Dam as contemplated in Section 3 of the Act of December 28, 1973; and

15. WHEREAS, an appropriate number of the Waterusers satisfactory to the Secretary and the Constructing Agency have entered into Spaceholder Contracts of even date herewith to pay their proportionate share of the cost of the American Falls Replacement Dam Program; and

16. WHEREAS, the Spaceholder desires to repay its proportionate share of the costs of financing and constructing the American Falls Replacement Dam Program and has, as required by law, authorized the execution hereof; and

17. WHEREAS, the Spaceholder will pay its proportionate share of operation and maintenance costs associated with the Replacement Dam, the Related Facilities, and the Water Quality Facilities;

NOW, THEREFORE, in consideration of the mutual and dependent stipulations and covenants herein contained, it is agreed by and among the parties hereto as follows:

PART I

DEFINITIONS AND TERM

(Articles 18-19)

DEFINITIONS

18. The following terms, whenever used in this Spaceholder Contract, shall have the following respective meanings:

"Act of December 28, 1973" shall mean the Act of Congress approved December 28, 1973 (87 Stat. 904).

"Additional Bonds" shall mean any additional parity Bonds authorized to be issued by the Constructing Agency pursuant to the terms and conditions of Section 207 of the Indenture.

"Advisory Committee" shall mean the committee known as the "Committee of Nine", or its successors.

"American Falls Replacement Dam Program" shall mean the program to be undertaken by the Constructing Agency consisting of the Replacement Dam including the two-lane highway on the crest of the Replacement Dam, the two-lane highway bridge located immediately downstream from the Replacement Dam, the Related Facilities, the Recreation and Fish and Wildlife Mitigation Facilities, and the Water Quality Facilities to be accomplished pursuant to the Act of December 28, 1973, and under the authority of Section 43-2201(A), Idaho Code, which provides for the reconstruction, rehabilitation, replacement, and improvement of dams and other related structures and works together with all necessary appurtenances related thereto.

"Authorized Company Representative" shall mean the person at the time designated to act in behalf of the Idaho Power Company by written certificate furnished to the Contracting Officer, the Constructing Agency and the Trustee, containing the specimen signature of such person, and signed on behalf of the Idaho Power Company by its President or any Vice President thereof. Such certificate shall designate an alternate or alternates. The Authorized Company Representative may be an employee of the Idaho Power Company.

"Authorized Constructing Agency Representative" shall mean the person at the time designated to act in behalf of the Constructing Agency by written certificate furnished to the Contracting Officer, the Idaho Power Company and the Trustee, containing the specimen signature of such person, and signed on behalf of the Constructing Agency by the President of the Board, or the Vice President thereof. Such certificate shall designate an alternate or alternates. The Authorized Constructing Agency Representative may be an employee of the Constructing Agency.

"Authorized Representatives" shall mean collectively the Authorized Company Representative, the Authorized Constructing Agency Representative, and the Authorized Spaceholder Representative.

"Authorized Spaceholder Representative" shall mean the person at the time designated to act in behalf of the Spaceholders, pursuant to the provisions of Article 46 hereof, by written certificate furnished to the Contracting Officer, the Constructing Agency, the Idaho Power Company, and the Trustee, containing the specimen signature of such person, and signed on behalf of the Spaceholders by the Chairman of the meeting of the Spaceholders at which such representative is designated. Such certificate shall designate an alternate or alternates. The Authorized Spaceholder Representative may be an employee of a Spaceholder.

"Bond Fund" shall mean the Bond Fund created in Section 502 of the Indenture for the purpose of paying principal of and interest on the Bonds.

"Bonds" shall mean bonds issued, and to be issued, by the Constructing Agency under Authority contained in the State Act, pursuant to the Indenture to pay the costs of the American Falls Replacement Dam Program.

"Constructing Agency" shall mean the American Falls Reservoir District, an instrumentality of the State of Idaho, being an irrigation district organized and existing under the provisions of Title 43, Idaho Code, as amended, and its successors and assigns.

"Construction Fund" shall mean the construction fund created by Section 602 of the Indenture for the purpose of paying the cost of financing and constructing the American Falls Replacement Dam Program.

"Construction Work Schedule" shall mean a schedule showing each item of major construction activity of the American Falls Replacement Dam Program including detailed coordination arrangements for the construction of the Powerplant with the construction of the Replacement Dam, and the time period within which each item is proposed to be started and concluded.

"Contracting Officer" shall mean the Regional Director, Pacific Northwest Region, Bureau of Reclamation, or his duly authorized representative.

"Cost of Construction" shall mean all or part of the total cost of the engineering, financing, designing and constructing of the American Falls Replacement Dam Program, and all expenses preliminary and incidental thereto, including all engineering, fiscal, and legal expenses, and costs of issuance, printing and advertising, as authorized in the Act of December 28, 1973 and the State Act and for which funds may be disbursed from the Construction Fund pursuant to Article 20(c) hereof.

"Defaulted Spaceholder(s)" shall mean the Spaceholders determined to be in default in all or any part of the Spaceholder Payments required to be made under a Spaceholder Contract, in accordance with the provisions of Article 29(a) hereof.

"Existing Dam" shall mean the American Falls Dam and Reservoir owned by the United States located on the Snake River in southern Idaho adjacent to the City of American Falls, Idaho.

"Existing Spaceholder Contract" shall mean that certain contract dated June 15, 1923, symbol and No. I1r-733, between the United States and the Spaceholder.

"Falling Water Contract" shall mean the contract of even date herewith entitled "Falling Water Contract by and between American Falls Reservoir District and Idaho Power Company", as the same may be supplemented or amended.

"Falling Water Payments" shall mean the principal amount, plus applicable interest, to be paid to the Constructing Agency in 40 approximately equal annual installments by the Idaho Power Company pursuant to the Falling Water Contract as a part of the consideration for the utilization for power generation at the Powerplant of the water released from the Replacement Dam.

"Government Contract" shall mean the contract of even date herewith entitled "Contract between the United States of America and the American Falls Reservoir District for the Construction and Operation and Maintenance of the American Falls Replacement Dam Program" as the same may be supplemented or amended.

"Idaho Power Company" shall mean the Idaho Power Company, a Maine corporation authorized to do business in the State of Idaho, and its permitted successors and assigns, acting in the capacity as the entity contracting to utilize for power generation at the Powerplant the water released from the Replacement Dam.

"Indenture" shall mean the Indenture of Trust to be entered into between the Constructing Agency and the Trustee in connection with the issuance of the Bonds (including any indenture supplemental thereto).

"Interim Notes" shall mean interim notes of the Constructing Agency issued, and to be issued, under authority contained in the State Act, for the purpose of borrowing funds on a temporary basis in advance of the issuance of the Series 1976 Bonds.

"License" shall mean the license for Project No. 2736 issued by the Federal Power Commission on March 31, 1975, and expiring on March 31, 2025, and any continuation or renewal thereof, authorizing the Idaho Power Company to construct, operate, and maintain the Powerplant.

"Minidoka Project" shall mean the Minidoka Reclamation Project of the United States, located on the Snake River in the States of Idaho and Wyoming.

"Non-Participating Wateruser(s)" shall mean the Waterusers which have not executed Spaceholder Contracts. The initial Non-Participating Waterusers are set forth in *Exhibit B* to the Government Contract. Upon the execution of a Spaceholder Contract by a Non-Participating Wateruser, such Non-Participating Wateruser shall be deemed to be a Spaceholder.

"Plan of Operation" shall mean a schedule of the storage and release of water from the Existing Dam and the Replacement Dam during the construction of the Replacement Dam.

"Powerplant" shall mean the hydroelectric generating facility, attached to the Replacement Dam, to be constructed, operated, and maintained by the Idaho Power Company in accordance with the License.

"Recreation and Fish and Wildlife Mitigation Facilities" shall mean the facilities to be included in the American Falls Replacement Dam Program pursuant to that certain agreement between the Constructing Agency and the Idaho Fish and Game Department dated July 2, 1974, to mitigate the anticipated loss of existing recreational and fish and wildlife resources.

"Related Facilities" shall mean the facilities included in the American Falls Replacement Dam Program which are required by the United States as part of the construction of the Replacement Dam and which are to be transferred to the United States to operate and maintain, consisting of the warehouse, shop, offices, scenic overlook including health and safety facilities, hydrologic and meteorologic data collection facilities.

"Replacement Dam" shall mean the new dam, including the reservoir, to be constructed by the Constructing Agency on the Snake River in southern Idaho adjacent to the City of American Falls, Idaho, to replace the Existing Dam.

"Schedule of Spaceholder Bond Payments" shall mean that schedule supplied to the Spaceholder, pursuant to the provisions of Section 9.8 of the Falling Water Contract, showing the annual sums to be paid to the Trustee for deposit into the Bond Fund under the Indenture.

"Secretary" shall mean the Secretary of the Interior.

"Series 1976 Bonds" shall mean the initial series of Bonds to be issued by the Constructing Agency under the State Act for the purpose of paying all or part of the Cost of Construction of the American Falls Replacement Dam Program pursuant to the terms and conditions of Section 202 of the Indenture.

"Spaceholder" shall mean the Idaho Power Company, a Maine corporation authorized to do business in the State of Idaho, acting in the capacity of a Spaceholder pursuant to Section 3 of the Act of December 28, 1973.

"Spaceholder(s)" shall mean the Waterusers which have executed Spaceholder Contracts, together with their successors and assigns. The initial Spaceholders are set forth in *Exhibit A* to the Government Contract.

"Spaceholder Bond Payments" shall mean the payments obligated to be made by the Spaceholders to the Constructing Agency pursuant to the Spaceholder Contracts to pay the Spaceholders' portion of the principal of and interest on the Bonds and which are assigned to the Trustee.

"Spaceholder Contract" shall mean this contract entered into among the United States, the Constructing Agency, and the Spaceholder for storage in the Replacement Dam and the payment of the construction, operation, and maintenance costs of the American Falls Replacement Dam Program as the same may be supplemented or amended.

"Spaceholder Contracts" shall mean the contracts of even date herewith entered into among the United States, the Constructing Agency, and the Spaceholders for storage in the Replacement Dam and the payment of construction, operation, and maintenance costs of the American Falls Replacement Dam Program as the same may be supplemented or amended.

"Spaceholder Payments" shall mean collectively the payments to be made by the Spaceholder pursuant hereto as follows:

1. Spaceholder Bond Payments.
2. Spaceholder Replacement Dam Operation and Maintenance Payments.
3. Spaceholder Water Quality Facilities Operation and Maintenance Payments.
4. The fees, charges and expenses of Trustee and any paying agent bank.

"Spaceholder Replacement Dam Operation and Maintenance Payments" shall mean the payments obligated to be made hereunder by the Spaceholder to the United States to pay the annual costs of operation and maintenance of the Replacement Dam and the Related Facilities and to return the unpaid costs of the Existing Dam as set forth in Article 28(c) hereof.

"Spaceholder Water Quality Facilities Operation and Maintenance Payments" shall mean the payments obligated to be made by the Spaceholder to the Constructing Agency in accordance with paragraph 13 of the Water Quality Facilities Agreement.

"State Act" shall mean Chapter 22, Title 43, Idaho Code, as enacted by Chapter 1, Session Laws of Idaho, 1974, as amended by Chapter 48, Session Laws of Idaho, 1975.

"Supplemental Falling Water Payments" shall mean the supplemental amounts agreed to be paid to the Constructing Agency by Idaho Power Company pursuant to the Falling Water Contract representing the obligations of the Defaulted Spaceholders or of Non-Participating Waterusers, or both.

"Trustee" shall mean the bank, Trustee or bank co-trustee, or either, at the time serving as such under the Indenture.

"Water Quality Facilities" shall mean facilities included in the American Falls Replacement Dam Program for the purpose of meeting the amended State of Idaho water quality dissolved oxygen standard, as approved on April 17, 1975, by the United States Environmental Protection Agency, for water released from the Replacement Dam through the Powerplant, including necessary monitoring equipment to be installed immediately downstream from the tailrace of the Powerplant to measure the dissolved oxygen in the water.

"Water Quality Facilities Agreement" shall mean the agreement of even date herewith between the Constructing Agency and the Idaho Power Company providing for the construction, operation, and maintenance of the Water Quality Facilities, as the same may be supplemented or amended.

"Wateruser(s)" shall mean the organizations and individuals which have heretofore contracted for storage space in the Existing Dam.

PURPOSE AND TERM

19. (a) This Spaceholder Contract is entered into in accordance with Section 3 of the Act of December 28, 1973, to provide for repayment by the Spaceholder of its proportionate share of the total costs incurred by the Constructing Agency for engineering, financing, designing, and constructing the replacement of the Existing Dam by financing and constructing the American Falls Replacement Dam Program. Nothing herein shall in any way alter or change the present proportionate storage rights of the Spaceholder, and this Spaceholder Contract and the American Falls Replacement Dam Program constitute a reaffirmation by the United States of the rights of the Spaceholder under the Existing Spaceholder Contract, except as modified by this Spaceholder Contract as authorized in the Act of December 28, 1973, and in the Government Contract. The provisions of the Existing Spaceholder Contract shall in all respects remain in full force and effect except that the provisions of this Spaceholder Contract with respect to the Replacement Dam, including but not limited to the operation and maintenance thereof and the distribu-

tion of water therefrom, shall prevail over the provisions of the Existing Spaceholder Contract wherever and to whatever extent the provisions of the Existing Spaceholder Contract are in conflict with the provisions of this Spaceholder Contract. The provisions of the Existing Spaceholder Contract which have application to any other reserved works of the Minidoka Project shall, in all respects, continue in effect and shall continue to apply to any other reserved works of the Minidoka Project. Due to events which have occurred since the execution of the Existing Spaceholder Contract, the United States and the Spaceholder recognize that certain provisions of the Existing Spaceholder Contract may no longer be applicable, and it is the intention of the United States and the Spaceholder to subsequently meet and review the Existing Spaceholder Contract for possible revision.

(b) After execution by the Constructing Agency and Spaceholder, this Spaceholder Contract shall become effective upon execution by the Contracting Officer and shall remain in effect unless terminated as provided in Articles 19(c) or 29 hereof.

(c) If the Government Contract is terminated as provided in Article 9(b) or 9(c) thereof, this Spaceholder Contract shall be deemed terminated and of no further force and effect. In the event of the termination of the Government Contract pursuant to Article 9(c) thereof, the Spaceholder's relationship with the United States, as it relates to the Existing Dam, shall be governed by the terms and conditions of the Existing Spaceholder Contract, except that the Spaceholder shall be obligated to pay its proportionate share of the costs expended or incurred by the Constructing Agency for the engineering, financing, designing, and planning of the construction of the American Falls Replacement Dam Program.

PART II

AMERICAN FALLS REPLACEMENT DAM PROGRAM AND SPACEHOLDER STORAGE CAPACITY

(Articles 20-21)

American Falls Replacement Dam Program

20. (a) The American Falls Reservoir District is the "Constructing Agency" contemplated in Section 1 of the Act of December 28, 1973, and in the Government Contract which is authorized to finance and construct the American Falls Replacement Dam Program in order to replace the Existing Dam.

(b) The Constructing Agency has entered into the Government Contract under authority contained in the Act of December 28, 1973, and will issue its Bonds under authority contained in the State Act and pursuant to the Indenture to finance and construct the American Falls Replacement Dam Program. Pursuant to the provisions of Article 10(a) of the Government Contract, the Constructing Agency is responsible for the preparation of the plans for the American Falls Replacement Dam Program. Such plans for the Replacement Dam shall be substantially in accordance with the construction plans for the Replacement Dam contemplated at the Engineering Review Session in San Francisco, California, on October 8 and 9, 1974, and shall provide, among other things, for the following:

(1) The construction of a Replacement Dam having:

(i) a reservoir with an active capacity of 1,700,000 acre-feet;

(ii) a spillway, outlet works, and power penstocks capable of passing an approved design flood without exceeding a maximum water surface elevation of 4,354.5 feet above mean sea level U.S.C.&G.S. datum;

(iii) a two-lane highway on the crest of the Replacement Dam adequate to meet the then current United States Department of Transportation Standards for Federal-Aid Secondary Highway Two-Lane Traffic;

(iv) appropriate controls of spillway, intake, and sluiceway gates for operation of the Replacement Dam in the event of an emergency at the Powerplant; and

(v) sufficient portions of the Existing Dam removed to permit evacuation of the total active capacity of the Replacement Dam at a satisfactory rate to permit full utilization of the storable water.

(2) The construction of the Related Facilities.

(3) The construction, operation, and maintenance of the Water Quality Facilities.

(4) The construction, operation, and maintenance of the Recreation and Fish and Wildlife Mitigation Facilities.

(5) Provision for the relocation or replacement of the residence occupied by the Falls Irrigation District's personnel. The plan for the construction of the Replacement Dam and the Powerplant shall be such as not to interfere with the Falls Irrigation District pumping plant, nor destroy the Old Island Powerplant unless first approved by the Contracting Officer.

(6) A proposed Construction Work Schedule and a proposed Plan of Operation.

(7) Provision for power intake structures, power penstocks, and attachment facilities to the penstocks of the Powerplant with a precise boundary line between the Replacement Dam and the Powerplant.

(8) The two-lane highway bridge located immediately downstream from the Replacement Dam adequate to meet the then current United States Department of Transportation Standards for Federal-Aid Secondary Highway Two-lane Traffic, pursuant to the agreement dated November 23, 1973, between the United States and the State of Idaho, and the agreement dated November 27, 1974, between the Constructing Agency and the State of Idaho, and which two-lane highway bridge shall be utilized to satisfy the requirements of Section 2(c) of the Act of December 28, 1973.

(c) The Cost of Construction of the American Falls Replacement Dam Program shall consist of:

(A) payment of principal of and interest on outstanding Interim Notes, if any, issued by the Constructing Agency pursuant to the authority contained in the State Act, and

(B) payments made under Section 602 of the Indenture for:

(1) payment of the initial or acceptance fee of the Trustee;

(2) payment to the Construction Agency, Waterusers, or Idaho Power Company, as the case may be, of such amounts, if any, as shall be necessary to reimburse the Constructing Agency, Waterusers, or the Idaho Power Company in full for advances and payments made or costs incurred by them or any of them, prior to or after the execution of the Falling Water Contract, for expenditures in connection with the construction of the American Falls Replacement Dam Program, including, but not limited to preparation of the Plans, Designs and Specifications (as defined in the Falling Water Contract) and review thereof by the Contracting Officer;

(3) all costs representing interest on advancements made in connection with the construction of the American Falls Replacement Dam Program prior to the sale of the Series 1976 Bonds;

(4) payments to the Contracting Officer for costs incurred in reviewing the Plans, Designs, Specifications and for costs incurred pursuant to Article 20(a) of the Government Contract in reviewing the construction of the American Falls Replacement Dam Program; costs for the obtaining of any insurance policy or policies by the Constructing Agency during the construction period; and costs related to the obtaining of all real and personal properties

deemed necessary in connection with the construction of the American Falls Replacement Dam Program by the Constructing Agency, or any one or more of said expenditures;

(5) payment for labor, services, materials and supplies used or furnished in site improvement and in the construction of the American Falls Replacement Dam Program, all as provided in the Plans, Designs and Specifications, payment for the cost of the construction, acquisition and installation of utility services or other facilities, and all real and personal property deemed necessary in connection with the construction of the American Falls Replacement Dam Program and payment for the miscellaneous expenses incidental to any thereof, including the premium on any surety bond;

(6) payment of sums due to the State of Idaho pursuant to that certain agreement dated November 27, 1974, between the Constructing Agency and the State of Idaho providing for the two-lane highway on the crest of the Replacement Dam and the two-lane highway bridge located immediately downstream from the Replacement Dam;

(7) payment of the sums contemplated in Sections 1 and 3 of that certain agreement dated July 2, 1974, between the Constructing Agency and the Idaho Fish and Game Department with respect to the Recreation and Fish and Wildlife Mitigation Facilities;

(8) payment of audit fees and expenses for maintenance of records required to be kept hereunder, and of the fees, if any, for architectural, engineering and supervisory services with respect to the construction of the American Falls Replacement Dam Program;

(9) compensation to be paid to the Authorized Constructing Agency Representative and the Authorized Spaceholder Representative in connection with the performance of their duties and the reimbursement of their expenses incurred in connection with such duties;

(10) payment of expenses incurred in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under a contract relating to the construction of the American Falls Replacement Dam Program;

(11) payment of costs of issuance of the Bonds, and Interim Notes, any necessary litigation and confirmation proceedings, and the obtaining of all necessary permits and rulings;

(12) payment of the legal, accounting and underwriting fees and expenses and printing and engraving costs, including fees of rating agencies, incurred in connection with the authorization, sale and issuance of the Bonds and Interim Notes, the preparation of the Falling Water Contract, the Government Contract, the Spaceholder Contracts, the Water Quality Facilities Agreement, and the Indenture;

(13) payments required to be made pursuant to Article 17(g) of the Government Contract; and

(14) payment of any other costs and expenses relating to the construction of the American Falls Replacement Dam Program which would constitute a cost or expense for which moneys in the Construction Fund may be used under the Act of December 28, 1973, the State Act and the Indenture, including fees and expenses of the Trustee during the construction period.

(d) The Constructing Agency has entered into the Falling Water Contract with Idaho Power Company in accordance with Section 4 of the Act of December 28, 1973, and has entered into Spaceholder Contracts with an appropriate number of the Waterusers satisfactory to the Secretary in accordance with Section 3 of the Act of December 28, 1973, in order to finance the construction of the American Falls Replacement Dam Program. The Constructing Agency will use its best efforts to authorize, pursuant to the provisions of the State Act as then in force, and issue the Bonds in an amount which shall be sufficient to pay the Cost of Construction of the American Falls Replacement Dam Program not prepaid

by the Spaceholders and when issued such Bonds shall be payable solely from a special fund into which the Constructing Agency will be obligated to deposit the Spaceholder Bond Payments made by the Spaceholder pursuant to the provisions of the State Act representing its respective proportionate share of the Cost of Construction and allocated to the Spaceholder by the Constructing Agency pursuant to the requirements of the State Act if the Spaceholder does not exercise its right to prepay its obligation hereunder as provided in Article 23 hereof. The Constructing Agency covenants and agrees with the Contracting Officer and the Spaceholder that all Falling Water Payments and Supplemental Falling Water Payments received from the Idaho Power Company pursuant to the Falling Water Contract and all Spaceholder Bond Payments received from the Spaceholders pursuant to the Spaceholder Contracts will be assigned to the Trustee for deposit into the Bond Fund created in the Indenture for the purpose of paying principal of, premium, if any, and interest on the Bonds.

Storage Capacity to be Made Available to Spaceholder

21. (a) The United States will continue to operate and maintain the Existing Dam during the construction of the Replacement Dam and upon substantial completion of such construction will operate and maintain the Replacement Dam.

(b) The United States will continue to make available to the Spaceholder stored water accruing to 2.6471% of the active capacity of the Replacement Dam unless the Spaceholder is in default under the terms and conditions of the Existing Spaceholder Contract or this Spaceholder Contract.

(c) The Spaceholder acknowledges that the proposed Plan of Operation provides for the evacuation of stored water from the Existing Dam and the passing of inflow in lieu of storing. The Spaceholder has heretofore advised the Constructing Agency and the Contracting Officer that such operation is acceptable to the Spaceholder.

PART III

SPACEHOLDER COST OBLIGATIONS, PREPAYMENT, AND SPACEHOLDER PAYMENTS

(Articles 22-27)

Spaceholder Cost Obligation

22. In consideration of the preservation, restoration, protection, and maintenance of the rights of storage, diversion and delivery of water from the Replacement Dam resulting from the construction of the American Falls Replacement Dam Program by the Constructing Agency, the Spaceholder, pursuant to the provisions of Section 3 of the Act of December 28, 1973, shall pay its proportionate share of the total cost of engineering, financing, designing, and constructing the American Falls Replacement Dam Program as set forth in Article 20(c) hereof and which is assigned to the Spaceholder by the Constructing Agency pursuant to the State Act, either by prepayment as permitted under Article 23 hereof or by electing to make Spaceholder Bond Payments as permitted under Article 24 hereof.

Pursuant to the State Act, the Constructing Agency has authorized the issuance of $44,750,000 principal amount of Bonds to pay the Cost of Construction of the American Falls Replacement Dam Program. In accordance with the provisions of Section 8.3 of the Falling Water Contract, the Authorized Representatives will, after receipt of construction bids, prepare an estimate of such cost. If such construction bids are accepted, the Constructing Agency will issue an initial series of the Bonds in an amount sufficient to pay the estimated costs. Additional Bonds for completion purposes will be issued by the Constructing Agency, if necessary, to pay the total costs which are over the estimated costs, either by selling the balance of the authorized but as yet unissued Bonds or by authorizing an additional issue of Bonds in accordance with the applicable provisions of the State Act as then in force. The obligation of

the Spaceholder to pay its proportionate share of the total cost of the American Falls Replacement Dam Program is set forth in this Part III.

PREPAYMENT

23. (a) The Spaceholder shall have the option, until 10 days from and after the Constructing Agency shall give notice to the Spaceholder of the expiration of the prepayment period, to prepay the principal amount of $576,651, without interest, to the Constructing Agency for deposit by the Constructing Agency into the Prepayment Fund to be established by the Constructing Agency and to be used by the Constructing Agency solely for the purpose of paying the proportionate share of the Spaceholder of the total Cost of Construction of the American Falls Replacement Dam Program. If the Constructing Agency does not issue its Series 1976 Bonds, the Constructing Agency shall cause the prepayment to be returned to the Spaceholder, without interest. In accordance with the provisions of Section 8.3 of the Falling Water Contract, after the final estimated cost of the American Falls Replacement Dam Program has been determined and the amount of the Series 1976 Bonds to be initially issued has been determined, the Constructing Agency on or prior to the delivery of the Series 1976 Bonds, shall transfer from the Prepayment Fund into the Construction Fund that portion of the Spaceholder's prepayment so deposited into the Prepayment Fund as is shown on the schedule of the obligation of the Spaceholder to be filed with the Spaceholder in accordance with the provisions of Section 8.3 of the Falling Water Contract. If additional Bonds are issued pursuant to the provisions of Section 9.10 of the Falling Water Contract, the Constructing Agency, on or prior to the delivery of such Additional Bonds, shall transfer from the Prepayment Fund to the Construction Fund that portion of the Spaceholder's prepayment shown on the schedule contemplated to be filed with the Spaceholder in accordance with the provisions of Section 8.6 of the Falling Water Contract.

(b) At such time as the Secretary shall have given notice in accordance with Article 14(d) of the Government Contract that the construction of the Replacemeent Dam, the Related Facilities and the Water Quality Facilities has been completed, and the Authorized Representatives shall have determined the total costs of the American Falls Replacement Dam Program as provided in Section 7.10 of the Falling Water Contract and filed with the Trustee the certificate contemplated in Section 603 of the Indenture, the Constructing Agency shall cause the Trustee to return to the Spaceholder that portion, if any, of the prepayment made by the Spaceholder under Article 23(a) hereof which remains in the Construction Fund and which was not utilized by the Constructing Agency for the purposes of paying the cost of the American Falls Replacement Dam Program. The Constructing Agency shall return to the Spaceholder that portion, if any, of the prepayment made by the Spaceholder under Article 23(a) hereof which remains in the Prepayment Fund and which was not utilized by the Constructing Agency for the purpose of paying the cost of the American Falls Replacement Dam Program.

(c) All prepayments collected by the Constructing Agency under Article 23(a) of this Spaceholder Contract shall be placed in a separate account to be known as the "Prepayment Fund" by the Constructing Agency, to be held and used in accordance with the provisions of the Spaceholder Contracts and the Falling Water Contract. The Prepayment Fund shall be established in The Idaho First National Bank, Twin Falls, Idaho, and the Authorized Representatives shall cause an annual audit of the Prepayment Fund to be made and a copy of each such annual audit to be supplied upon request to each Spaceholder which prepaid its obligation pursuant to the provisions of Article 23(a) hereof.

SPACEHOLDER BOND PAYMENTS

24. (a) If the Spaceholder does not make the prepayment within the time and in the manner as permitted under Article 23(a) hereof, it shall be deemed that the Spaceholder has elected to pay the principal amount of its proportionate share of the total Cost of Construction of the American Falls Replacement Dam Program, plus applicable interest, in 40 approximately equal annual installments to be shown on the Schedule of Spaceholder Bond Payments to be furnished to the Spaceholder by the Authorized Representatives in accordance with the provisions of Section 9.8 of the Falling Water

Contract or as such Schedule of Spaceholder Bond Payments may be revised in the event that Additional Bonds are issued by the Constructing Agency pursuant to either Section 9.10 or Section 9.11 of the Falling Water Contract. Unless sooner terminated as provided in Article 19(c) hereof, and subject only to the issuance by the Constructing Agency of its Bonds, the Spaceholder shall pay the Spaceholder Bond Payments on April 1 of each of the years as shown on the Schedule of Spaceholder Bond Payments to be filed with the Spaceholder directly to the Trustee for the account of the Constructing Agency, in lawful money of the United States, at the Trustee's address shown in the Indenture, or at such other place as the Trustee from time to time shall designate. The Spaceholder shall pay to the Trustee annually at the same time as it pays the Spaceholder Bond Payments that portion of the yearly fees, charges and expenses of the Trustee and any paying agent bank contemplated in Section 1002 of the Indenture, not paid from funds in the Bond Fund and as are assigned to the Spaceholder by the Authorized Representatives.

(b) Any amounts remaining in the Bond Fund after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the fees, charges and expenses of the Trustee and paying agents in accordance with the Indenture and all other amounts required to be paid under the Spaceholder Contracts, the Falling Water Contract and the Indenture, shall be paid to the Constructing Agency in accordance with Section 14.9 of the Falling Water Contract. Such amounts shall be distributed to the Spaceholders which did not prepay in accordance with their respective interests.

ARBITRAGE

25. (a) The Constructing Agency and the Spaceholder hereto covenant and represent to each other that:

(1) On the basis of its own knowledge, and on examination of the reports and cost projections in connection with the construction of the American Falls Replacement Dam Program:

(i) All of the principal proceeds of the Bonds are needed for the purpose of paying the Cost of Construction of the American Falls Replacement Dam Program, including expenses preliminary and incidental thereto and to the issuance of the Bonds.

(ii) At least 85% of the expendable proceeds of the Bonds, including investment proceeds, will be expended for the Cost of Construction of the American Falls Replacement Dam Program on or before three years following the date of issue of the Bonds.

(iii) The Constructing Agency, prior to the issuance of the Bonds, will have incurred substantial binding obligations equal to at least 2½% of the total Cost of Construction of the American Falls Replacement Dam Program.

(iv) Work on the construction of the American Falls Replacement Dam Program is expected to proceed with due diligence to completion.

(v) Except as required pursuant to the provisions of the Act of December 28, 1973, the American Falls Replacement Dam Program is not expected to be sold or otherwise disposed of, in whole or in part, prior to the maturity of the Bonds.

(vi) Accrued interest received upon the sale of the Bonds is to be applied to the first interest due thereon.

(2) On the basis of the foregoing certifications and representations, it is not expected by either the Constructing Agency or the Spaceholder that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be classified as an "arbitrage bond" under Section 103(d) of the Internal Revenue Code of 1954, as amended, and the regulations promulgated under that section; that to the best knowledge and belief of the Constructing Agency and the Spaceholder, there are no facts or circumstances that would materially change the foregoing conclusion.

(b) The Constructing Agency and the Spaceholder jointly and severally covenant that so long as any of the Bonds shall remain outstanding and any provision in this Spaceholder Contract or the Indenture to the contrary notwithstanding with respect to an investment of monies, whether such monies were derived from the proceeds of the Bonds, or from any other source, no use will be made of such monies which, if such use could have been reasonably expected on the date of the issue of the Bonds, would have caused the Bonds to be classified as an "arbitrage bond" within the meaning of Section 103(d) of the Internal Revenue Code of 1954, as amended, and further jointly and severally covenant to comply with the requirements of said Section 103(d) and any regulations promulgated thereunder.

Refunding Bonds

26. In the event that it is mutually agreed among the Constructing Agency, the Idaho Power Company, and the Spaceholders obligated to make Spaceholder Bond Payments that an attempt should be made to authorize the issuance of Bonds by the Constructing Agency for the purpose of refunding all of the outstanding Bonds in accordance with the State Act (Sections 43-2202 and 43-2203, Idaho Code), as then in force, the Idaho Power Company and the Spaceholders obligated to make Spaceholder Bond Payments shall share the costs of such refunding effort, whether successful or unsuccessful, in direct proportion to their respective obligations to pay the annual principal and interest falling due on the Bonds to be refunded.

Additional Bonds

27. (a) If it is determined necessary for the Constructing Agency to issue all or part of the balance of any authorized but as then unissued Bonds, the Constructing Agency will, to the extent then legally permitted, issue and sell a series of Additional Bonds as permitted under Section 207 of the Indenture for completion purposes and the Schedule of Spaceholder Bond Payments shall be increased in accordance with the provisions of Section 9.8 and Section 9.10 of the Falling Water Contract.

(b) If the amount of the Bonds which has been initially authorized, together with any prepayments, is not sufficient to complete the payment of the total cost of the American Falls Replacement Dam Program, the Constructing Agency will, to the extent then legally permitted, issue and sell a series of Additional Bonds in excess of the initial authorization as permitted under Section 207 of the Indenture for completion purposes. In recognition of the Spaceholder's obligation under the Act of December 28, 1973, to pay its proportionate share of the total cost of the American Falls Replacement Dam Program not paid pursuant to the Falling Water Contract, the Spaceholder shall cause supplements to the Spaceholder Contract to be executed with the Contracting Officer and the Constructing Agency and may elect to prepay or to make additional Spaceholder Bond Payments. The Schedule of Spaceholder Bond Payments shall be increased in accordance with the provisions of Section 9.11 of the Falling Water Contract for all Spaceholders which do not prepay.

(c) No such Additional Bonds shall be issued unless the Constructing Agency shall receive a written opinion by an attorney or firm of attorneys of recognized standing on the subject of municipal bonds to the effect that the exemption from Federal income tax of interest on the Series 1976 Bonds and any series of Additional Bonds theretofore issued will not be affected by the issuance of such series of Additional Bonds then being issued.

(d) If the Constructing Agency shall issue a series of Additional Bonds, pursuant to the provisions of Section 207 of the Indenture, as contemplated in Sections 9.10 and 9.11 of the Falling Water Contract, for the purpose of paying the costs of completing the construction of the American Falls Replacement Dam Program not paid from the proceeds of the Series 1976 Bonds, and the Constructing Agency thereafter levies additional assessments and enters into supplementary Spaceholder Contracts with the Spaceholders increasing the amount of Spaceholder Bond Payments obligated to be made to the Constructing Agency by the Spaceholders for the purpose of repaying the Cost of Construction of the American Falls Replacement Dam Program, the Idaho Power Company shall be obligated to make

Supplemental Falling Water Payments representing the obligations of the Spaceholder for the increased amounts if there is a default by the Spaceholder in the payments of such increased amounts attributable to such Additional Bonds for completion purposes and shall be entitled to the use of stored water of the Defaulted Spaceholder all in accordance with the provisions of Section 3.4 of the Falling Water Contract.

PART IV

OPERATION AND MAINTENANCE

(Article 28)

28. (a) Upon substantial completion of construction of the Replacement Dam and the Related Facilities, the United States will operate and maintain the Replacement Dam and the Related Facilities as a part of the Minidoka Project for the beneficial use of the water on the land within the service areas of the Spaceholders pursuant to Section 8 of the Reclamation Act of June 17, 1902 (32 Stat. 388).

(b) Commencing with the year the first Spaceholder Bond Payments are due, the Spaceholder Replacement Dam Operation and Maintenance Payments shall be paid by the Spaceholder to the United States and shall be (7.1388%) of the total cost of operation and maintenance of the Existing Dam during the Construction of the Replacement Dam and of the Replacement Dam and the Related Facilities not paid by the Idaho Power Company pursuant to Section 10.6 of the Falling Water Contract. Such costs shall be determined in accordance with the applicable provisions of the Existing Spaceholder Contract and shall continue to be due and payable to the United States on or before April 1 of each calendar year under procedures established therein, except that the operation and maintenance charge notice shall be furnished to the Spaceholder on or before February 20 of the calendar year for which the notice is issued.

(c) The United States has allocated for return from power revenues $293,978.17 of the costs of constructing the Existing Dam which amount has been excluded from the existing repayment obligations of the Spaceholders. The Spaceholder shall pay its proportionate share of the annual amount necessary to return this sum in 40 years to the United States, such share to be in accordance with the percentage in Article 21(b) hereof. The annual payments will be made as part of the Spaceholder Replacement Dam Operation and Maintenance Payments, unless the Secretary is authorized to find that this obligation need not be assumed by the Spaceholders.

(d) Pursuant to Article 15(b) of the Government Contract, the United States shall continue an annual program for the correction and prevention of erosion related to the Replacement Dam or for the full and adequate compensation of adjacent landowners, including owners of land subject to a flowage easement for the Replacement Dam, if such erosion cannot be corrected or prevented. The costs thereof shall be billed to the Spaceholder as a part of the Spaceholder Replacement Dam Operation and Maintenance Payments as provided in (c) of Article 15 of the Government Contract.

(e) The Replacement Dam will be operated by the United States pursuant to the operating criteria set forth in Article 16 of the Government Contract in a manner so that (1) the present proportionate storage rights of the Spaceholders shall not be altered or changed except as provided in the Government Contract and in the Spaceholder Contracts, (2) the water surface elevation of the Replacement Dam shall not exceed a maximum of 4354.5 feet above mean sea level U.S.C.&G.S. datum, and (3) the primary irrigation purpose and the incidental purposes of the Minidoka Project shall not be impaired by the subordinate utilization for power generation at the Powerplant of the water released from the Replacement Dam. The United States is not obligated to operate the Replacement Dam in a manner to have water in the Replacement Dam at elevations for power generation or to operate to increase the head in the Replacement Dam for power generation.

(f) (1) The Water Quality Facilities are included as a part of the American Falls Replacement Dam Program and pursuant to Article 15(a) of the Government Contract the Constructing Agency is responsible for the operation and maintenance of the Water Quality Facilities. The Constructing Agency

has provided for the operation and maintenance of the Water Quality Facilities in the Water Quality Facilities Agreement attached hereto as Exhibit A, to the provisions of which the Spaceholder consents and agrees as if the Water Quality Facilities Agreement were set forth in full herein and made a part hereof.

(2) The Spaceholder shall pay on or before April 1 of each calendar year, the Spaceholder Water Quality Facilities Operation and Maintenance Payments to the Constructing Agency, at its office or at such other place from time to time designated by the Constructing Agency, on the basis of annual billings by the Constructing Agency submitted to the Spaceholder on or before February 20 commencing with the year in which it is anticipated that the Water Quality Facilities will become operational. The Spaceholder Water Quality Facilities Operation and Maintenance Payments shall consist of: (i) (0%) of the obligation of the Spaceholders, excluding Idaho Power Company, to pay the costs of operation and maintenance of the Water Quality Facilities under Paragraph 13 of the Water Quality Facilities Agreement; and (ii) (7.1388%) of the obligation of the Spaceholders, including Idaho Power Company, to pay the cost of the audit and other incidental costs incurred in the administration of the Water Quality Facilities Operation and Maintenance Fund under Paragraph 13 of the Water Quality Facilities Agreement.

(3) The Constructing Agency shall not bill Non-Participating Waterusers or Spaceholders for the operation and maintenance costs of the Water Quality Facilities which are assignable to the space of Non-Participating Waterusers and shall maintain accountings of such amounts that are assignable to the space of Non-Participating Waterusers until a permanent disposition of the water accruing to the space of a Non-Participating Wateruser has been made as provided in the Government Contract.

PART V

DEFAULT AND REMEDIES

(Articles 29-31)

DEFAULT

29. (a) Failure by the Spaceholder to make all or any part of any Spaceholder Payment required to be made pursuant to the provisions of Articles 24 and 28 hereof at the times and places specified in this Spaceholder Contract and (i) continuation of said failure for a period of 5 days after notice by telegram or, in the alternative, after notice by mail given to the Spaceholder by the Constructing Agency, or the Trustee on behalf of the Constructing Agency, or the Contracting Officer that the payment referred to in such notice has not been received, or (ii) continuation of said failure for a period of 12 days, shall constitute a default under the provisions of this Spaceholder Contract. Notice of any such default shall be given to, or as the case may be, by the Contracting Officer, the Constructing Agency and the Trustee, and to the Idaho Power Company and to the Spaceholder within 7 days after such default has occurred. Inasmuch as the delivery of water from the Replacement Dam to the Spaceholder is contingent upon the continued fulfillment of its obligations under this Spaceholder Contract, upon receipt of such notice of default or upon failure to receive in full any Spaceholder Replacement Dam Operation and Maintenance Payment, the Contracting Officer shall withhold the delivery of the water to the Spaceholder from the Existing Dam or from the Replacement Dam accruing to the space of the Spaceholder, for the year in which such default occurs and until such time as the Contracting Officer determines that the default has been cured as provided in (c) of this Article.

(b) If the Spaceholder is deemed to be a Defaulted Spaceholder, the Contracting Officer shall make the water accruing to the space of the Defaulted Spaceholder available for use in the year in which the default occurs: first, for irrigation water use by other Spaceholders not in default; second, for irrigation water use by a person or entity which is not a Spaceholder; and third, for use by the Contracting Officer. In no event shall such water be made available for use by a Defaulted Spaceholder or a Non-Participating Wateruser in such year. Charges for such use shall be at least sufficient to pay the

Spaceholder Payments, or any portion thereof, including interest and penalties, due on behalf of the Spaceholder. If the Contracting Officer does not arrange for the use of such space as provided herein on or before May 15 of such year, such space will be made available by the Contracting Officer to the Idaho Power Company for power generation subject to the provisions of Article 18(b) of the Government Contract, in return for the payment by the Idaho Power Company of Supplemental Falling Water Payments pursuant to the Falling Water Contract in order to prevent a default in the payment of the principal of and interest on the Bonds of the Constructing Agency and in order to pay the balance of the Spaceholder Payments then due.

(c) At any time on or before the April 1 next succeeding any default under (a) of this Article, the Defaulted Spaceholder may cure the default by paying to the Contracting Officer: (i) the amount of the Spaceholder Bond Payment which is in default, plus a penalty consisting of 1% per month; (ii) the amount of the Spaceholder Replacement Dam Operation and Maintenance Payment which is in default, plus a penalty consisting of 1% per month; and (iii) the amount of the Spaceholder Water Quality Facilities Operation and Maintenance Payment which is in default, plus a penalty consisting of 1% per month. Thereafter, so long as the Spaceholder is not in default hereunder, the Spaceholder shall be entitled to the use of the water from the Existing Dam or from the Replacement Dam accruing to the space of the Spaceholder in years subsequent to the year in which the default occurred.

(d) Any monies received by the Contracting Officer pursuant to (b) or (c) of this Article in excess of those required to meet all or any part of the Spaceholder Payments including interest and penalties which is in default and which is due on behalf of the Defaulted Spaceholder under the provisions of this Spaceholder Contract or to reimburse the Idaho Power Company for Supplemental Falling Water Payments, including interest, shall be applied by the Contracting Officer toward future operation and maintenance costs of the Spaceholders on the Replacement Dam and the Related Facilities.

(e) The Contracting Officer shall give notice to the Spaceholder on or before December 31 of the year in which a default hereunder has occurred and is continuing, that if the Spaceholder remains in default hereunder and does not cure the default on or prior to the next succeeding April 1 as provided in (c) of this Article, this Spaceholder Contract shall, on April 2, be terminated and the United States will no longer make available to the Defaulted Spaceholder the stored water described in Article 21(b) hereof. If the default is not cured by the Defaulted Spaceholder within the time specified in the foregoing notice, this Spaceholder Contract shall be terminated as provided in such notice, and the Spaceholder thereafter shall have no right, title or interest in, to or with respect to storage capacity in the Existing Dam or the Replacement Dam, but if at the time of such termination the Idaho Power Company shall then be in default in the payment of Falling Water Payments or Supplemental Falling Water Payments under the Falling Water Contract, the Spaceholder shall remain liable as provided in Article 30 hereof.

Remedies on Default

30. Whenever a default referred to in Article 29 hereof shall have happened and be subsisting, but only if the Idaho Power Company shall then be in default in the payment of Falling Water Payments or Supplemental Falling Water Payments under the Falling Water Contract and if this Spaceholder Contract has not theretofore been terminated as provided in Article 29 hereof:

(a) the Constructing Agency, or the Trustee on behalf of the Constructing Agency, or the Contracting Officer, may take any one or more of the following remedial actions in addition to those provided in Article 29 hereof.

(1) In the event of the termination of this Spaceholder Contract as provided in Article 29(e) hereof, the Constructing Agency or the Trustee, as provided in the Indenture, or the Contracting Officer, shall forthwith, notwithstanding any other provision of this Spaceholder Contract to the contrary, be entitled to recover in accordance with their respective interests from the Defaulted Spaceholder, as and for liquidated damages (in lieu of all other claims for damages on account of such termination) and not as a penalty, an amount equal to the unpaid amount of the Spaceholder Replacement Dam Operation and Maintenance Payment, and amount equal to the unpaid amount

of the Spaceholder Water Quality Facilities Operation and Maintenance Payment and an amount equal to that portion of the unpaid principal amount of the Bonds then outstanding as defined in the Indenture which would be required to be paid by the Spaceholder under the provisions of Article 24 hereof.

(2) The Spaceholder agrees that, in addition to its other obligations under this Spaceholder Contract, upon demand it will pay to the Trustee, the Constructing Agency and the Contracting Officer all expenses incurred in connection with any suspension of the use of water and any grant of the suspended rights to another person, and that the Spaceholder will be and remain liable to make all Spaceholder Payments, when due, required to be made by the Spaceholder hereunder, without regard to any such suspension and as if any suspended rights exercised by another person were exercised by the Spaceholder. The Constructing Agency, or the Trustee acting on behalf of the Constructing Agency, or the Contracting Officer, shall have the right from time to time to begin and maintain successive proceedings against the Spaceholder for the recovery of damages or for a sum equal to all or any part of any Spaceholder Payments and any other payments required to be made by the Spaceholder pursuant to this Spaceholder Contract, and to recover the same upon the liability of the Spaceholder herein provided.

(3) Any amounts collected pursuant to action taken under this Article shall be paid into the Bond Fund and must be applied in accordance with the provisions of the Indenture, except that any amounts remaining after all payments required to be made under the Indenture have been made may be applied by the Constructing Agency to payment of the operation and maintenance expenses of the Water Quality Facilities and by the Contracting Officer to the operation and maintenance of the Replacement Dam.

(b) No suspension of any or all of the Spaceholder's rights to the use of the water from the Replacement Dam accruing to the space of the Spaceholder shall be construed as an election on the part of the Constructing Agency, the Trustee, or the Contracting Officer to terminate the Spaceholder's interest in, to and under this Spaceholder Contract unless a notice of intention be given to the Spaceholder or such termination be decreed at the instance of the Constructing Agency, the Trustee or the Contracting Officer by a court of competent jurisdiction.

NO REMEDY EXCLUSIVE

31. (a) No right or remedy herein conferred upon or reserved to the Constructing Agency, or to the Trustee on behalf of the Constructing Agency, or the Contracting Officer, is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder, or now or hereafter legally existing, upon the occurrence of a default hereunder. The failure of the Constructing Agency, or the Trustee on behalf of the Constructing Agency, or the Contracting Officer, to insist at any time upon the strict observance or performance by the Spaceholder of any of the provisions of this Spaceholder Contract, or to exercise any right or remedy provided for in this Spaceholder Contract, shall not impair any such right or remedy nor be construed as a waiver or relinquishment thereof for the future. Receipt by the Trustee, on behalf of the Constructing Agency, of any Spaceholder Bond Payment, receipt by the Contracting Officer of any Spaceholder Replacement Dam Operation and Maintenance Payment, or receipt by the Constructing Agency of any Spaceholder Water Quality Facilities Operation and Maintenance Payment, with knowledge of the breach of any provisions of this Spaceholder Contract, shall not be deemed a waiver of such breach. In addition to all other remedies provided in this Spaceholder Contract, the Constructing Agency or the Trustee on behalf of the Constructing Agency, or the Contracting Officer, shall be entitled, to the extent permitted by applicable law, to injunctive relief in case of the violation, or attempted or threatened violation, of any of the provisions of this Spaceholder Contract, or to a decree concerning performance of any of the provisions of this Spaceholder Contract, or to any other remedy legally allowed to the Constructing Agency, or to the Trustee on behalf of the Constructing Agency, or to the Contracting Officer.

(b) The Constructing Agency, or the Trustee on behalf of the Constructing Agency, or the Contracting Officer, may take whatever action at law or in equity may appear necessary or desirable to collect

all or any part of the Spaceholder Payments payable by Spaceholder hereunder, then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Spaceholder under this Spaceholder Contract.

(c) If any proceeding shall be brought for the enforcement of any right or remedy provided for in this Spaceholder Contract in which it shall be determined that a default hereunder has occurred and was continuing at the time of commencement thereof, the Spaceholder shall pay to the Constructing Agency, or to the Trustee on behalf of the Constructing Agency, all expenses incurred in connection therewith including, without limitation, reasonable attorneys' fees and expenses.

(d) At any time the Trustee on behalf of the Constructing Agency or the holders of the Bonds, is entitled to enforce any of the rights or remedies provided for in this Spaceholder Contract, it may proceed either in its own name and as Trustee of an express trust or otherwise to protect and enforce its rights and those of the Constructing Agency under this Spaceholder Contract, whether or not the Constructing Agency shall have complied with any of the provisions hereof or proceeded to take any action authorized or permitted under applicable law. Such rights and remedies as are given the Constructing Agency hereunder shall also extend to the Trustee, and the Trustee and the holders of the Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

(e) Any waiver by a party of its rights with respect to a default under this Spaceholder Contract, or with respect to any other matter arising in connection with this Spaceholder Contract, shall not be deemed to be a waiver with respect to any other matter arising in connection with this Spaceholder Contract. No delay in asserting or enforcing any rights by the Contracting Officer, Constructing Agency, or the Trustee hereunder shall be deemed a waiver of such rights.

PART VI

GENERAL PROVISIONS

(Articles 32-51)

Books, Records, and Reports

32. Reports on water usage and to other matters related to the American Falls Replacement Dam Program which the Contracting Officer may require shall be furnished to the United States in such form and on such date or dates as the Contracting Officer may require. Pursuant to applicable Federal laws and regulations each party shall have the right during office hours to examine and make copies of each other's books and records relating to matters covered by this Spaceholder Contract.

Rules, Regulations, and Determinations

33. (a) The Contracting Officer, after an opportunity has been offered to the Constructing Agency and Spaceholder for consultation, shall have the right to make rules and regulations consistent with the provisions of the Government Contract and this Spaceholder Contract and the laws of the United States, to add to or to modify such rules and regulations as may be deemed proper and necessary to carry out this Spaceholder Contract, and to supply necessary details of its administration which are not covered by express provisions of this Spaceholder Contract. Such rules and regulations shall (1) not limit the right of the Spaceholder to the stored water pursuant to the provisions of this Spaceholder Contract so long as the Spaceholder is not in default hereunder, and (2) not limit the right of the Constructing Agency under the laws of the State of Idaho to collect the Falling Water Payments or the Supplemental Falling Water Payments under the Falling Water Contract or the Spaceholder Bond Payments and the Spaceholder Water Quality Facilities Operation and Maintenance Payments under this Spaceholder Contract. The Spaceholder and the Constructing Agency shall observe such rules and regulations.

(b) Where the terms of this Spaceholder Contract provide for action to be based upon the opinion or determination of any party to this Spaceholder Contract, whether or not stated to be conclusive, said terms shall not be construed as permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or determinations. In the event that the Constructing Agency or Spaceholder questions any factual determinations made by the Contracting Officer, the findings as to the facts shall be made by the Secretary only after consultation with the Constructing Agency and Spaceholder and shall be conclusive upon the parties.

Water and Air Pollution

34. The Spaceholder shall, within its legal authority, comply fully with all applicable Federal laws, orders, and regulations, and the laws of the State of Idaho, all as administered by appropriate authorities, concerning the pollution of streams, reservoirs, groundwater, or water courses with respect to thermal pollution, dissolved gases or the discharge of refuse, garbage, sewage effluent, industrial waste, oil, mine tailings, mineral salts or other pollutants, and concerning the pollution of the air. The United States is under no obligation to operate, maintain, or replace the Water Quality Facilities or to construct or to acquire water treatment facilities in order to maintain or to better the quality of the water stored in, released, or downstream from the Replacement Dam as a result of the construction, operation, and maintenance of the Replacement Dam.

No Liability for Water Shortage or Interruptions

35. No liability shall accrue against the United States or any of its officers, agents, or employees or the Constructing Agency for damage, direct or indirect, arising by reason of shortages in the quantity of water available through the Existing Dam or the Replacement Dam or interruptions in water releases resulting from drought, inaccuracy in distribution, hostile diversion, prior or superior claims, accident to or failure of the Existing Dam or the Replacement Dam, or the bypassing of water around the Powerplant pursuant to Article 18(d) of the Government Contract, whether or not attributable to negligence of officers, agents, or employees of the United States or of the Constructing Agency, or other causes of whatsoever kind; nor shall the obligations of the Spaceholder to the United States or to the Constructing Agency under this Spaceholder Contract be reduced by reason of such shortages or interruptions.

Changes in Organization of Spaceholder

36. While this Spaceholder Contract is in effect, no change shall be made in the organization of the Spaceholder by dissolution, consolidation or merger, except upon the compliance with Section 12.4 of the Falling Water Contract.

All Benefits Conditioned Upon Payment

37. The Spaceholder shall use all the authority and resources of the Spaceholder to meet the obligations of the Spaceholder under the Existing Spaceholder Contract and this Spaceholder Contract.

Assignment Limited—Successors and Assigns Obligated

38. (a) The provisions of this Spaceholder Contract shall apply to and bind the successors and assigns of the parties hereto, but no assignment or transfer of this Spaceholder Contract or any part thereof or interest therein by the Spaceholder shall be valid until approved by the Contracting Officer

and by the Trustee but only so long as any of the Bonds are outstanding and unpaid. The assignment to the Trustee of the Spaceholder Bond Payments shall not be considered such an assignment or transfer.

(b) No instrument of transfer or assignment shall be executed unless the successor, assignee or transferee Spaceholder shall agree to assume all obligations of the Spaceholder hereunder including making the Spaceholder Payments.

(c) So long as any of the Bonds are outstanding and unpaid, the Trustee and the Idaho Power Company shall be given 30 days notice prior to the execution of any instrument of transfer or assignment.

Title VI, Civil Rights Act of 1964

39. (a) The Spaceholder agrees that it will comply with Title VI of the Civil Rights Act of July 2, 1964 (78 Stat. 241) and all requirements imposed by or pursuant to the Department of the Interior Regulation (43 CFR 17) issued pursuant to that title, to the end that, in accordance with Title VI of that Act and the Regulation, no person in the United States shall, on the grounds of race, color, sex, or national origin be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity for which the Spaceholder receives financial assistance from the United States and hereby gives assurance that it will immediately take any measures to effectuate this Spaceholder Contract.

(b) If any real property or structure thereon is provided or improved with the aid of Federal financial assistance extended to the Spaceholder by the United States, this assurance obligates the Spaceholder, or in the case of any transfer of such property, any transferee for the period during which the real property or structure is used for a purpose involving the provision of similar services or benefits. If any personal property is so provided, this assurance obligates the Spaceholder for the period during which it retains ownership or possession of the property. In all other cases, this assurance obligates the Spaceholder for the period during which the Federal financial assistance is extended to it by the United States.

(c) This assurance is given in consideration of and for the purpose of obtaining any and all Federal grants, loans, contracts, property, discounts, or other Federal financial assistance extended after the date hereof to the Spaceholder by the United States, including installment payments after such date on account of arrangements for Federal financial assistance which were approved before such date. The Spaceholder recognizes and agrees that such Federal financial assistance will be extended in reliance on the representations and agreements made in this assurance, and that the United States shall reserve the right to seek judicial enforcement of this assurance. This assurance is binding on the Spaceholder, its successors, transferees, and assignees.

Election Costs—Authorizing Resolution

40. (a) The Spaceholder recognizes that the costs of the American Falls Replacement Dam Program include the costs of any election at which the Bonds of the Constructing Agency were authorized and the confirmation proceedings required to authorize the Constructing Agency to proceed in accordance with the provision of the Act of December 28, 1973, and the State Act to finance and construct the American Falls Replacement Dam Program.

(b) A copy of the appropriate resolution and minutes of the meetings of the Board of Directors of the Spaceholder authorizing the execution of this Spaceholder Contract shall be certified and furnished to the Contracting Officer and the Constructing Agency.

Officials Not to Benefit

41. No member of or Delegate to Congress or Resident Commissioner shall be admitted to any share or part of this Spaceholder Contract or to any benefit that may arise herefrom. This restriction

shall not be construed to extend to this Spaceholder Contract if made with a corporation or company for its general benefit.

CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

42. The expenditure or advance of any money or the performance of any work by the United States hereunder which may require appropriation of money by the Congress or the allotment of funds shall be contingent upon such appropriation or allotment being made. The failure of the Congress to appropriate funds or the absence of any allotment of funds shall not relieve the Spaceholder from any obligations under this Spaceholder Contract. No liability shall accrue to the United States in case such funds are not appropriated or allotted.

ADVANCED MONIES

43. Upon the filing with the Trustee of a written statement of the Authorized Representatives in conformity with the provisions of Section 602 of the Indenture, the Trustee shall repay to the Spaceholder from the Construction Fund such monies, if any, which have been and may be hereafter, prior to the delivery of the Bonds, advanced to the Constructing Agency to pay costs of the American Falls Replacement Dam Program, as contemplated in Article 20(c) hereof, plus interest on the principal amount of such advancement at the rate of 6½% per annum.

DISCLAIMER AND RELEASE

44. The Spaceholder further acknowledges that the approved plans, designs and specifications for the American Falls Replacement Dam Program are in the best interest of the Spaceholder, and the Spaceholder hereby waives any and all rights, claims or causes of action which the Spaceholder may have against the Constructing Agency or the Contracting Officer by reason of the loss of use of storage space or storage water in any year during the construction of the American Falls Replacement Dam Program which might have otherwise been available to the Spaceholder if said construction had not been undertaken.

ADVISORY COMMITTEE

45. In its operation and maintenance of the Replacement Dam and the other various dams and reservoirs of the Minidoka Project, the United States, acting through the Regional Director of the Bureau of Reclamation or his designee or such other officer as may be designated in writing by the Secretary, shall consult from time to time with the Advisory Committee on the various matters specifically requiring consultation under the terms of this Spaceholder Contract and on such other matters as will have a substantial bearing on the determination of the amount of stored water to be available in the various reservoirs in the Minidoka Project and on the costs of operation and maintenance of those reservoirs which are required to be borne by the space allocated to irrigation storage, all as provided in the Existing Spaceholder Contract.

AUTHORIZED SPACEHOLDER REPRESENTATIVE

46. (a) Recognizing the need to coordinate the construction of the Powerplant with the Construction of the American Falls Replacement Dam Program, the interests of the Spaceholders in effecting construction cost savings which will result in minimizing their Spaceholder Bond Payments and as a means of securing effective cooperation between the Constructing Agency and the Contracting Officer, and among the Constructing Agency, the Idaho Power Company and the Spaceholders in resolving,

on a prompt and orderly basis, the various administrative, technical, financing, construction, ownership and operating issues which may arise in connection with the performance of the Falling Water Contract, the Spaceholder Contracts, and the Water Quality Facilities Agreement, the Constructing Agency, the Idaho Power Company and the Spaceholders shall each name an Authorized Representative. Each Authorized Representative shall be authorized by the party or parties by whom he is designated to act on their behalf with respect to those matters herein provided to be responsibilities of the Authorized Representative.

(b) The Authorized Spaceholder Representative shall be elected for a one year term by a majority vote of the Spaceholders, excluding the Constructing Agency and the Idaho Power Company, at a meeting of the Spaceholders called for that purpose by the Authorized Constructing Agency Representative. Each Spaceholder shall be entitled to one vote for each acre-foot of storage space to which such Spaceholder is entitled in the Replacement Dam. The Idaho Power Company and the Constructing Agency shall be advised promptly of the designation of the Authorized Spaceholder Representative. The Constructing Agency, the Idaho Power Company and the Spaceholders shall each have the power to appoint an alternate Authorized Representative.

(c) The responsibilities of the Authorized Representatives prior to the completion date (as defined in the Falling Water Contract) shall be: (i) to approve the award of any construction or equipment contract in connection with the American Falls Replacement Dam Program; (ii) to establish general policies to be followed in the administration of the Falling Water Contract, in the construction of the American Falls Replacement Dam Program as it relates to the Falling Water Contract, and, to the extent such policies are relevant to the subject matter of the Falling Water Contract in the construction of the Powerplant; (iii) to establish general policies and practices to be followed in the administration and coordination of the construction of the Powerplant with the construction of the Replacement Dam; (iv) to consult with the Contracting Officer concerning any policies which might hereafter be required among the Constructing Agency, the Idaho Power Company, the Spaceholders, and the Contracting Officer, or any of them, concerning the Construction of the American Falls Replacement Dam Program or the construction of the Powerplant; (v) to establish procedures for consultation with respect to notices received by the Constructing Agency from the Contracting Officer under Article 12(d) of the Government Contract; and (vi) to do such other things as are specifically assigned to the Authorized Representatives during the construction period.

(d) The responsibilities of the Authorized Representatives after the completion date (as defined in the Falling Water Contract) shall be limited to: (i) matters pertaining to the collection and payment of the Spaceholder Bond Payments, the Spaceholder Water Quality Facilities Operation and Maintenance Payments, the Falling Water Payments, and the Supplemental Falling Water Payments, to the extent necessary; (ii) consultation concerning any policies which might hereafter be required among the Contracting Officer, the Constructing Agency, the Idaho Power Company and the Spaceholders, or any of them, concerning operation and maintenance of the Water Quality Facilities and payment of the costs thereof as provided in the Spaceholder Contracts and the Water Quality Facilities Agreement; and (iii) collection of and payment by the Idaho Power Company and the Spaceholders of the fees, charges and expenses of the Trustee and any paying agent bank contemplated in Section 1002 of the Indenture.

(e) The establishment of any procedure or practice and any other action or determination by the Authorized Representatives shall be made by unanimous agreement to become effective when signed by each of the Authorized Representatives.

(f) The Authorized Representatives shall have no authority to modify any of the provisions of the Falling Water Contract, the Spaceholder Contracts, the Government Contract, or the Water Quality Facilities Agreement, nor shall they establish policies, rules, or regulations which are not in accordance with policies, rules, or regulations established by the Contracting Officer with respect to the construction of the American Falls Replacement Dam Program or the operation and maintenance of the Replacement

Dam, the Related Facilities or the Water Quality Facilities or which conflict with the approved plan of construction, the Plan of Operation, or the designs and specifications.

(g) With respect to all matters contemplated in Article IX of the Falling Water Contract, the Constructing Agency shall consult with the Authorized Representatives in connection with the issuance of the Bonds, however, the Constructing Agency shall at all times comply with the State Act in the performance of its duties contemplated hereunder in connection with the issuance of the Bonds. The Constructing Agency shall conform to any public bidding requirements applicable to it in connection with the construction of the American Falls Replacement Dam Program.

(h) If, at any time, it is determined by a court of competent jurisdiction that any responsibilities assigned to the Authorized Representatives under the Falling Water Contract constitute an undue delegation of power by the Constructing Agency, action shall be taken by the Constructing Agency, the Idaho Power Company and the Spaceholders in order to comply with the court determination and, if legally permissible and desirable under the determination of the court the Constructing Agency shall be substituted for the Authorized Representatives appointed by the Constructing Agency.

Prohibition Against Amendment

47. Subsequent to the sale of the Bonds of the Constructing Agency, and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), this Spaceholder Contract may not be effectively supplemented, amended, changed, modified, altered or terminated without the written consent of the Trustee and of the Contracting Officer, nor may the Existing Spaceholder Contract be effectively supplemented, amended, changed, modified, altered or terminated in any way so as to adversely affect the obligation of the Spaceholder to make Spaceholder Bond Payments hereunder without the written consent of the Trustee, or so as to adversely affect the obligation of the Spaceholder to make Water Quality Facilities Operation and Maintenance Payments without the consent of the Constructing Agency.

Status of Existing Spaceholder Contract

48. This Spaceholder Contract is supplemental and in addition to the Existing Spaceholder Contract between the United States and the Spaceholder as to the Replacement Dam, as set out in Article 19(a) hereof.

Acknowledgment As To Water Rights

49. The Spaceholder acknowledges that the water storage rights evidenced by permits, licenses and court decrees for the Existing Dam are held in the name of the United States and by this Spaceholder Contract the water rights are reaffirmed and neither the United States, the Constructing Agency or the Spaceholders are required to make additional filings for the Replacement Dam.

Notices; Manner of Giving; Duplicate Copies to Contracting Officer and Trustee

50. Any notice, demand, or request authorized or required by this Spaceholder Contract shall be deemed to have been given when mailed, postage prepaid, or delivered to the Regional Director, Pacific Northwest Region, Bureau of Reclamation, Box 043, 550 West Fort Street, Boise, Idaho 83724, on behalf of the United States, and to the Secretary of the Constructing Agency, 1132 Locust Street, Twin Falls, Idaho 83301, on behalf of the Constructing Agency. Notices required by this Spaceholder Contract to be given to the Spaceholder shall be deemed to have been given when mailed, postage prepaid, or delivered to 550 West Fort Street, Boise, Idaho 83724. Notices required by this Spaceholder Contract to be given to the Idaho Power Company shall be deemed to have been given when mailed, postage prepaid, or delivered to the President of the Idaho Power Company, 1220 Idaho Street, Boise, Idaho

83701, on behalf of the Idaho Power Company. Notices required by this Spaceholder Contract to be given to the Trustee shall be deemed to have been given when mailed, postage prepaid, or delivered to the Corporate Trust Office of the Trustee on behalf of the Trustee. The designation of the addressee or the address may be changed by notice given in the same manner as provided in this Article for other notices.

EFFECTIVE DATE OF THIS CONTRACT

51. Notwithstanding the execution hereof, this Spaceholder Contract shall not be effective until the Government Contract has been executed. The Contracting Officer shall give immediate notice thereof to the Spaceholder and the Constructing Agency.

IN WITNESS WHEREOF, the parties hereto have signed their names as of the day and year first above written.

UNITED STATES OF AMERICA

By: /s/ RODNEY J. VISSIA
Regional Director

Pacific Northwest Region
Bureau of Reclamation
Box 043—550 West Fort Street
Boise, ID 83724

AMERICAN FALLS RESERVOIR DISTRICT

By: /s/ JOHN M. BARKER
President

Attest:

/s/ DIANNE BRIDEGUM
Secretary (SEAL)

SPACEHOLDER

By: /s/ JAMES E. BRUCE
President

Attest:

/s/ PAUL L. JAUREGUI
Secretary (SEAL)

STATE OF IDAHO }
COUNTY OF ADA } ss.

On this 31st day of March, in the year 1976, before me, Gary E. Carlen, a Notary Public, personally appeared Rodney J. Vissia, known to me to be the Regional Director, Pacific Northwest Region, Bureau of Reclamation, United States Department of the Interior, that executed the said instrument, and acknowledged to me that the United States of America executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

/s/ GARY E. CARLEN

Notary Public in and for the State of Idaho

Residing at: Boise, Idaho

My commission expires: 5-5-79

(SEAL)

STATE OF IDAHO }
COUNTY OF ADA } ss.

On this 24th day of March, in the year 1976, before me, Mary L. Morton, a Notary Public, personally appeared James E. Bruce and Paul L. Jauregui, known to me to be the President and Secretary of the corporation that executed the said instrument on behalf of said corporation, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I set my hand and affix my official seal the day and year first above written.

/s/ MARY L. MORTON

Notary Public in and for the State of Idaho

Residing at: Boise, Idaho

My commission expires: 4-1-76

(SEAL)

STATE OF IDAHO
COUNTY OF ADA } ss.

On this 24th day of March, in the year 1976, before me, John A. Rosholt, a Notary Public, personally appeared John M. Barker and Dianne Bridegum, known to me to be, respectively, the President and the Secretary of the American Falls Reservoir District that executed the said instrument, and acknowledged to me that the American Falls Reservoir District executed the same.

IN WITNESS WHEREOF, I set my hand and affix my official seal the day and year first above written.

/s/ JOHN A. ROSHOLT

Notary Public in and for the State of Idaho

Residing at: Twin Falls, Idaho

My commission expires: 1979

(SEAL)

EXHIBIT A

WATER QUALITY FACILITIES AGREEMENT

Dated as of March 31, 1976

by and between

AMERICAN FALLS RESERVOIR DISTRICT

and

IDAHO POWER COMPANY

WATER QUALITY FACILITIES AGREEMENT
BY AND BETWEEN
AMERICAN FALLS RESERVOIR DISTRICT
AND
IDAHO POWER COMPANY

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WATER QUALITY FACILITIES AGREEMENT
BY AND BETWEEN
AMERICAN FALLS RESERVOIR DISTRICT
AND
IDAHO POWER COMPANY

THIS AGREEMENT made this 31st day of March, 1976, between the AMERICAN FALLS RESERVOIR DISTRICT, an instrumentality of the State of Idaho, with its offices in Twin Falls, Idaho, hereinafter referred to as the Constructing Agency, and the IDAHO POWER COMPANY, a corporation organized under the laws of the State of Maine, authorized to do business in the State of Idaho, with its principal office therein located in Boise, Idaho;

WITNESSETH:

2. WHEREAS, the Government Contract and the Spaceholder Contracts provide that the Constructing Agency shall be responsible for the construction, operation and maintenance of the Water Quality Facilities which will be included in the American Falls Replacement Dam Program; and

3. WHEREAS, as a part of the consideration pursuant to the Falling Water Contract for the utilization for power generation at the Powerplant of the water released from the Replacement Dam the Idaho Power Company has agreed to operate and maintain the Water Quality Facilities for the Constructing Agency and to make certain payments as hereinafter set forth; and

4. WHEREAS, the Constructing Agency and the Idaho Power Company desire to delineate herein their respective obligations for the financing, ownership, construction, operation and maintenance of the Water Quality Facilities; and

5. WHEREAS, this Water Quality Facilities Agreement is the agreement contemplated to be entered into by the Constructing Agency in Article 15(a) of the Government Contract;

NOW, THEREFORE, in consideration of the mutual and dependent stipulations and covenants herein contained, it is agreed by and between the parties hereto as follows:

6. *Definitions.* All terms used herein shall have the same meanings as defined in Article 18 of the Spaceholder Contracts.

7. *Representations of Idaho Power Company.* The Idaho Power Company represents and warrants as follows:

(a) The Idaho Power Company is a corporation duly incorporated under the laws of, and is in good standing in, the State of Maine; is duly qualified to do business as a foreign corporation and is in good standing in the State of Idaho; has power under the laws of Maine and Idaho and its charter and by-laws to enter into this Water Quality Facilities Agreement and by proper corporate action has been duly authorized to execute and deliver this Water Quality Facilities Agreement.

(b) The authority of the Idaho Power Company to enter into this Water Quality Facilities Agreement and to carry out its obligations contemplated hereunder is subject to the obtaining, by the Idaho Power Company, of approvals by any and all state and Federal regulatory agencies having jurisdiction thereof, and the Idaho Power Company covenants that it will use its best efforts to obtain such approvals.

8. *Representations of the Constructing Agency.* The Constructing Agency represents and warrants as follows:

(a) The Constructing Agency is a lawfully organized and existing irrigation district, pursuant to the provisions of Title 43, Idaho Code, as amended by the State Act, and has been such since

June 1, 1923. The Constructing Agency is the "Constructing Agency" which is authorized to finance and provide for the construction of the American Falls Replacement Dam Program pursuant to the provisions of the Act of December 28, 1973, and the provisions of the Government Contract.

(b) The Constructing Agency is authorized to enter into this Water Quality Facilities Agreement for the purpose of accomplishing the construction of a portion of the American Falls Replacement Dam Program pursuant to the provisions of the Act of December 28, 1973, the State Act, the Government Contract and the Spaceholder Contracts.

9. *Responsibility to Construct.* The Constructing Agency shall acquire and construct those Water Quality Facilities which are included in the plans for the American Falls Replacement Dam Program and which are approved by the Secretary as contemplated in the Government Contract. The actual cost of the Water Quality Facilities, determined as provided in Section 8.7 of the Falling Water Contract, shall be paid for by the Idaho Power Company either as a part of the Falling Water Payments or as payments required to be made under paragraph 11 of this Water Quality Facilities Agreement.

10. *Conveyance of Title.* The Constructing Agency shall convey title to the Water Quality Facilities to the United States upon the determination of substantial completion of construction thereof contemplated to be made in Article 14(b) of the Government Contract.

11. *Excess Construction Costs.*

(a) If the actual cost of the Water Quality Facilities, determined in accordance with Section 8.7 of the Falling Water Contract, exceeds the estimated cost of the Water Quality Facilities, determined in accordance with Section 8.3 of the Falling Water Contract, the Idaho Power Company shall, on each April 1 following the filing of the actual cost of the Water Quality Facilities with the Idaho Power Company, pay to the Constructing Agency, on behalf of the Spaceholders, for deposit in the Water Quality Facilities Operation and Maintenance Fund hereinafter established, an amount of money which will amortize over the same period and at the same interest rate in the case of (1) and (2) below as the Series 1976 Bonds and in the case of (3) below as the Additional Bonds, as follows:

(1) If Additional Bonds are not issued and the estimated cost of the American Falls Replacement Dam Program is less than or equal to $38,000,000, the amount by which the actual cost of the Water Quality Facilities exceeds the estimated cost of the Water Quality Facilities;

(2) If Additional Bonds are not issued and the estimated cost of the American Falls Replacement Dam Program is more than $38,000,000, an amount equal to one-half the amount by which the actual cost of the Water Quality Facilities exceeds the estimated cost of the Water Quality Facilities; or

(3) If one or more series of Additional Bonds are issued pursuant to either Section 9.10 or 9.11 of the Falling Water Contract, the amount by which the increase in the actual over the estimated cost of the Water Quality Facilities exceeds the amount of the Additional Bonds.

(b) All payments by Idaho Power Company made under this paragraph 11 for deposit into the Water Quality Facilities Operation and Maintenance Fund hereinafter established shall inure to the benefit of the Spaceholders excluding Idaho Power Company as herein provided.

12. *Obligation to Operate and Maintain.* The Idaho Power Company shall operate and maintain the Water Quality Facilities for the Constructing Agency in accordance with this Water Quality Facilities Agreement. In the event that the Contracting Officer, pursuant to Article 18(d) of the Government Contract, determines that the water being released from the Replacement Dam through the Powerplant does not meet the amended State of Idaho water quality dissolved oxygen standard, as approved April 17, 1975, by the United States Environmental Protection Agency, after oral notice to the Idaho Power Com-

pany's American Falls Powerplant Chief Operator, the Contracting Officer may bypass part or all of such water around the Powerplant until satisfactory arrangements are made to meet such standard. As soon as practicable after substantial completion of the construction of the Water Quality Facilities, and from time to time thereafter in accordance with actual operating experience, the Constructing Agency, the Idaho Power Company, and the Contracting Officer shall develop, establish and maintain criteria for when the Water Quality Facilities shall be operated, or in lieu thereof water shall be bypassed. Such criteria shall include, among other things, rules and regulations which will provide for placement, reading, and operation of monitoring equipment, for communication among operating personnel, and other details of the operation and maintenance of the Water Quality Facilities not specifically set forth herein. From time to time as such criteria are developed and established, they shall be reduced to writing and copies filed with the Authorized Representatives and the Contracting Officer.

The Idaho Power Company shall also comply with Article 46 of the License, including the maintenance and filing of the records required thereunder.

13. *Financial Responsibility for Operation and Maintenance Costs.*

(a) Under the Spaceholder Contracts, the Spaceholders, excluding Idaho Power Company, are obligated to pay their proportionate share of 50% of the annual cost of operation and maintenance of the Water Quality Facilities, but not to exceed $62,500 per year. The annual cost of operation and maintenance shall consist of charges for the purchase of oxygen, replacement power, labor and other direct operation and maintenance items. The Spaceholders' obligation to participate in the payment of the annual operation and maintenance cost of the Water Quality Facilities shall terminate upon the retirement of the Bonds, or 40 years from the date of execution of the Falling Water Contract, whichever is later. The Idaho Power Company shall be responsible for the balance of the annual cost of operation and maintenance of the Water Quality Facilities not paid by the Spaceholders hereunder.

(b) All Spaceholders, including Idaho Power Company, shall pay their proportionate share of all annual costs incurred in the audit of the Water Quality Facilities Operation and Maintenance Fund or other incidental costs incurred by the Constructing Agency in the administration of such fund.

(c) Costs for replacement power shall be included as a part of the annual cost of operation and maintenance for the purposes of this paragraph when the estimated projected cost therefor is determined to be less than the estimated projected cost of the injection of oxygen on a projected annual basis. The Authorized Representatives shall make such determinations from time to time and such determinations shall be binding upon the Spaceholders and the Idaho Power Company.

14. *Cost Sharing if Additional Water Quality Facilities are Constructed.* If the Boards of Directors of Spaceholders representing 66⅔% of the total active capacity of the Replacement Dam shall agree by supplement to this Water Quality Facilities Agreement to the construction or acquisition by Idaho Power Company of additional Water Quality Facilities for the purpose of reducing the annual Spaceholder Water Quality Facilities Operation and Maintenance Payments, one-half of the capital cost of such additional Water Quality Facilities shall be repaid to Idaho Power Company by the Spaceholders in the same manner as set out in paragraph 16 hereof and as specified in said supplement; PROVIDED that the total annual obligation of Spaceholders other than Idaho Power Company for Spaceholder Water Quality Facilities Operation and Maintenance Payments and the capital costs of such additional Water Quality Facilities shall not exceed a total of $62,500 a year. If the total amount of the capital cost of such additional Water Quality Facilities has not been paid in full at the time of the termination of the obligation of Spaceholders to make Spaceholder Water Quality Facilities Operation and Maintenance Payments, the Spaceholders will be under no further obligation to repay Idaho Power Company for any then unpaid portion of the capital cost of such additional Water Quality Facilities.

15. *Establishment of Water Quality Facilities Operation and Maintenance Fund.* All Spaceholder Water Quality Facilities Operation and Maintenance Payments collected by the Constructing

Agency under the Spaceholder Contracts shall be placed by the Constructing Agency in a separate account to be known as the "Water Quality Facilities Operation and Maintenance Fund," which is to be held and used in accordance with the provisions of this Water Quality Facilities Agreement. The Constructing Agency shall cause an annual audit of the Water Quality Facilities Operation and Maintenance Fund to be made and a copy of each annual audit shall be transmitted to each Spaceholder. The bank holding the Water Qualities Facilities Operation and Maintenance Fund shall verify payment by the Constructing Agency of its Spaceholder Water Quality Facilities Operation and Maintenance Payment and shall notify the Contracting Officer in writing of failure to receive any such payment when due.

16. *Administration of Water Quality Facilities Operation and Maintenance Fund.* The Constructing Agency shall annually bill and collect in advance the Spaceholders Water Quality Facilities Operation and Maintenance Payments from each Spaceholder, except Idaho Power Company, in accordance with Article 28 of the Spaceholder Contracts. All Spaceholder Water Quality Facilities Operation and Maintenance Payments as collected shall be deposited into the Water Quality Facilities Operation and Maintenance Fund. As costs for Water Quality Facilities operation and maintenance are incurred in each twelve month period beginning on April 1 of each year, such costs shall be paid by the Idaho Power Company, monthly statements itemizing such costs shall be sent to the Constructing Agency and the Constructing Agency shall pay, from the monies on deposit in the Water Quality Facilities Operation and Maintenance Fund, one-half of each such statement until the Spaceholders' maximum annual obligation of $62,500 (exclusive of the cost of the audit plus any administrative costs) has been paid. In any year in which the annual Water Quality Facilities operation and maintenance costs are less than the Spaceholders' maximum annual obligation of $62,500, any surplus amount shall be retained in the Water Quality Facilities Operation and Maintenance Fund and such surplus, plus any interest thereon, shall be retained for credit against Spaceholder billings in future years. In the event that such Water Quality Facilities Operation and Maintenance Fund shall ever have a balance of $125,000, or more, no billings shall thereafter be made against any Spaceholder until the balance in the Water Quality Facilities Operation and Maintenance Fund shall have been reduced to $62,500 or less. Any amounts accumulated in the Water Quality Facilities Operation and Maintenance Fund on March 31 of each year in excess of $125,000 shall be returned to the Spaceholders, excluding Idaho Power Company, in accordance with their respective interests. At the termination of the obligation of the Spaceholders to participate in the payment of the annual operation and maintenance costs as provided in paragraph 13 (a) of this Water Quality Facilities Agreement any amounts remaining in the Water Quality Facilities Operation and Maintenance Fund shall be returned to the Spaceholders, excluding the Idaho Power Company, in accordance with their respective interests.

The Constructing Agency shall not bill Non-Participating Waterusers or Spaceholders for the operation and maintenance costs of the Water Quality Facilities which are assignable to the space of Non-Participating Waterusers and shall maintain accountings of such amounts that are assignable to the space of Non-Participating Waterusers until a permanent disposition of the water accruing to the space of a Non-Participating Wateruser has been made as provided in the Government Contract.

17. *Amendment, Supplements, Termination or Assignment.* This Water Quality Facilities Agreement may not be amended, supplemented, terminated or assigned, without the written consent of the Board of Directors of Spaceholders representing ownership of 66⅔% of the total active storage capacity in the Replacement Dam, after 30 days written notice has been given to all Spaceholders, nor shall this Water Quality Facilities Agreement be amended, supplemented, terminated or assigned without the approval of the Secretary.

18. *Spaceholders Third Party Beneficiaries.* The Spaceholders are hereby deemed third party beneficiaries of this Water Quality Facilities Agreement only to the extent of enforcing such duties and obligations specifically set forth in paragraphs 9 through 20 hereof.

19. *Term.* This Water Quality Facilities Agreement shall remain in effect during the term of the License, or any continuation or renewal thereof.

20. *Execution in Counterparts.* This Water Quality Facilities Agreement may be executed in several counterparts, each of which shall be an original, and all such shall constitute and be one and the same instrument.

IN WITNESS WHEREOF, the Constructing Agency and the Idaho Power Company have caused this Water Quality Facilities Agreement to be executed in their respective names and their respective seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

AMERICAN FALLS RESERVOIR DISTRICT

By: /s/ JOHN M. BARKER
President

Attest:

/s/ DIANNE BRIDEGUM
Secretary

(SEAL)

IDAHO POWER COMPANY

By: /s/ JAMES E. BRUCE
President

Attest:

/s/ PAUL L. JAUREGUI
Secretary

(SEAL)

APPROVED this 31st day of March, 1976

UNITED STATES SECRETARY OF THE INTERIOR

By: /s/ RODNEY J. VISSIA
Regional Director

Pacific Northwest Region
Bureau of Reclamation
Box 043—550 West Fort Street
Boise, Idaho 83724

STATE OF IDAHO }
COUNTY OF ADA } ss.

On this 24th day of March, in the year 1976, before me, John A. Rosholt, a Notary Public, personally appeared John M. Barker and Dianne Bridegum, known to me to be, respectively, the President and the Secretary of the American Falls Reservoir District that executed the said instrument, and acknowledged to me that the American Falls Reservoir District executed the same.

IN WITNESS WHEREOF, I set my hand and affix my official seal the day and year first above written.

/s/ JOHN A. ROSHOLT

Notary Public in and for the State of Idaho

Residing at: Twin Falls, Idaho

My commission expires: 1979

(SEAL)

STATE OF IDAHO }
COUNTY OF ADA } ss.

On this 24th day of March, in the year 1976, before me, Mary L. Morton, a Notary Public, personally appeared James E. Bruce and Paul L. Jauregui, known to me to be the President and Secretary of the corporation that executed the said instrument on behalf of said corporation, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I set my hand and affix my official seal the day and year first above written.

/s/ MARY L. MORTON

Notary Public in and for the State of Idaho

Residing at: Boise, Idaho

My commission expires: 4-1-76

(SEAL)

12-26-1976 BOR Memo to DC re: Proposed IDPC Spaceholder Contract

United States Department of the Interior
BUREAU OF RECLAMATION

FEDERAL BUILDING & U.S. COURTHOUSE
BOX 043-550 WEST FORT STREET
BOISE, IDAHO 83724

IN REPLY
REFER TO: 440
832.

BUREAU OF RECLAMATION
OFF[illegible]Y
Re[illegible]
JAN 20 1976

TO		TE
440	Off	1/29
440	-AL	1/29
RECLAMATION FILES		

JAN 26 1976

Memorandum

To: Commissioner, Washington, D.C.
Attention: 440

From: Assistant Regional Director, Boise, Idaho

Subject: Proposed Idaho Power Company Spaceholder Contract, American Falls Replacement Dam Program, Minidoka Project, Idaho-Wyoming

Enclosed are three copies of the subject proposed contract which we indicated in our letter of December 12, 1975, would be submitted at a later date.

The major problem which we have encountered in securing approval of this proposed contract is the applicability of certain provisions of the June 15, 1923, contract between the United States and the Idaho Power Company. It was finally concluded that the 1923 contract could not be renegotiated within the present time frame and, therefore, the proposed Spaceholder Contract sets forth the intent of the United States and the Idaho Power Company to meet and review the existing contract for possible revision.

While the proposed contract does reaffirm the rights of the Idaho Power Company under its existing contract, it is recognized that the Act of December 28, 1973, and the provisions of the Government and Spaceholder Contracts take precedence over the provisions of the existing contract wherever and to whatever extent there is a conflict. We believe that this adequately protects the interests of the United States.

Norman H. Moore

Enclosure (3)

cc: Field Solicitor, Boise, Idaho
(w/copy of enclosure)

JOHNNY HORIZON '76

Let's Clean Up America For Our 200th Birthday

3-31-1976 Falling Water

[CONFORMED COPY]

FALLING WATER CONTRACT

Dated as of March 31, 1976

by and between

AMERICAN FALLS RESERVOIR DISTRICT

and

IDAHO POWER COMPANY

CONTRACT

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FALLING WATER CONTRACT

BY AND BETWEEN

AMERICAN FALLS RESERVOIR DISTRICT

AND

IDAHO POWER COMPANY

THIS CONTRACT, entered into this 31st day of March, 1976, between the AMERICAN FALLS RESERVOIR DISTRICT, an instrumentality of the State of Idaho, with its offices located in Twin Falls, Idaho, hereinafter referred to as the "Constructing Agency", and the IDAHO POWER COMPANY, a corporation organized under the laws of the State of Maine, authorized to do business in the State of Idaho, with its principal office therein located in Boise, Idaho, hereinafter referred to as "Idaho Power Company";

WITNESSETH:

WHEREAS, the existing American Falls Dam and Reservoir ("Existing Dam") was constructed on the Snake River in southern Idaho adjacent to the City of American Falls, Idaho, by the United States ("United States"), and was placed in operation in 1927 as a part of the Minidoka Project, Idaho-Wyoming, and the United States contracted with certain organizations and individuals ("Waterusers") for various amounts of the storage space of the Existing Dam and which Waterusers agreed to pay the United States their proportionate share of the cost of the Existing Dam and the United States has retained ownership of the Existing Dam and has operated and maintained the Existing Dam primarily for the furnishing of water for irrigation purposes; and

WHEREAS, the Existing Dam provides irrigation storage water for beneficial use on approximately 900,000 acres of land in southern Idaho to which said water is appurtenant; and

WHEREAS, the United States has determined the Existing Dam to be no longer structurally competent, and in 1972 restricted storage in the top 11.3 feet of the Existing Dam on a year-round basis for safety reasons, and additional restrictions may possibly be required to continue to meet applicable safety standards as the deterioration of the Existing Dam advances, which present and future storage restrictions have and will cause severe economic losses to the Waterusers, reductions in recreational benefits and adverse effects on fish and wildlife facilities associated with the Existing Dam; and

WHEREAS, Chapter 22 of Title 43, Idaho Code, as amended, ("State Act"), authorizes the Constructing Agency, for the purpose of preserving, restoring, protecting and maintaining rights of storage, diversion and delivery of water necessary and appurtenant to the purposes for which the Constructing Agency and other like similarly situated irrigation districts were organized: (1) to reconstruct, rehabilitate, replace and improve dams and other related structures and works together with all necessary appurtenances related thereto whether located within or without its boundaries and whether or not legal title thereto is owned by it, including without limitation as a part thereof the reconstruction and relocation of all roads, bridges and highways made necessary by reason of such reconstruction, rehabilitation, replacement and improvement, the construction of penstocks and other facilities related to hydroelectric production plant which are made necessary in order to carry out the provisions of this Falling Water Contract and facilities for flood control, public recreation and fish and wildlife mitigation purposes made necessary in order to comply with applicable state and Federal requirements; (2) to enter into all necessary agreements, contracts and other legal arrangements with the United States and its agencies and departments, the State of Idaho and its agencies, departments and political subdivisions, and public and private persons, firms, corporations and associations in order to carry out such reconstruction, rehabilitation, replacement and improvement; and (3) to issue its Bonds ("Bonds") in the manner provided therein for the purpose of paying all or part of the cost of such reconstruction, rehabilitation, replacement and improvement, together with all expenses preliminary and incidental thereto; and

WHEREAS, the State Act provides that any Bonds issued and sold pursuant to the provisions thereof shall be payable solely out of a special fund into which the Constructing Agency shall be obligated to deposit, as from time to time received: (1) the proceeds of the collection of certain assessments to be levied and collected by the Constructing Agency on lands contained within its boundaries; (2) payments pursuant to contracts to be entered into by the Constructing Agency with other irrigation districts; (3) payments pursuant to contracts to be entered into by the Construction Agency with other public or private persons, firms, corporations and associations; and (4) when so authorized by Act of Congress, the proceeds from the sale or use of falling water released from the dam to be so reconstructed, rehabilitated, replaced and improved, pursuant to a contract for the use of such falling water for power generation to be entered into by the Construction Agency with a public or private person, firm, corporation or association; and

WHEREAS, pursuant to the provisions of the Act of Congress of December 28, 1973 ("Act of December 28, 1973"), the United States, acting through the Regional Director, Pacific Northwest Region, Bureau of Reclamation ("Contracting Officer") upon authorization of the United States Secretary of the Interior ("Secretary") has entered into an agreement with the Constructing Agency ("Government Contract") of even date herewith, authorizing the Constructing Agency to finance and provide for the construction of a new dam ("Replacement Dam") and related structures and works to replace the Existing Dam (which Replacement Dam and related structures and works, together with the storage reservoir to be created behind the Replacement Dam, are hereinafter collectively referred to as the "American Falls Replacement Dam Program"); and

WHEREAS, the Government Contract provides that delivery of water is to be contingent upon the execution by each Wateruser of a contract with the Constructing Agency and the United States (which contracts are collectively referred to as "Spaceholder Contracts") providing for the repayment by such Wateruser of its proportionate share of the total costs to be incurred by the Constructing Agency for engineering, financing, designing and constructing the American Falls Replacement Dam Program not returned by this Falling Water Contract, and providing that the delivery of water to each Wateruser shall be contingent upon the fulfillment of the obligations thereunder, said Spaceholder Contracts being otherwise consistent with the terms of the various existing contracts between the Secretary and the Waterusers for the delivery of water from and the payment of costs associated with the Existing Dam; and

WHEREAS, an appropriate number of the Waterusers satisfactory to the Secretary and the Constructing Agency have entered into Spaceholder Contracts of even date herewith to pay their proportionate share of the cost of the American Falls Replacement Dam Program (which Waterusers which have entered into Spaceholder Contracts being herein referred to as "Spaceholders"); and

WHEREAS, the Act of December 28, 1973, also authorizes the Constructing Agency to contract with a non-Federal entity, as herein provided, for the use by such non-Federal entity for power generation of the falling water released from the Replacement Dam for irrigation and other purposes incidental thereto, which contract shall provide for a monetary return to the Constructing Agency to defray in part the costs of financing and constructing the American Falls Replacement Dam Program and for the coordination of the construction of hydroelectric power facilities with the construction of the Replacement Dam, provided said contract shall be approved by the Secretary and shall not impair the efficiency of the Replacement Dam to serve the other purposes of the Minidoka Project; and

WHEREAS, the State Act provides that the contract for the use of falling water may contain such provisions as are contemplated in the Act of December 28, 1973, providing for the reconstruction, rehabilitation, replacement and improvement of such dam and other related structures and works and appurtenances, the coordination of the construction of the hydroelectric power facilities, the conditions under which the non-Federal entity shall make payments to the Construction Agency, the rights and remedies of the parties to such contract in the event of a failure of the non-Federal entity to make the required payments, and the securing of all necessary permits and licenses required in connection therewith; and

WHEREAS, the Idaho Power Company is a Wateruser and is also the owner and operator of a hydroelectric generating powerplant located on the Snake River below the Existing Dam adjacent to the City of American Falls, Idaho pursuant to a license issued by the Federal Power Commission on March 31, 1975, for Project No. 2258; and

WHEREAS, the construction and operation by Idaho Power Company of a new hydroelectric generating facility ("Powerplant") attached to the Replacement Dam will increase power generation over that produced by the existing powerplant by utilizing the additional head and more of the water released from the Replacement Dam for irrigation and other purposes incidental thereto; and

WHEREAS, as contemplated in Section 4 of the Act of December 28, 1973 and in the State Act (Section 43-2201(D)(4), Idaho Code), the Idaho Power Company heretofore proposed to pay an amount necessary to amortize, at a tax exempt interest rate in 40 approximately equal annual installments, for utilization by it for power generation at the Powerplant of falling water released from the Replacement Dam for irrigation and other purposes incidental thereto, within the limitations specified in the Government Contract, $19,550,000 of the principal amount of the cost of financing and constructing the American Falls Replacement Dam Program, and subsequently further agreed to increase such amount by the cost of the facilities included in the American Falls Replacement Dam Program for the purpose of meeting the amended State of Idaho water quality dissolved oxygen standard as approved on April 17, 1975, by the United States Environmental Protection Agency for water released from the Replacement Dam ("Water Quality Facilities") and if necessary by approximately 50% of the costs of financing and constructing the American Falls Replacement Dam Program in excess of $38,000,000; and

WHEREAS, under the provisions of Section 4 of the Act of December 28, 1973, and the provisions of the State Act (Section 43-2201(D)(4), Idaho Code), the Constructing Agency and the Idaho Power Company have agreed to enter into this falling water contract (hereinafter referred to as the "Falling Water Contract"), but only upon satisfaction of the conditions set forth herein; and

WHEREAS, the Constructing Agency has made provision for the estimation of the cost of financing and constructing the American Falls Replacement Dam Program, and, as required in the State Act, the allocation of the costs of financing and constructing the American Falls Replacement Dam Program as between the sums to be paid pursuant to this Falling Water Contract and the Spaceholder Contracts, and has made provision for a determination as to the actual amount of Bonds of the Constructing Agency to be issued, depending upon the amounts to be prepaid pursuant to the provisions of the several Spaceholder Contracts, it being contemplated that the United States will, pursuant to Section 7 of the Act of December 28, 1973, pay, as provided in the Michaud Division, Fort Hall Indian Reservation Spaceholder Contract entered into between the Constructing Agency and the United States, the proportionate share of the Michaud Division, Fort Hall Indian Reservation of the total cost of financing and constructing the American Falls Replacement Dam Program not returned pursuant to this Falling Water Contract; and

WHEREAS, pursuant to authority contained in the State Act the Constructing Agency has heretofore authorized the issuance of not to exceed $44,750,000 Bonds of the Constructing Agency for the purpose of paying all or part of the costs of financing and constructing the American Falls Replacement Dam Program, and further the Constructing Agency has called and held an election at which the Constructing Agency was authorized to impose assessments on lands within the Constructing Agency, approving said assessments, and was authorized to execute a Spaceholder Contract with the United States and to execute the Government Contract; and

WHEREAS, the Constructing Agency will institute proceedings pursuant to the provisions of the State Act for the purpose of obtaining confirmation decrees approving this Falling Water Contract, the Spaceholder Contracts, the Government Contract, and the levy and collection of the assessments, which confirmation proceedings will, prior to the issuance of the Bonds, be completed in accordance with the provisions of the State Act; and

WHEREAS, the Constructing Agency has entered into an agreement dated November 27, 1974, with the State of Idaho, acting by and through the Department of Transportation, Division of Highways, providing for construction of a two-lane highway on the crest of the Replacement Dam and construction of a two-lane highway bridge located immediately downstream from the Replacement Dam, and providing for the payment by the Constructing Agency of 50% of the total cost of the construction of said highway and bridge as part of the American Falls Replacement Dam Program; and

WHEREAS, the Constructing Agency has entered into an agreement dated July 2, 1974, with the Idaho Fish and Game Department providing for the payment by the Constructing Agency of costs relating to the mitigation of anticipated loss of existing recreational and fish and wildlife resources and constituting the Recreation and Fish and Wildlife Mitigation Facilities (as hereinafter defined); and

WHEREAS, it is provided in the Act of December 28, 1973, that this Falling Water Contract shall be approved by the Secretary and all requirements and conditions of the Act of December 28, 1973 have or will have been satisfied prior to the delivery of any of the Bonds of the Constructing Agency herein contemplated to be issued; and

WHEREAS, the Idaho Power Company has received a fifty (50) year license for Project No. 2736 issued March 31, 1975 by the Federal Power Commission authorizing it to construct, operate, and maintain the Powerplant; and

WHEREAS, the Constructing Agency has executed the Government Contract with the United States, as contemplated in the Act of December 28, 1973, to which Government Contract a copy of this Falling Water Contract is attached as an exhibit, and by the execution of the Government Contract the Secretary, in accordance with the provisions of the Act of December 28, 1973, approves this Falling Water Contract as though incorporated in and made a part of the Government Contract; and

WHEREAS, the Constructing Agency and the Idaho Power Company desire to provide that the issuance, sale and delivery by the Constructing Agency of its Bonds pursuant to the authority contained in the State Act, in an amount which shall be sufficient to pay the estimated cost of financing and constructing the American Falls Replacement Dam Program not paid in advance by Spaceholders pursuant to the Spaceholder Contracts, shall be a condition precedent to the obligation of the Idaho Power Company to make the payments to the Constructing Agency provided for in this Falling Water Contract in consideration of the utilization by the Idaho Power Company at the Powerplant for power generation, within the limitations specified in the Government Contract, of the falling water released from the Replacement Dam for irrigation and other purposes incidental thereto; and

WHEREAS, the Idaho Power Company and the Constructing Agency desire to enter into an arrangement hereunder whereby the Constructing Agency, having entered into the Spaceholder Contracts and the Government Contract, and as a Spaceholder having imposed assessments on lands within its boundaries, will issue and sell its Bonds for the purpose of paying the costs of financing and constructing the American Falls Replacement Dam Program not paid in advance by the Spaceholders, and whereby the Idaho Power Company in accordance with the provisions of the Federal Power Commission license, will finance, construct and own the Powerplant, and will make the payments to the Constructing Agency contemplated hereunder; and

WHEREAS, the Constructing Agency and the Idaho Power Company wish to delineate their mutual responsibilities and to set forth the terms and conditions for the use of the Falling Water by the Idaho Power Company, for the engineering, financing, construction, ownership and operation of the American Falls Replacement Dam Program and the Powerplant and the coordination of the construction of the Powerplant with the construction of the Replacement Dam;

NOW, THEREFORE, in consideration of the mutual and dependent stipulations and covenants herein contained, it is agreed by and between the parties hereto as follows:

ARTICLE I

DEFINITIONS

The following words and phrases shall have the following meanings, unless the context clearly indicates to the contrary:

"Act of December 28, 1973" shall mean the Act of Congress approved December 28, 1973 (87 Stat. 904).

"Additional Bonds" shall mean any additional parity Bonds authorized to be issued by the Constructing Agency pursuant to the terms and conditions of Section 207 of the Indenture.

"American Falls Replacement Dam Program" shall mean the program to be undertaken by the Constructing Agency consisting of the Replacement Dam including the two-lane highway on the crest of the Replacement Dam, the two-lane highway bridge located immediately downstream from the Replacement Dam, the Related Facilities, the Recreation and Fish and Wildlife Mitigation Facilities, and the Water Quality Facilities, to be accomplished pursuant to the Act of December 28, 1973, and under the authority of Section 43-2201(A), Idaho Code, which provides for the reconstruction, rehabilitation, replacement, and improvement of dams and other related structures and works together with all necessary appurtenances related thereto.

"Assessments" shall mean the Assessments to be levied pursuant to Title 43, Idaho Code, as contemplated in the State Act (Section 43-2201(D)(1) and (2), Idaho Code), representing the amount of benefits to accrue to each tract or subdivision in an irrigation district based upon the allocation of the Cost of Construction of the American Falls Replacement Dam Program, in the proportion that the right to the storage, diversion and delivery of water appurtenant to each such tract or subdivision bears to the total right to the storage, diversion and delivery of water from the Replacement Dam.

"Authorized Company Representative" shall mean the person at the time designated to act in behalf of the Idaho Power Company by written certificate furnished to the Contracting Officer, the Constructing Agency and the Trustee, containing the specimen signature of such person, and signed on behalf of the Idaho Power Company by its President or any Vice President thereof. Such certificate shall designate an alternate or alternates. The Authorized Company Representative may be an employee of the Idaho Power Company.

"Authorized Constructing Agency Representative" shall mean the person at the time designated to act in behalf of the Constructing Agency by written certificate furnished to the Contracting Officer, the Idaho Power Company and the Trustee, containing the specimen signature of such person, and signed on behalf of the Constructing Agency by the President of the Board, or the Vice President thereof. Such certificate shall designate an alternate or alternates. The Authorized Constructing Agency Representative may be an employee of the Constructing Agency.

"Authorized Representatives" shall mean collectively the Authorized Company Representative, the Authorized Constructing Agency Representative, and the Authorized Spaceholder Representative.

"Authorized Spaceholder Representative" shall mean the person at the time designated to act in behalf of the Spaceholders, pursuant to the provisions of Article 46 of the Spaceholder Contracts, by written certificate furnished to the Contracting Officer, the Constructing Agency, the Idaho Power Company, and the Trustee, containing the specimen signature of such person, and signed on behalf of the Spaceholders by the Chairman of the meeting of the Spaceholders at which such representative is designated. Such certificate shall designate an alternate or alternates. The Authorized Spaceholder Representative may be an employee of a Spaceholder.

"Board" shall mean the Board of Directors of the Constructing Agency.

"Bond Fund" shall mean the Bond Fund created in Section 502 of the Indenture for the purpose of paying principal of and interest on the Bonds.

"Bonds" shall mean bonds issued, and to be issued, by the Constructing Agency under authority contained in the State Act, pursuant to the Indenture to pay the costs of the American Falls Replacement Dam Program.

"Completion Date" shall mean the date of completion of the construction of the Replacement Dam, the Related Facilities and the Water Quality Facilities within the meaning of the Act of December 28, 1973, which shall be deemed to be the date upon which the Constructing Agency, the Idaho Power Company and the Trustee are given the completion notice by the Secretary as provided in Article 14(d) of the Government Contract.

"Constructing Agency" shall mean the American Falls Reservoir District, an instrumentality of the State of Idaho, being an irrigation district organized and existing under the provisions of Title 43, Idaho Code, as amended, and its successors and assigns.

"Construction Fund" shall mean the Construction Fund created by Section 602 of the Indenture for the purpose of paying the cost of financing and constructing the American Falls Replacement Dam Program.

"Construction Period" shall mean the period commencing upon the initiation of construction of the American Falls Replacement Dam Program and ending on the Completion Date.

"Construction Work Schedule" shall mean a schedule showing each item of major construction activity of the American Falls Replacement Dam Program including detailed coordination arrangements for the construction of the Powerplant with the construction of the Replacement Dam, and the time period within which each item is proposed to be started and concluded.

"Contracting Officer" shall mean the Regional Director, Pacific Northwest Region, Bureau of Reclamation, or his duly authorized representative.

"Cost of Construction" shall mean all or part of the total cost of the engineering, financing, designing and constructing of the American Falls Replacement Dam Program, and all expenses preliminary and incidental thereto, including all engineering, fiscal, and legal expenses, and costs of issuance, printing and advertising, as authorized in the Act of December 28, 1973 and the State Act and for which funds may be disbursed from the Construction Fund pursuant to Section 8.4 hereof.

"Defaulted Spaceholder(s)" shall mean the Spaceholders determined to be in default in all or any part of the Spaceholder Payments required to be made under a Spaceholder Contract, in accordance with the provisions of Article 29(a) thereof.

"Designs and Specifications" shall mean the final Designs and Specifications of any facility required pursuant to Article 10(a) of the Government Contract to be constructed by the Constructing Agency as a part of the American Falls Replacement Dam Program, as approved by the Contracting Officer pursuant to Article 10(b) of the Government Contract.

"Existing Dam" shall mean the American Falls Dam and Reservoir owned by the United States located on the Snake River in southern Idaho adjacent to the City of American Falls, Idaho.

"Falling Water" shall mean the water released from the Replacement Dam for irrigation and other purposes incidental thereto, the utilization of which during the Original Term of this Falling Water Contract, within the limitations specified in the Government Contract, is granted to the Idaho Power Company for power generation at the Powerplant in return for the Falling Water Payments to the Constructing Agency, which utilization shall be subordinate to the furnishing of water for irrigation purposes.

"Falling Water Contract" shall mean this contract entered into between the Constructing Agency and the Idaho Power Company as the same may be supplemented or amended.

"Falling Water Payments" shall mean the principal amount, plus applicable interest, to be paid to the Constructing Agency in 40 approximately equal annual Installments by the Idaho Power Company pursuant to this Falling Water Contract as a part of the consideration for the utilization for power generation at the Powerplant of the Falling Water released from the Replacement Dam.

"Government Contract" shall mean the contract of even date herewith entitled: "Contract between the United States of America and the American Falls Reservoir District for the Construction and Operation and Maintenance of the American Falls Replacement Dam Program" as the same may be supplemented or amended.

"Idaho Power Company" shall mean the Idaho Power Company, a Maine corporation authorized to do business in the State of Idaho, and its permitted successors and assigns.

"Indenture" shall mean the Indenture of Trust to be entered into between the Constructing Agency and the Trustee in connection with the issuance of the Series 1976 Bonds (including any indenture supplemental thereto).

"Independent Engineer" shall mean an engineer or engineering firm registered or licensed to practice the profession of engineering under the laws of Idaho, together with an appropriate staff and supporting equipment and who or which is not a full-time engineer of either the Constructing Agency or the Idaho Power Company.

"Interim Notes" shall mean interim notes of the Constructing Agency issued, and to be issued, under authority contained in the State Act, for the purpose of borrowing funds on a temporary basis in advance of the issuance of the Series 1976 Bonds.

"Installment" shall mean an annual payment of the principal and interest of the Falling Water Payments as such Installments are set forth in the Schedule of Falling Water Payments to be filed with the Idaho Power Company and the Trustee pursuant to the provisions of Section 9.8 hereof and which are assigned to the Trustee pursuant to Section 501 of the Indenture.

"License" shall mean the license for Project No. 2736 issued by the Federal Power Commission on March 31, 1975, and expiring on March 31, 2025, and any continuation or renewal thereof, authorizing the Idaho Power Company to construct, operate, and maintain the Powerplant.

"Minidoka Project" shall mean the Minidoka Reclamation Project of the United States, located on the Snake River in the States of Idaho and Wyoming.

"Non-Participating Wateruser(s)" shall mean the Waterusers which have not executed Spaceholder Contracts. The initial Non-Participating Waterusers are set forth in *Exhibit II* hereto. Upon the execution of a Spaceholder Contract by a Non-Participating Wateruser, such Non-Participating Wateruser shall be deemed to be a Spaceholder.

"Original Term" shall mean the duration of this Falling Water Contract, as specified in Section 14.1 hereof, ending concurrent with the expiration of the initial 50 year term of the License.

"Plan of Operation" shall mean a schedule of the storage and release of water from the Existing Dam and the Replacement Dam during the construction of the Replacement Dam.

"Plans, Designs and Specifications" shall mean the plans for the American Falls Replacement Dam Program, as set forth in Section 4.1 hereof, the Designs and Specifications, the Plan of Operation and the Construction Work Schedule.

"Powerplant" shall mean the hydroelectric generating facility, attached to the Replacement Dam, to be constructed, operated, and maintained by the Idaho Power Company in accordance with the License.

"Prepayment Fund" shall mean the Prepayment Fund created by Article 23(c) of the Spaceholder Contracts for the purpose of holding prepayments made by Spaceholders pursuant to Article 23 of the Spaceholder Contracts.

"Recreation and Fish and Wildlife Mitigation Facilities" shall mean the facilities to be included in the American Falls Replacement Dam Program pursuant to that certain agreement between the Constructing Agency and the Idaho Fish and Game Department dated July 2, 1974, to mitigate the anticipated loss of existing recreational and fish and wildlife resources.

"Related Facilities" shall mean the facilities included in the American Falls Replacement Dam Program which are required by the United States as part of the construction of the Replacement Dam and which are to be transferred to the United States to operate and maintain, consisting of the warehouse, shop, offices, scenic overlook including health and safety facilities, hydrologic and meteorologic data collection facilities.

"Renewal Term" shall mean any term following the Original Term of this Falling Water Contract, as specified in Section 14.2 hereof.

"Replacement Dam" shall mean the new dam, including the reservoir, to be constructed by the Constructing Agency on the Snake River in southern Idaho adjacent to the City of American Falls, Idaho, to replace the Existing Dam.

"Schedule of Falling Water Payments" shall mean that schedule supplied to the Idaho Power Company, pursuant to the provisions of Section 9.8 of this Falling Water Contract, showing the annual Installments to be paid to the Trustee for deposit into the Bond Fund.

"Schedules of Spaceholder Bond Payments" shall mean the schedules supplied to the Spaceholders, pursuant to the provisions of Section 9.8 of this Falling Water Contract, showing the annual sums to be paid to the Trustee for deposit into the Bond Fund.

"Secretary" shall mean the Secretary of the Interior.

"Series 1976 Bonds" shall mean the initial series of Bonds to be issued by the Constructing Agency under the State Act for the purpose of paying all or part of the Cost of Construction of the American Falls Replacement Dam Program pursuant to the terms and conditions of Section 202 of the Indenture.

"Spaceholder(s)" shall mean the Waterusers which have executed Spaceholder Contracts, together with their successors and assigns. The initial Spaceholders are set forth in *Exhibit I* hereto.

"Spaceholder Bond Payments" shall mean the payments obligated to be made by the Spaceholders to the Constructing Agency pursuant to the Spaceholder Contracts to pay the Spaceholders' portion of the principal of and interest on the Bonds and which are assigned to the Trustee.

"Spaceholder Contracts" shall mean the contracts of even date herewith entered into among the United States, the Constructing Agency, and the Spaceholders for storage in the Replacement Dam and the payment of construction, operation, and maintenance costs of the American Falls Replacement Dam Program, as the same may be supplemented or amended.

"Spaceholder Payments" shall mean collectively the payments to be made by the Spaceholders pursuant to the Spaceholder Contracts as follows:

1. Spaceholder Bond Payments.
2. Spaceholder Replacement Dam Operation and Maintenance Payments.
3. Spaceholder Water Quality Facilities Operation and Maintenance Payments.
4. The fees, charges and expenses of the Trustee and any paying agent bank.

"Spaceholder Replacement Dam Operation and Maintenance Payments" shall mean the payments obligated to be made pursuant to the Spaceholder Contracts by the Spaceholders to the United States to pay the annual costs of operation and maintenance of the Replacement Dam and the Related Facilities, and to return the unpaid costs of the Existing Dam as set forth in Article 19 of the Government Contract.

"Spaceholder Water Quality Facilities Operation and Maintenance Payments" shall mean the payments obligated to be made by the Spaceholders to the Constructing Agency in accordance with paragraph 13 of the Water Quality Facilities Agreement.

"State Act" shall mean Chapter 22, Title 43, Idaho Code, as enacted by Chapter 1, Session Laws of Idaho, 1974, as amended by Chapter 48, Session Laws of Idaho, 1975.

"Supplemental Falling Water Payments" shall mean the supplemental amounts agreed to be paid to the Constructing Agency by the Idaho Power Company pursuant to this Falling Water Contract representing the obligations of Defaulted Spaceholders or of Non-Participating Waterusers, or both.

"Trustee" shall mean the bank, Trustee or bank co-trustee, or either, at the time serving as such under the Indenture.

"Underwriter" or "Underwriters" shall mean Kidder, Peabody & Co. Incorporated, an investment banking firm, located in the City of New York, New York, which has agreed to submit a proposal for the purchase of the Series 1976 Bonds and, if such proposal is accepted, shall be the Underwriter of the Series 1976 Bonds, but if such proposal is not accepted, then, any investment banking firm or firms with whom the Constructing Agency shall execute a bond purchase agreement for the purchase of the Series 1976 Bonds or any Bonds issued pursuant to the provisions hereof.

"Water Quality Facilities" shall mean facilities included in the American Falls Replacement Dam Program for the purpose of meeting the amended State of Idaho water quality dissolved oxygen standard, as approved on April 17, 1975, by the United States Environmental Protection Agency, for water released from the Replacement Dam through the Powerplant, including necessary monitoring equipment to be installed immediately downstream from the tailrace of the Powerplant to measure the dissolved oxygen in the water.

"Water Quality Facilities Agreement" shall mean the agreement of even date herewith between the Constructing Agency and the Idaho Power Company providing for the construction, operation, and maintenance of the Water Quality Facilities, as the same may be supplemented or amended.

"Wateruser(s)" shall mean the organizations and individuals which have heretofore contracted for storage space in the Existing Dam.

ARTICLE II

REPRESENTATIONS

SECTION 2.1. *General Representations.* The Constructing Agency and the Idaho Power Company represent and warrant, one to the other, that:

(a) This Falling Water Contract is the contract contemplated to be entered into by the Constructing Agency, with the approval of the Secretary, with an appropriate non-Federal entity for the utilization of the Falling Water at the Powerplant for power generation, and the coordination of the construction of the Powerplant with the construction of the Replacement Dam, in accordance with Section 4 of the Act of December 28, 1973, and the State Act (Section 43-2201(D)(4), Idaho Code).

(b) This Falling Water Contract, having been approved by the Secretary as required by the Act of December 28, 1973, shall not in any way impair the efficiency of the Replacement Dam to serve the other purposes of the Minidoka Project.

(c) The Constructing Agency herein proposes to contract with the Idaho Power Company for the utilization by the Idaho Power Company of the Falling Water at the Powerplant for power generation within the limitations specified in the Government Contract and in accordance with the conditions set forth in the License, and in consideration thereof the Idaho Power Company shall make the Falling Water Payments to the Constructing Agency to help defray the Cost of Construction and shall make the Supplemental Falling Water Payments as herein contemplated. The Idaho Power Company and the Constructing Agency shall coordinate the construction of the Powerplant with the construction of the American Falls Replacement Dam Program to the mutual benefit of the Idaho Power Company and the Constructing Agency, including joint bidding if such shall be deemed desirable. As provided in Section 4 of the Act of December 28, 1973, this Falling Water Contract shall not be the subject of the limitations of Section 9(c) of the Reclamation Project Act of 1939 (53 Stat. 1194), or of any similar limitations in any other applicable Acts of Congress.

(d) The utilization by the Idaho Power Company of the Falling Water at the Powerplant for power generation is and shall continue to be subordinate to the furnishing of water from the Replacement Dam for irrigation purposes.

(e) Less than ten per cent (10%) of the water accruing to the active storage capacity in the Replacement Dam may be contractually scheduled for release from the Replacement Dam by the Idaho Power Company, except for temporary increases following a default by a Non-Participating Wateruser or a Spaceholder as provided in Section 3.5 hereof or arising from unusually wet or dry weather in the service area of the Replacement Dam.

SECTION 2.2. *Representations of the Constructing Agency.* The Constructing Agency represents and warrants as follows:

(a) The Constructing Agency is a lawfully organized and existing irrigation district, pursuant to the provisions of Title 43, Idaho Code, as amended by the State Act, and has been such since June 1, 1923. The Constructing Agency is the "constructing agency" which is authorized to finance and provide for the construction of the American Falls Replacement Dam Program pursuant to the provisions of the Act of December 28, 1973, and the provisions of the Government Contract.

(b) The Constructing Agency is authorized to enter into the Government Contract and into this Falling Water Contract for the purpose of accomplishing the construction of the American Falls Replacement Dam Program pursuant to the provisions of the Act of December 28, 1973 and the State Act. The Constructing Agency intends to issue its Bonds pursuant to the State Act in reliance upon the obligation of Idaho Power Company during the Original Term to make the Falling Water Payments and the Supplemental Falling Water Payments and it is, therefore, necessary to recognize and provide for the rights of the holders, from time to time, of the Bonds of the Constructing Agency contemplated to be issued for the purpose of paying all or part of the Cost of Construction of the American Falls Replacement Dam Program. The Idaho Power Company, within the limitations specified in the Government Contract, will utilize for power generation at the Powerplant the Falling Water during the Original Term and it is, therefore, necessary in the Government Contract, to recognize and provide for the right of the Idaho Power Company for the continued utilization of the Falling Water after title to the Replacement Dam, the Related Facilities, and the Water Quality Facilities shall be taken by the United States, pursuant to the requirements of the Act of December 28, 1973.

(c) The Constructing Agency will not construct the Replacement Dam so as to result in an increase in the elevation of the water surface of the Replacement Dam above that maintained for the Existing Dam, *i.e.*, 4354.5 feet above mean sea level U.S.C.& G.S. datum.

(d) The Constructing Agency has made adequate provision in the Government Contract for the correction and prevention of erosion related to the Replacement Dam or for the payment, from lawfully available funds arising from sources other than the Falling Water Payments or the Spaceholder Bond Payments, for full and adequate compensation of the adjacent landowners, including owners of land subject to a flowage easement, if such erosion cannot be corrected or prevented.

(e) Construction of the Replacement Dam will in no way alter or change the present proportionate storage rights of the Waterusers, except as provided in the Government Contract and the Spaceholder Contracts, and constitutes a reaffirmation by the United States of the existing contract rights between the Secretary and the Waterusers, except as otherwise provided in the Act of December 28, 1973.

(f) The Constructing Agency, together with the State of Idaho, has provided for compliance with the provisions of Section 2(b) and (c) of the Act of December 28, 1973 by the execution of that certain agreement dated November 27, 1974, by and between the Constructing Agency and the State of Idaho, providing for the inclusion in the American Falls Replacement Dam Program of: (i) a river crossing, consisting of a bridge for two-lane traffic, downstream from the Replacement Dam; (ii) an additional two lanes on top of the Replacement Dam; and (iii) the maintenance of an adequate two-lane, two-way crossing at or near the site of the Existing Dam during construction of the Replacement Dam.

(g) The Constructing Agency, together with the Idaho Fish and Game Department, has provided for compliance with the provisions of the Government Contract by the execution of that certain agreement dated July 2, 1974, providing for the payment by the Constructing Agency to the Idaho Fish and Game Department of the costs of the Recreation and Fish and Wildlife Mitigation Facilities included in the American Falls Replacement Dam Program.

(h) All requirements of the Act of December 28, 1973, the State Act, and the Government Contract will be complied with by the Constructing Agency in connection with the financing and construction of the American Falls Replacement Dam Program.

(i) The Constructing Agency will use its best efforts to authorize, pursuant to the provisions of the State Act as then in force, and issue the Bonds in an amount which shall be sufficient to pay the Cost of Construction not prepaid by the Spaceholders and when issued such Bonds shall be payable solely from a special fund into which the Constructing Agency will be obligated to deposit: (a) the payments by the Constructing Agency under its Spaceholder Contract of sums arising from Assessments to be levied by the Constructing Agency, pursuant to the provisions of the State Act as a Spaceholder on lands within its boundaries for its proportionate share of the Cost of Construction and allocated to such lands by the Construction Agency pursuant to the requirements of the State Act; (b) the payments by other irrigation districts under their respective Spaceholder Contracts of sums arising from Assessments to be levied by said irrigation districts, pursuant to the provisions of the State Act, representing their respective proportionate shares of the Cost of Construction and allocated to each such irrigation district by the Constructing Agency pursuant to the requirements of the State Act; (c) the payments by the remaining Spaceholders under their respective Spaceholder Contracts of their respective proportionate shares of the Cost of Construction; and (d) the Falling Water Payments and Supplemental Falling Water Payments contemplated to be paid to the Constructing Agency by the Idaho Power Company, pursuant to the provisions of Article III hereof.

(j) The Constructing Agency will, at no additional expense to it, cooperate with the Idaho Power Company in its studies of fish mortality through the turbines and in its consultation and cooperation with other state and Federal agencies in the protection and development of the natural resources of the area of the "project" as defined in the License.

(k) The Constructing Agency will, at no additional expense to it, cooperate with the Idaho Power Company in the making of a project study of the feasibility of including the Old Island Powerhouse as a historical resource.

(l) The Constructing Agency agrees to recommend to the Fish and Game Department of the State of Idaho that the Department consider construction of a foot trail to provide public access from the Powerplant parking area under the railroad bridge to the west river bank of the tailrace area, with a portion of the funds to be provided by the Constructing Agency to the Idaho Fish and Game Department for the purpose of mitigating the anticipated loss of existing recreational and fish and wildlife resources.

(m) The Constructing Agency is not in default under any of the provisions contained in any agreement to which it is a party, and, by proper action, the Board has duly authorized its President to execute and deliver this Falling Water Contract, and its Secretary to attest and affix the seal of the Constructing Agency to this Falling Water Contract, all on behalf of the Constructing Agency.

(n) No additional or further approval, consent or authorization of any governmental unit, public agency or authority not already obtained is required by the Constructing Agency in connection with the execution of this Falling Water Contract.

SECTION 2.3. *Representations of the Idaho Power Company.* The Idaho Power Company represents and warrants as follows:

(a) The Idaho Power Company is a corporation duly incorporated under the laws of, and is in good standing in, the State of Maine; is duly qualified to do business as a foreign corporation and is in good standing in the State of Idaho; has power under the laws of Main and Idaho and its charter and by-laws to enter into this Falling Water Contract and by proper corporate action has been duly authorized to execute and deliver this Falling Water Contract.

(b) No additional or further approval, consent or authorization of any governmental unit, public agency or authority not already obtained is required by the Idaho Power Company in connection with the execution of this Falling Water Contract, except those recognized in subsection (c) hereof.

(c) The power of the Idaho Power Company to enter into the transactions contemplated by this Falling Water Contract and to carry out its obligations hereunder with respect to the Falling Water Payments and Supplemental Falling Water Payments contemplated hereunder is subject to the obtaining, by the Idaho Power Company, of approvals by any and all state and Federal regulatory agencies having jurisdiction thereof, and the Idaho Power Company covenants that it will use its best efforts to obtain such approvals prior to the issuance of any of the Series 1976 Bonds or any Interim Notes.

(d) There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best of the Idaho Power Company's knowledge and information, threatened against or affecting the Idaho Power Company, or, to the best of the Idaho Power Company's knowledge and information, any basis for any such action, suit, proceeding or investigation, wherein an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of this Falling Water Contract.

(e) Neither the execution and delivery of this Falling Water Contract, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Falling Water Contract, conflict with or result in a breach of any of the terms, conditions or provisions or any corporate restriction or any agreement or instrument to which the Idaho Power Company is now a party or by which it is bound, or constitute a default under any of the foregoing, or result in the creation or imposition of any lien, charge or encumbrance of any

nature whatsoever upon any of the property or assets of the Idaho Power Company under the terms of any instrument or agreement.

(f) The Idaho Power Company is able to and will obtain funds necessary for the construction of the Powerplant pursuant to the provisions of Article X hereof.

(g) Under date of April 25, 1975, the Idaho Power Company acknowledged acceptance of all of the provisions, terms and conditions of the License; that the License is in full force and effect, has not been rescinded or amended in any way; and, except with respect to the provisions of Articles 38, 43 and 45 hereof as to which an application for an extension of time has been filed with the Federal Power Commission, the Idaho Power Company is in compliance with all the provisions, terms and conditions of the License.

(h) That the Idaho Power Company shall commence construction of the Powerplant and complete construction of the project works described in the License within the period specified in the License or any amendment thereto.

(i) So long as any of the Bonds or Interim Notes are outstanding and unpaid, the Idaho Power Company will not acquire, on a permanent contractual basis, an additional amount of the water accruing to the active storage capacity in the Replacement Dam for the purpose of scheduled releases for generating electric energy, which together with the amount of active storage capacity presently owned by the Idaho Power Company under its Spaceholder Contract (2.6471%) would exceed eight per cent (8%) of the active storage capacity of the Replacement Dam.

ARTICLE III

USE OF FALLING WATER

SECTION 3.1. *Falling Water Payments; Use of Falling Water.* Unless sooner terminated as provided in Section 4.11 hereof, and subject only to the issuance by the Constructing Agency of its Series 1976 Bonds as contemplated by Section 9.1 hereof, in consideration of the utilization by the Idaho Power Company of the Falling Water at the Powerplant for power generation within the limitations specified in the Government Contract, the Idaho Power Company shall pay the Falling Water Payments determined in accordance with the provisions of Article IX hereof directly to the Trustee for the account of the Constructing Agency, in lawful money of the United States, at the times as determined in Section 9.3 hereof and at the Trustee's address shown in the Indenture, or at such other place as the Trustee from time to time shall designate. The Falling Water Payments, pursuant to this Falling Water Contract, shall constitute the monetary return to the Constructing Agency to defray in part the Cost of Construction contemplated to be paid in the Act of December 28, 1973. So long as the Idaho Power Company is not in default under the provisions hereof, the Idaho Power Company shall be entitled to utilize, during the term of the License or any continuation or renewal thereof, the Falling Water in accordance with the provisions of the License, at the Powerplant for power generation in connection with the operation by the United States of the Replacement Dam, within the limitations specified in Articles 16 and 18 of the Government Contract. The Secretary has, by his approval of this Falling Water Contract, evidenced his consent to such utilization, provided, that such approval does not preclude the Secretary from making any recommendations or comments in respect to the License or any continuation or renewal thereof.

SECTION 3.2. *Trustee and Paying Agent Costs.* The Idaho Power Company shall pay to the Trustee annually at the same time as it pays the Installments of the Falling Water Payments that portion of the yearly fees, charges and expenses of the Trustee and any paying agent bank contemplated in Section 1002 of the Indenture as determined in accordance with the provisions of Article IX hereof.

SECTION 3.3. *Interest on Overdue Installments of Falling Water Payments.* In the event of the failure of the Idaho Power Company to pay all or any part of any Installment of the Falling Water

Payments, such overdue Installment or portion thereof shall bear interest at the rate of the lesser of eight per cent (8%) per annum or the maximum interest rate then permitted by Idaho law.

SECTION 3.4. *Supplemental Falling Water Payments.* (A) The Constructing Agency and the Idaho Power Company recognize that a higher investment quality rating for the Bonds will be obtained from the respective rating agencies by the Constructing Agency (resulting in a lower net interest cost on the Bonds), if the Idaho Power Company would agree to make to the Trustee on behalf of the Constructing Agency, Supplemental Falling Water Payments in the manner contemplated in this Section 3.4, in the event that Waterusers fail to execute Spaceholder Contracts thereby becoming Non-Participating Waterusers or in the event that Spaceholders to which Article 17 of the Government Contract applies default in the making of all or any part of a Spaceholder Payment. Accordingly, within seven (7) days after the occurrence thereof, the Constructing Agency, or the Trustee on behalf of the Constructing Agency, or the Contracting Officer, as the case may be, shall give notice to the Idaho Power Company, the Contracting Officer, the Constructing Agency, the Defaulted Spaceholder and the Non-Participating Wateruser as the case may be, in the manner provided in Section 14.6 hereof, of:

(1) any default by any Spaceholder to which Article 17 of the Government Contract applies under a Spaceholder Contract of its obligation to make all or any part of a Spaceholder Payment, or

(2) failure to receive all or any part of a Spaceholder Payment which would have been due with respect to the space of a Non-Participating Wateruser had the Non-Participating Wateruser executed a Spaceholder Contract.

(B) The Idaho Power Company shall make a Supplemental Falling Water Payment to the Trustee, within ten (10) days after the notice provided for in (A) of this Section 3.4 has been given, which shall be sufficient:

(1) to pay all Spaceholder Payments including penalties and interest, or any portion thereof, then in default and due under any Spaceholder Contract, and

(2) to pay all Spaceholder Payments, including penalties and interest, or any portion thereof, which would have been due and payable with respect to the space of a Non-Participating Wateruser had the Non-Participating Wateruser executed a Spaceholder Contract and defaulted on the Spaceholder Payments becoming due and payable thereunder, as contemplated in Article 17(b) of the Government Contract.

The Supplemental Falling Water Payments shall be made by the Idaho Power Company to the Trustee at the same place as the Constructing Agency would make such payments pursuant to the Spaceholder Contracts.

(C) The Trustee shall apply the Supplemental Falling Water Payments as follows:

(1) that portion of the Supplemental Falling Water Payment represented by Spaceholder Bond Payments attributable either to a Defaulted Spaceholder or to a Non-Participating Wateruser shall be applied to the payment of principal of and interest on the Bonds as the same become due and payable (such portion of the Supplemental Falling Water Payments shall be credited separate and apart from the obligation of the Idaho Power Company to make the Installments of Falling Water Payments);

(2) that portion of the Supplemental Falling Water Payment represented by Spaceholder Replacement Dam Operation and Maintenance Payments attributable either to a Defaulted Spaceholder or to a Non-Participating Wateruser shall be paid to the Contracting Officer to be accounted for in accordance with the applicable provisions of the Government Contract and of the Spaceholder Contracts; and

(3) that portion of the Supplemental Falling Water Payment represented by Spaceholder Water Quality Facilities Operation and Maintenance Payments attributable either to a Defaulted

Spaceholder or to a Non-Participating Wateruser shall be paid to the Constructing Agency to be accounted for in accordance with the applicable provisions of the Spaceholder Contracts and the Water Quality Facilities Agreement.

(D) As provided in Article 17(d) of the Government Contract, if by May 15 of each year in which the Idaho Power Company shall have made a Supplemental Falling Water Payment to the Trustee pursuant to this Section 3.4, the Contracting Officer has not repaid to the Idaho Power Company the amount of the Supplemental Falling Water Payment made by the Idaho Power Company in that year, plus interest at the lesser of eight per cent (8%) per annum or the maximum then permitted under Idaho law, the water accruing to the space of the Defaulted Spaceholders or Non-Participating Waterusers will be made available to the Idaho Power Company for power generation as provided in Section 3.5 hereof, pursuant to Article 18(b) of the Government Contract.

(E) If the use of space by any Non-Participating Wateruser is terminated as provided in Article 17 of the Government Contract or if any Spaceholder Contract is terminated as provided in Article 29 thereof, and a Spaceholder Contract providing for the disposition of such space shall have been executed, as contemplated in Article 17(e) of the Government Contract, the Idaho Power Company and the Trustee shall be notified by the Constructing Agency of the execution of such Spaceholder Contract. Whenever a Non-Participating Wateruser executes a Spaceholder Contract, the Idaho Power Company and the Trustee shall be notified by the Constructing Agency of the execution of such Spaceholder Contract. Upon the execution of any such Spaceholder Contract, the Idaho Power Company will make Supplemental Falling Water Payments with respect to a default pursuant to such Spaceholder Contract, as though such Spaceholder Contract were one of the Spaceholder Contracts initially executed by the Contracting Officer and the Constructing Agency and will treat such Spaceholder Contract as a Spaceholder Contract for all purposes of this Falling Water Contract.

SECTION 3.5. *Use by Idaho Power Company of Space of Defaulted Spaceholder or Non-Participating Wateruser.* The Idaho Power Company shall, subject to the limitations of Article 16 and Article 18 of the Government Contract, be entitled to schedule for release and to utilize for power generation at the Powerplant and at the downstream powerplants of the Idaho Power Company the water accruing to the storage space of a Defaulted Spaceholder or a Non-Participating Wateruser that is made available under the procedures of Article 17 of the Government Contract; provided, however, that any such water may be utilized only during the period of May 15 through December 31 of the year in which such water is made available and only under a schedule of release so that the quantity of such water released during the period of November 1 through December 31 without regard to other released water, will not result in releases of water at the Minidoka Dam and Reservoir in excess of the hydraulic capacity of the Minidoka Powerplant as it now exists or as it may be enlarged in the future.

The Idaho Power Company agrees to make the Supplemental Falling Water Payments contemplated herein, whether or not the Idaho Power Company actually uses the water for power generation during the period it has the right to use such water or whether or not any or all of such water is actually available in the Replacement Dam as a result of failure to completely fill the reservoir in the preceding storage seasons due to inadequate streamflow or as a result of the occurrence of any of the events described in Section 4.8 hereof.

SECTION 3.6. *Net Contract; Non-Terminability.* This is a "net contract," and the Falling Water Payments and the Supplemental Falling Water Payments required to be made hereunder or pursuant hereto by the Idaho Power Company shall be paid without notice (other than the notice contemplated by the second sentence of Section 3.4(A) hereof), or demand and without any offset, counterclaim, deduction, defense, abatement, suspension, deferment or diminution of any kind or for any reason.

SECTION 3.7. *Non-Termination of Falling Water Contract or Idaho Power Company Obligation.* This Falling Water Contract shall not terminate, nor shall the Idaho Power Company have any right to

terminate this Falling Water Contract or its obligations under this Falling Water Contract, or be entitled to the abatement, deferment or diminution of any Installment of the Falling Water Payments or of any of the Supplemental Falling Water Payments required to be made by the Idaho Power Company hereunder, nor shall the obligations of the Idaho Power Company be affected by reason of:

(A) any defect or impairment of the Constructing Agency's title to the Replacement Dam, or any portion thereof, during the construction of the American Falls Replacement Dam Program or the failure to complete substantially the construction of the Replacement Dam, the Related Facilities or the Water Quality Facilities;

(B) any defect or impairment of the Construction Agency's right to contract with the Idaho Power Company for the use of the Falling Water or to any right provided or intended to be provided by Constructing Agency to Idaho Power Company hereunder;

(C) the damage to or destruction of the Replacement Dam, the Water Quality Facilities or the Powerplant, or any portion thereof, by any cause, including without limitation, fire, earthquake, explosion, wind, hail or flood;

(D) the taking of the Replacement Dam or the Powerplant, or any portion thereof, or the use thereof, by any condemnation or other eminent domain proceeding;

(E) the prohibition, limitation or restriction on the construction, operation or maintenance of the Replacement Dam, the construction, operation or maintenance of the Water Quality Facilities, the construction, operation or maintenance of the Powerplant, or of the Idaho Power Company's rights hereunder to the utilization of the Falling Water at the Powerplant for power generation or the interference with the operation by the Idaho Power Company of the Powerplant or with any such right of use by any person;

(F) any eviction of the Construction Agency or the Idaho Power Company from the Replacement Dam or the Powerplant, or any portion thereof, by paramount title or otherwise or the loss of the License by the Idaho Power Company;

(G) any default on the part of the Constructing Agency under this Falling Water Contract, or under any other contract;

(H) any claim as a result of the transactions contemplated by the Indenture, the Spaceholder Contracts, the Government Contract, or of any other business dealings of the Constructing Agency or the Idaho Power Company;

(I) any mortgage, pledge, sale, assignment or transfer by the Idaho Power Company of the Powerplant or the use of the Falling Water, or any portion or portions thereof, or any portion of its rights under this Falling Water Contract, or under any contract;

(J) the impossibility or illegality of performance by any or all of the parties hereto, the parties to the Spaceholder Contracts, or the parties to the Government Contract;

(K) force majeure;

(L) any action or pending action of any court, administrative agency or other governmental authority;

(M) any order or decision of a court of competent jurisdiction, either state or Federal, which shall hold that the provisions of the Government Contract which provide for the disposition of the water accruing to the space of a Non-Participating Wateruser are invalid or in whole or in part unenforceable;

(N) any order of the Federal Power Commission pursuant to Article 48 of the License requiring the Idaho Power Company to pay annual charges for the purpose of recompensing the United States for the use, occupancy and enjoyment of the Replacement Dam; or

(O) any other cause, whether similar or dissimilar to the foregoing, any present or future law notwithstanding.

ARTICLE IV

GOVERNMENT CONTRACT

SECTION 4.1. *Plans for the Construction of the American Falls Replacement Dam Program.* Pursuant to the provisions of Article 10(a) of the Government Contract, the Constructing Agency is responsible for the preparation of the plans for the American Falls Replacement Dam Program. Such plans for the Replacement Dam shall be substantially in accordance with the construction plans for the Replacement Dam contemplated at the Engineering Review Session in San Francisco, California, on October 8 and 9, 1974, and shall provide, among other things, for the following:

(A) The construction of a Replacement Dam having:

(1) a reservoir with an active capacity of 1,700,000 acre-feet;

(2) a spillway, outlet works, and power penstocks capable of passing an approved design flood without exceeding a maximum water surface elevation of 4354.5 feet above mean sea level U.S.C.&G.S. datum;

(3) a two-lane highway on the crest of the Replacement Dam adequate to meet the then current United States Department of Transportation Standards for Federal-Aid Secondary Highway Two-Lane Traffic;

(4) appropriate controls of spillway, intake, and sluiceway gates for operation of the Replacement Dam in the event of an emergency at the Powerplant; and

(5) sufficient portions of the Existing Dam removed to permit evacuation of the total active capacity of the Replacement Dam at a satisfactory rate to permit full utilization of the storable water.

(B) The construction of the Related Facilities.

(C) The construction, operation, and maintenance of the Water Quality Facilities.

(D) The construction, operation, and maintenance of the Recreation and Fish and Wildlife Mitigation Facilities.

(E) Provision for the relocation or replacement of the residence occupied by the Falls Irrigation District's personnel. The plan for the construction of the Replacement Dam and the Powerplant shall be such as not to interfere with the Falls Irrigation District pumping plant, nor to destroy the Old Island Powerplant unless first approved by the Contracting Officer.

(F) A proposed Construction Work Schedule and a proposed Plan of Operation.

(G) Provision for power intake structures, power penstocks, and attachment facilities to the penstocks of the Powerplant with a precise boundary line between the Replacement Dam and the Powerplant.

(H) The two-lane highway bridge located immediately downstream from the Replacement Dam adequate to meet the then current United States Department of Transportation Standards for Federal-Aid Secondary Highway Two-Lane Traffic, pursuant to the agreement dated November 23, 1973, between the United States and the State of Idaho, and the agreement dated November 27, 1974, between the Constructing Agency and the State of Idaho, and which two-lane highway bridge shall be utilized to satisfy the requirements of Section 2(c) of the Act of December 28, 1973.

SECTION 4.2. *Permits for Construction.* The Constructing Agency, pursuant to Article 11(a) of the Government Contract, has obtained from the Contracting Officer such special use permits and will, in accordance with Article 11(c) and (d) of the Government Contract, secure title to all lands not owned by the United States, or such interest therein, and all permits and licenses which are required for the Construction Agency to construct the Replacement Dam, the Related Facilities and the Water Quality Facilities designated in the Plans, Designs and Specifications approved by the Contracting Officer, as contemplated in this Falling Water Contract and in the Government Contract. The Idaho Power Company hereby grants to the Constructing Agency such licenses, permits and easements over and through the lands of the Idaho Power Company adjacent to the Replacement Dam which are within the project area as defined in the License as shall be necessary for the Constructing Agency to construct the Replacement Dam, the Related Facilities and the Water Quality Facilities according to the Plans, Designs and Specifications approved by the Contracting Officer, as contemplated in this Falling Water Contract and in the Government Contract.

SECTION 4.3. *Approval of Designs and Specifications.* As provided in the Act of December 28, 1973, and the Government Contract, the Idaho Power Company acknowledges that construction of the Replacement Dam, of each of the Related Facilities and of the Water Quality Facilities shall not be initiated until the Contracting Officer has approved in writing the Plan of Operation, the Construction Work Schedule and the applicable portion of the Designs and Specifications. The Constructing Agency and the Idaho Power Company shall abide by such Designs and Specifications, the Plan of Operation and the Construction Work Schedule.

SECTION 4.4. *Operation of Replacement Dam During Construction.* As provided in Article 13 of the Government Contract, the United States shall continue to operate and maintain the Existing Dam during the construction of the Replacement Dam. The Contracting Officer shall coordinate the storage and release of water to facilitate the construction of the Replacement Dam under the approved Plan of Operation. Daily operations under the approved Plan of Operation shall be determined by the Contracting Officer after consultation with the Constructing Agency and the Idaho Power Company, taking into account weather conditions, anticipated peak floodflows, irrigation water requirements, and construction activities.

If the Contracting Officer determines that the construction of the Replacement Dam or the Powerplant is interfering with the operation of the Existing Dam contrary to the approved Plan of Operation, the Constructing Agency, or the Idaho Power Company, or both, upon notification, shall immediately modify construction to permit the Contracting Officer to operate the Existing Dam or the Replacement Dam, or both, as contemplated in the approved Plan of Operation.

The proposed Plan of Operation provides for the evacuation of stored water from the Existing Dam and the passing of inflow in lieu of storing. The Idaho Power Company has heretofore advised the Constructing Agency and the Contracting Officer that such operation is acceptable to the Idaho Power Company.

At such time during the construction of the Replacement Dam that water control at the Existing Dam is transferred to water control at the Replacement Dam, the United States shall assume operation of the facilities which control the storage and release of water through the Replacement Dam.

SECTION 4.5. *Title to Replacement Dam, Related Facilities and Water Quality Facilities in United States upon Completion.* The Act of December 28, 1973, and the Government Contract provide that the United States shall take title to the Replacement Dam, the Related Facilities, and the Water Quality Facilities upon the determination by the Secretary that construction is substantially complete. Such title shall remain in the United States until otherwise provided by Congress. Upon substantial completion of the construction of the Replacement Dam and the Related Facilities the United States will operate and maintain the Replacement Dam and the Related Facilities as part of the Minidoka Project for the beneficial use of the water on the land within the service areas of the Spaceholders pursuant to Section 8 of the Reclamation Act of June 17, 1902 (32 Stat. 388).

The Constructing Agency will execute such conveyances of title of the Replacement Dam, the Related Facilities, and the Water Quality Facilities as shall be necessary to vest title thereto in the United States, pursuant to the requirements of the Act of December 28, 1973, and the Government Contract. The Constructing Agency agrees that it will recognize, in any such instruments or conveyances of title to the Replacement Dam, the Related Facilities and the Water Quality Facilities, the continued right of the Idaho Power Company during the term of its License or any continuation or renewal thereof, to utilize the Falling Water at the Powerplant for power generation in accordance with the provisions of the License or any continuation or renewal thereof, within the limitations specified in the Government Contract, pursuant to Section 4 of the Act of December 28, 1973, and Articles 18(a) and (b) of the Government Contract, so long as the Idaho Power Company is not in default under the provisions of this Falling Water Contract. The Idaho Power Company recognizes that title to the Replacement Dam during the term of its License or any continuation or renewal thereof, shall be vested in the United States.

As provided in Article 14(d) of the Government Contract, upon the acceptance of the final transfer review memoranda, the correction of any construction deficiencies therein specified, the submission of the documents and equipment specified in Article 14(c) of the Government Contract and the giving of notice by the Secretary to the Constructing Agency, the Trustee and the Idaho Power Company, construction of the Replacement Dam, the Related Facilities and the Water Quality Facilities shall be deemed to have been completed. The determination of completion of construction by the Secretary in accordance with the applicable provisions of the Government Contract shall be binding upon the Idaho Power Company. The Idaho Power Company agrees to cooperate with the Constructing Agency, the Secretary and the Authorized Representatives in the furnishing of any or all of the documents or copies thereof and equipment set forth in Article 14(c) of the Government Contract as shall be necessary to aid in the determination of the Secretary that construction of the Replacement Dam, the Related Facilities and the Water Quality Facilities is complete.

SECTION 4.6. *Operation and Maintenance of Replacement Dam by United States.* The Idaho Power Company agrees to the provisions of the Government Contract governing operation and maintenance of the Replacement Dam. The following Articles of the Government Contract are incorporated herein and made a part hereof as follows:

(A) Article 16 which reads:

The Replacement Dam will be operated by the United States in a manner so that (1) the present proportionate storage rights of the Spaceholders shall not be altered or changed except as provided herein and in the Spaceholder Contracts, (2) the water surface elevation of the Replacement Dam shall not exceed a maximum of 4354.5 feet above mean sea level U.S.C. & G.S. datum, and (3) the primary irrigation purpose and the incidental purposes of the Minidoka Project shall not be impaired by the subordinate utilization for power generation at the Powerplant of the water released from the Replacement Dam. The United States is not obligated to operate the Replacement Dam in a manner to have water in the Replacement Dam at elevations for power generation or to operate to increase the head in the Replacement Dam for power generation.

(B) Article 18(d) which reads:

In the event that the Contracting Officer determines that the water being released from the Replacement Dam through the Powerplant does not meet the amended State of Idaho water quality dissolved oxygen standard, as approved on April 17, 1975, by the United States Environmental Protection Agency, the Contracting Officer, after oral notice to the Idaho Power Company's American Falls Powerplant Chief Operator, may bypass part or all of such water around the Powerplant until satisfactory arrangements are made to meet such standard. The Contracting Officer in such circumstances will attempt to bypass only the amounts of water necessary to meet such standard. As contemplated in the Water Quality Facilities Agreement the Constructing Agency, the Contracting Officer, and the Idaho Power Company shall develop

operating criteria for the Water Quality Facilities and following mutual agreement on such criteria, the operation of the Water Quality Facilities or the bypassing of the water which is being released from the Replacement Dam around the Powerplant, or both, shall be in accordance with such criteria.

(C) Article 18(e) which reads:

The entitlement of the Idaho Power Company to utilize for power generation at the Powerplant the water released from the Replacement Dam under the provisions of this Article is subject at all times to scheduled interruptions for inspections, maintenance, and repairs of the Replacement Dam and at all times for any emergency operating situations relating to the Replacement Dam. In any such event, the Contracting Officer, in cooperation with the Constructing Agency and the Idaho Power Company, will endeavor to correct expeditiously such situations to permit the utilization for power generation at the Powerplant of the water released from the Replacement Dam.

(D) Article 18(f) which reads:

The Contracting Officer during the period that water is being released from the Replacement Dam for irrigation use by the Spaceholders, will provide to the Idaho Power Company from time to time schedules of anticipated water releases from the Replacement Dam in such form and detail as shall be mutually determined from time to time between the Contracting Officer and the Idaho Power Company and the Idaho Power Company will provide to the Contracting Officer its schedule of the amount of such releases anticipated by the Idaho Power Company to be used for power generation at the Powerplant. In the event the Idaho Power Company changes its schedule or in the event of an emergency, the Idaho Power Company shall promptly inform the Contracting Officer, so that the Contracting Officer can cause appropriate adjustments to be made in the outlet gates of the Replacement Dam. The providing to the Idaho Power Company by the Contracting Officer of schedules of anticipated water releases in no way guarantees that such schedules will be followed and the right to utilize the water released from the Replacement Dam for power generation at the Powerplant is subject to the provisions hereof, particularly to the limitation that the water releases from the Replacement Dam are to be determined at all times by the Contracting Officer. The Idaho Power Company, however, shall retain the right to schedule its stored water under its Spaceholder Contract and the water available to the Idaho Power Company, if any, under the provisions and limitations of (b) of this Article and schedules for the release of such water shall be provided by the Idaho Power Company.

(E) Article 22(a) which reads:

The Contracting Officer, after an opportunity has been offered to the Constructing Agency for consultation, shall have the right to make rules and regulations consistent with the provisions of this Government Contract and the laws of the United States, to add to or to modify such rules and regulations as may be deemed proper and necessary to carry out this Government Contract, and to supply necessary details of its administration which are not covered by express provisions hereof. Such rules and regulations shall (i) not limit the right of the Idaho Power Company, pursuant to the provisions of the Falling Water Contract, to utilize for power generation at the Powerplant the water released from the Replacement Dam so long as the Idaho Power Company is not in default thereunder, (ii) not limit the right of any Spaceholder to the stored water pursuant to the provisions of a Spaceholder Contract so long as the Spaceholder is not in default thereunder, or (iii) not limit the right of the Constructing Agency under the laws of the State of Idaho to collect the Falling Water Payments or the Supplemental Falling Water Payments under the Falling Water Contract or the payments due to the Constructing Agency from the Spaceholders under the Spaceholder Contracts. The Constructing Agency shall observe such rules and regulations.

SECTION 4.7. *Operation of Water Quality Facilities.* The Water Quality Facilities shall be operated and maintained in accordance with the provisions of the Water Quality Facilities Agreement as the same may be from time to time amended. The Constructing Agency shall notify the Administrator, Environmental Services Division, Idaho Department of Health and Welfare, when construction of the Replacement Dam has been commenced. The Constructing Agency shall notify the Regional Administrator, U. S. Environmental Protection Agency, Region X, upon receipt of the notice from the Contracting Officer pursuant to Section 14(d) of the Government Contract, that construction of the Replacement Dam, the Related Facilities, and the Water Quality Facilities has been completed.

SECTION 4.8. *No Liability for Water Shortage or Interruption.* No liability shall accrue against the United States or any of its officers, agents, or employees, or against the Constructing Agency, for damage, direct or indirect, arising by reason of shortages in the quantity of water available through the Existing Dam or the Replacement Dam or interruptions in water releases resulting from drought, inaccuracy in distribution, hostile diversion, prior or superior claims, accident to or failure of the Existing Dam or the Replacement Dam, or the bypassing of water around the Powerplant pursuant to Article 18(d) of the Government Contract, whether or not attributable to negligence of the officers, agents, or employees of the United States or the Constructing Agency, or other causes of whatsoever kind; nor shall the obligations of the Idaho Power Company to the Constructing Agency under this Falling Water Contract be reduced by reason of such shortages or interruptions.

SECTION 4.9. *Idaho Power Company Spaceholder Contract.* The Idaho Power Company's rights, duties and obligations as a Spaceholder are governed exclusively by the Spaceholder Contract of even date herewith entered into among the United States, the Constructing Agency, and the Idaho Power Company, and not by the terms and conditions of this Falling Water Contract, except as provided in Section 2.3(i) hereof.

SECTION 4.10. *Suspension or Termination of Use of Falling Water by Idaho Power Company upon Default.* In the event of the failure of the Idaho Power Company to pay when due all or any part of any Installment of the Falling Water Payments or any Supplemental Falling Water Payment as contemplated in this Falling Water Contract, the Trustee, on behalf of the Constructing Agency, or the Constructing Agency, shall request the Contracting Officer to take such steps pursuant to Article 18(c) of the Government Contract as shall be necessary to suspend all rights of the Idaho Power Company to the use of the Falling Water or any water accruing to the storage space of a Defaulted Spaceholder or of a Non-Participating Wateruser. The Secretary has, by his approval of this Falling Water Contract, acknowledged his duty, upon request of the Trustee on behalf of the Constructing Agency, or the Constructing Agency, to implement, or to cause to be implemented, the provisions of this Falling Water Contract and of the Government Contract which provide for the suspension or termination of the Idaho Power Company's right to the use of the Falling Water or water accruing to the storage space of a Defaulted Spaceholder or of a Non-Participating Wateruser.

SECTION 4.11. *Termination of Government Contract and Falling Water Contract.* The Constructing Agency will not, during the Original Term or any Renewal Term, consent to the termination of the Government Contract pursuant to Article 9(b) of the Government Contract, so long as the Idaho Power Company is not in default under any of the provisions of this Falling Water Contract and so long as the License or any continuation or renewal thereof is in full force and effect.

The Constructing Agency shall promptly advise the Idaho Power Company of the receipt of notice of termination of the Government Contract given pursuant to the provisions of Article 9(c) of the Government Contract, in which event this Falling Water Contract shall be deemed to have been terminated unless within 60 days after the giving of such notice by the Contracting Officer, the Constructing Agency has contracted to sell the Series 1976 Bonds or Interim Notes to construct or equip the Replacement Dam.

Either the Constructing Agency or the Idaho Power Company may terminate this Falling Water Contract after April 1, 1977, by the giving of notice to the other, unless prior to the giving of such

notice or within 60 days after the giving of such notice by the Idaho Power Company the Constructing Agency has contracted to sell the Series 1976 Bonds or Interim Notes to construct or equip the Replacement Dam.

ARTICLE V

Federal Power Commission License

SECTION 5.1. *Federal Power Commission License.* The Idaho Power Company has received a fifty (50) year License from the Federal Power Commission for the construction, operation, and maintenance by the Idaho Power Company of the Powerplant attached to the Replacement Dam, which License was initially conditioned upon commencement of construction of the Powerplant within two years from the effective date of the License, and completion within four years from the effective date of the License.

SECTION 5.2. *Documents Filed with Federal Power Commission.* The Idaho Power Company shall promptly file with the Federal Power Commission an executed copy of this Falling Water Contract, together with executed copies of all other contracts and documents required to be so filed in Article 36 of the License.

SECTION 5.3. *Compliance with License.* The Idaho Power Company shall comply with the provisions of the License and with the license for Project 2258 so long as the same shall be in full force and effect.

SECTION 5.4. *Notice of Amendment to License.* The Idaho Power Company shall give notice to the Contracting Officer and the Constructing Agency of any amendments to the License within 30 days after the effective date of any such amendment.

SECTION 5.5. *Failure to Renew License.* If after the expiration of the initial term of the License the Federal Power Commission fails to issue a renewal license to the Idaho Power Company, the Idaho Power Company and the Constructing Agency hereto will make all reasonable efforts to have the Federal Power Commission require as a condition to the granting of a license to a party other than the Idaho Power Company that (A) the new licensee shall pay the net investment of the Idaho Power Company in the Powerplant and such other amounts as are then permitted by law, plus reasonable severance damages of the Idaho Power Company, if any, and (B) the new licensee shall assume all contracts of the Idaho Power Company relating to the Powerplant.

ARTICLE VI

Authorized Representatives

SECTION 6.1. *Authorized Representatives.* Recognizing the need to coordinate the construction of the Powerplant with the construction of the American Falls Replacement Dam Program, the interests of the Spaceholders in effecting construction cost savings which will result in minimizing their Spaceholder Bond Payments, and as a means of securing effective cooperation between the Constructing Agency and the Contracting Officer, and among the Constructing Agency, the Idaho Power Company and the Spaceholders in resolving, on a prompt and orderly basis, the various administrative, technical, financing, construction, ownership and operating issues which may arise in connection with the performance of this Falling Water Contract, the Spaceholder Contracts, and the Water Quality Facilities Agreement, the Constructing Agency, the Idaho Power Company and the Spaceholders shall each name an Authorized Representative.

There shall be three Authorized Representatives, consisting of the Authorized Company Representative designated by the Idaho Power Company, the Authorized Constructing Agency Representative designated by the Constructing Agency and the Authorized Spaceholder Representative designated by the Spaceholders, in the manner provided in the Spaceholder Contracts. Each Authorized Representative

shall be authorized by the party or parties by whom he is designated to act on their behalf with respect to those matters herein provided to be responsibilities of the Authorized Representatives.

The Constructing Agency and the Idaho Power Company shall promptly notify each other and the Contracting Officer of the designation of their Authorized Representatives and of any subsequent changes in such designation. As provided in the Spaceholder Contracts, the Contracting Officer, the Idaho Power Company and the Constructing Agency shall be advised promptly of the designation of the Authorized Spaceholder Representative.

The Constructing Agency, the Idaho Power Company and the Spaceholders shall each have the power to appoint an alternate Authorized Representative.

SECTION 6.2. *Responsibilities of Authorized Representatives.* (A) The responsibilities of the Authorized Representatives prior to the Completion Date shall be:

(1) to approve the award of any construction or equipment contract in connection with the American Falls Replacement Dam Program;

(2) to establish general policies to be followed in the administration of this Falling Water Contract, in the construction of the American Falls Replacement Dam Program as it relates to this Falling Water Contract, and, to the extent such policies are relevant to the subject matter of this Falling Water Contract, in the construction of the Powerplant;

(3) to establish general policies and practices to be followed in the administration and coordination of the construction of the Powerplant with the construction of the Replacement Dam;

(4) to consult with the Contracting Officer concerning any policies which might hereafter be required among the Constructing Agency, the Idaho Power Company, the Spaceholders, and the Contracting Officer, or any of them, concerning the construction of the American Falls Replacement Dam Program or the construction of the Powerplant;

(5) to establish procedures for consultation with respect to notices received by the Constructing Agency from the Contracting Officer under Article 12(d) of the Government Contract; and

(6) to do such other things as are specifically assigned to the Authorized Representatives during the Construction Period.

(B) The responsibilities of the Authorized Representatives after the Completion Date shall be limited to:

(1) matters pertaining to the collection and payment of the Spaceholder Bond Payments, the Spaceholder Water Quality Facilities Operation and Maintenance Payments, the Falling Water Payments and the Supplemental Falling Water Payments, to the extent necessary;

(2) consultation concerning any policies which might hereafter be required among the Contracting Officer, the Constructing Agency, the Idaho Power Company and the Spaceholders, or any of them, concerning operation and maintenance of the Water Quality Facilities and payment of the costs thereof as provided in the Spaceholder Contracts and the Water Quality Facilities Agreement; and

(3) collection of and payment by the Idaho Power Company and the Spaceholders of the fees, charges and expenses of the Trustee and any paying agent bank contemplated in Section 1002 of the Indenture.

SECTION 6.3. *Procedures of Authorized Representatives.* The establishment of any procedure or practice and any other action or determination by the Authorized Representatives shall be made by unanimous agreement to become effective when signed by each of the Authorized Representatives. The Authorized Representatives shall have no authority to modify any of the provisions of this Falling Water

Contract, the Spaceholder Contracts, the Government Contract, or the Water Quality Facilities Agreement, nor shall they establish policies, rules, or regulations which are not in accordance with policies, rules, or regulations established by the Contracting Officer with respect to the construction of the American Falls Replacement Dam Program or the operation and maintenance of the Replacement Dam, the Related Facilities or the Water Quality Facilities, or which conflict with the approved Plan of Construction, the Plan of Operation or the Designs and Specifications.

SECTION 6.4. *Continued Responsibility of Constructing Agency.* With respect to all matters contemplated in Article IX hereof, the Constructing Agency shall consult with the Authorized Representatives in connection with the issuance of the Series 1976 Bonds, however, the Constructing Agency shall at all times comply with the State Act in the performance of its duties contemplated hereunder in connection with the issuance of the Series 1976 Bonds.

The Constructing Agency shall conform to any public bidding requirements applicable to it in connection with the construction of the American Falls Replacement Dam Program.

If, at any time, it is determined by a court of competent jurisdiction that any responsibilities assigned to the Authorized Representatives under the provisions of this Falling Water Contract constitute an undue delegation of power of the Constructing Agency, action shall be taken by the Constructing Agency, the Idaho Power Company and the Spaceholders in order to comply with the court determination and, if legally permissible and desirable under the determination of the court the Constructing Agency shall be substituted for the Authorized Representative appointed by the Constructing Agency.

ARTICLE VII

COORDINATION OF CONSTRUCTION OF REPLACEMENT DAM AND POWERPLANT AND ASSIGNMENT OF CONSTRUCTION COSTS

SECTION 7.1. *Coordination of Construction of Powerplant with Construction of Replacement Dam.* Pursuant to the provisions of Section 4 of the Act of December 28, 1973, the construction of the Powerplant by the Idaho Power Company shall be such that it is coordinated with the construction of the Replacement Dam pursuant to the approved Plan of Construction, Plan of Operation and the Designs and Specifications. To this end the Constructing Agency and the Idaho Power Company shall, at the earliest possible date after the execution hereof and to the extent not theretofore approved, cooperate one with the other in the submission by the Constructing Agency to the Contracting Officer for approval of the Plan of Construction and the Construction Work Schedule to the extent necessary to provide for the coordination of construction of the Powerplant with the construction of the Replacement Dam.

SECTION 7.2. *Constructing Agency in Owner Capacity during Construction.* The Constructing Agency, in accordance with the provisions of the Act of December 28, 1973, and the Government Contract, shall act in the capacity of owner of the Replacement Dam, the Related Facilities and the Water Quality Facilities during the Construction Period and in such capacity shall have and exercise all ownership responsibilities with respect thereto, except as provided by Article 13(c) of the Government Contract, until the United States shall take title thereto as contemplated in Article 14 of the Government Contract.

SECTION 7.3. *Construction Engineer.* During the Construction Period and the period of construction of the Powerplant the Constructing Agency and the Idaho Power Company shall each retain on a continuous basis as a construction engineer, an Independent Engineer of national reputation, recognized for knowledge, skill and experience in the design and construction of major dams and hydroelectric facilities, except that in lieu of an Independent Engineer Idaho Power Company may use its own engineering staff for such purpose.

SECTION 7.4. *Books and Records; Federal Power Commission Requirement.* The Authorized Representatives shall administer the maintenance and preservation, by the Constructing Agency of appropriate records and books of account, containing detailed entries of the Cost of Construction and, where

applicable to the construction of the American Falls Replacement Dam Program, of appropriate records and books of account of the Idaho Power Company containing detailed entries of all costs of engineering, financing and constructing the Powerplant. Accounting for all of such costs shall be in accordance with the requirements of the Federal Power Act, if any, and the requirements of the Federal Power Commission (presently FPC Form No. 6), as such requirements may be modified by the Federal Power Commission from time to time. The basic records and documents shall be made available to the Authorized Representatives, to the Contracting Officer, and to the Federal Power Commission for inspection during regular business hours upon reasonable notice and request therefor.

SECTION 7.5. *Assignment of Facilities of the American Falls Replacement Dam Program.* The Constructing Agency shall be responsible for the Cost of Construction of the American Falls Replacement Dam Program. In order to assist in the coordination of the construction of the Powerplant with the construction of the American Falls Replacement Dam Program and with particular reference to the determination of respective cost responsibilities as between the Constructing Agency and the Idaho Power Company, the Cost of Construction of the American Falls Replacement Dam Program shall be assigned and prorated as provided in Section 7.9 hereof to the following generally described items:

(A) Land and Land Rights.

(B) Structures and Improvements (Recreational Facilities, Fish and Wildlife Facilities only).

(C) Reservoirs, Dams and Waterways, including penstock gates and facilities on the upstream side of the Replacement Dam and the penstock extending through the Replacement Dam to the boundary line on the downstream face of the Replacement Dam.

(D) Roads, Railroads and Bridges.

SECTION 7.6. *Assignment of Powerplant Facilities.* The Idaho Power Company shall be responsible for the cost of construction of the Powerplant as contemplated in this Falling Water Contract. In order to assist in the coordination of the construction of the Powerplant with the construction of the American Falls Replacement Dam Program and with particular reference to the determination of the respective cost responsibilities as between the Constructing Agency and the Idaho Power Company, the cost of construction of the Powerplant shall be assigned and prorated as provided in Section 7.9 hereof to the following generally described Federal Power Commission Accounts in effect on January 1, 1970, as related to hydraulic production plant:

No. 300—Land and Land Rights

No. 331—Structures and Improvements (all except Recreational Facilities and Fish and Wildlife Facilities).

No. 332—Reservoirs, Dams and Waterways (only penstock and waterways downstream from the boundary line on the downstream face of the Replacement Dam).

No. 333—Waterwheels, Turbines and Generators.

No. 334—Accessory Electric Equipment, including control to intake and sluice gates.

No. 335—Miscellaneous Powerplant Equipment.

No. 397—Communication Equipment.

SECTION 7.7. *Completion Audits.* Within ninety (90) days after the Completion Date, the Authorized Representatives shall be supplied by the Constructing Agency with an audit of the Construction Fund and by the Idaho Power Company an audit of construction accounts established by the Idaho Power Company in connection with the construction of the Powerplant. The cost of the audit of the Construction Fund shall be included by the Constructing Agency as a Cost of Construction. The Idaho Power Company shall be responsible for the cost of the audit of the construction accounts established in connection with the construction of the Powerplant. Each such audit shall be made by a firm of independent certified public accountants, licensed, registered and entitled to practice as such

under the laws of the State of Idaho. A copy of each audit showing the Cost of Construction of the American Falls Replacement Dam Program and the costs of construction of the Powerplant, in reasonable detail, and the amount each party has theretofore paid for such purposes, shall be furnished promptly to the Constructing Agency, the Idaho Power Company, the Trustee, the Contracting Officer, and the Spaceholders.

SECTION 7.8. *Ownership of Powerplant.* At all times mentioned herein and after the construction of the Powerplant by the Idaho Power Company, the ownership of the Powerplant shall be in the Idaho Power Company in accordance with the provisions of the License.

SECTION 7.9. *Initial Assignment of Cost Responsibilities.* At the earliest practical date after the Designs and Specifications are approved by the Contracting Officer and after the final designs and specifications for the Powerplant are available, the Authorized Representatives, in consultation with the Independent Engineers, shall identify and assign to the Constructing Agency or to the Idaho Power Company by the cost accounts described in Section 7.4 hereof, the following:

(A) the work items and quantities of materials and excavation which are identifiable as related solely to the construction of the American Falls Replacement Dam Program or to the construction of the Powerplant, and

(B) the work items and quantities of materials and excavation which are so related both to the construction of the American Falls Replacement Dam Program and the construction of the Powerplant as not to be separately identifiable.

The assignment under (B) shall be to the Constructing Agency and the Idaho Power Company in accordance with criteria mutually agreed to by the Authorized Representatives. Such criteria shall be based on the ratio of cost savings to be derived from the particular item either by the function of the Replacement Dam or by the function of the Powerplant, if determinable, otherwise equally. The initial assignment of cost responsibilities shall be reduced to writing and copies shall be supplied to the Constructing Agency, the Idaho Power Company, the Contracting Officer, and the Authorized Spaceholder Representative. Such assignment of cost responsibilities for the American Falls Replacement Dam Program shall not be construed as an allocation of such costs for other than the primary irrigation purpose and the incidental purposes of the Minidoka Project.

SECTION 7.10. *Final Assignment of Cost Responsibilities.* Upon receipt from the Secretary of the notice of completion of construction of the Replacement Dam, the Related Facilities, and the Water Quality Facilities as provided for in Article 14(d) of the Government Contract, the Authorized Representatives, in consultation with the Independent Engineer, shall review the initial assignment of cost responsibilities, modify the same to conform to the actual work items and quantities of materials and excavation in accordance with the criteria previously established pursuant to Article 7.9 hereof, compute the actual Cost of Construction of the American Falls Replacement Dam Program which is the responsibility of the Constructing Agency, and to the extent applicable, the actual cost of construction of the Powerplant which is the responsibility of the Idaho Power Company. The review and modification shall also take into account any sums required to be paid by or to the Constructing Agency pursuant to Section 4 of that certain agreement dated November 27, 1974, between the Constructing Agency and the State of Idaho providing for the two-lane highway on the crest of the Replacement Dam and the two-lane highway bridge located immediately downstream from the Replacement Dam. This final assignment of cost responsibilities shall be reduced to writing and copies supplied to the Constructing Agency, the Idaho Power Company, the Contracting Officer, and the Authorized Spaceholder Representative.

After completion of the above required computation, the Authorized Representatives shall give notice to the Constructing Agency of any then unreimbursed costs which were incurred by the Idaho Power Company and which are assigned pursuant to the final assignment of cost responsibilities, in

whole or in part, to the Constructing Agency. The Constructing Agency shall thereupon reimburse the Idaho Power Company from the Construction Fund for such costs as are itemized in the notice.

After completion of the above required computation, the Authorized Representatives shall give notice to the Idaho Power Company of any then unreimbursed costs which were incurred by the Constructing Agency and which are assigned pursuant to the final assignment of cost responsibilities, in whole or in part, to the Idaho Power Company. The Idaho Power Company shall thereupon reimburse the Constructing Agency for such costs as are itemized in the notice. Any such reimbursement shall be deposited into the Construction Fund.

SECTION 7.11. *Arbitration.* Any controversy or claim arising out of or relating to any assignment of cost responsibilities pursuant to this Article VII shall be settled by arbitration in accordance with the Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be introduced in any court having jurisdiction thereof.

ARTICLE VIII

ENGINEERING, FINANCING AND CONSTRUCTION OF AMERICAN FALLS REPLACEMENT DAM PROGRAM

SECTION 8.1. *Cost Estimates; Plans, Designs and Specifications.* The Constructing Agency shall arrange for the preparation of the Plans, Designs and Specifications for submission to the Contracting Officer. The Constructing Agency and the Idaho Power Company shall obtain cost estimates on the Designs and Specifications based on the initial assignment of cost responsibilities determined as provided in Section 7.9 hereof, together with such other costs and estimates as are necessary for the Constructing Agency and the Idaho Power Company to make such filings and obtain such approvals, consents and authorizations as may be necessary from any governmental unit, public agency or authority in connection with the construction of the American Falls Replacement Dam Program and the construction, operation, and maintenance of the Powerplant.

SECTION 8.2. *Approval of Plans, Designs and Specifications.* Pursuant to Article 10(b) of the Government Contract, the Constructing Agency is responsible for the preparation of Designs and Specifications for the American Falls Replacement Dam Program. As a condition precedent to the approval of the final Designs and Specifications for the construction of the Replacement Dam, the Constructing Agency must have submitted to, and received written approval from the Contracting Officer of, a Plan of Operation and the Construction Work Schedule. Final Designs and Specifications for any facility to be constructed or acquired as part of the American Falls Replacement Dam Program may not be issued by the Constructing Agency until the Contracting Officer has provided written approval thereof. The procedure for obtaining approval of the final Designs and Specifications which have not been approved prior to the execution of the Government Contract, is as set forth in Article 10(b) of the Government Contract.

SECTION 8.3. *Issuance of Designs and Specifications; Construction Bids; Cost Estimates.* Upon receipt by the Constructing Agency of the written approvals of the various Designs and Specifications by the Contracting Officer, the Constructing Agency shall issue specifications for the construction of the American Falls Replacement Dam Program and shall, in the manner then required by law, advertise for the submission of bids for the construction of the American Falls Replacement Dam Program. As contemplated in Section 10.1 hereof, the Idaho Power Company shall also request bids for construction of the Powerplant in accordance with its standard procedures. If mutually acceptable to the Constructing Agency and the Idaho Power Company, to the extent permitted by law, joint bidding for the construction of the Replacement Dam and the construction of the Powerplant shall be undertaken. After receipt of bids for the construction of the American Falls Replacement Dam Program and for the construction of the Powerplant by the respective parties hereto, but prior to the sale of the Series 1976 Bonds, the Authorized Representatives shall cause a final estimate of the Cost of Construction of the American

Falls Replacement Dam Program and a final estimate of the cost of construction of the Powerplant to be prepared. Included in the aforesaid final cost estimate shall be a separate identifiable estimate of the cost of the Water Quality Facilities to be included in the American Falls Replacement Dam Program.

After preparation of the final cost estimate for the American Falls Replacement Dam Program, the Authorized Representatives shall prepare a schedule setting forth the obligation of the Idaho Power Company, of each Spaceholder and, to the extent applicable, attributable to the space of each Non-Participating Wateruser, to share in the estimated Cost of Construction of the American Falls Replacement Dam Program[1]. The schedule shall be approved by the Constructing Agency and shall be filed with the Idaho Power Company, the Contracting Officer and each Spaceholder.

The Authorized Representatives shall next determine (A) the amount of money representing prepayments of Spaceholder obligations under Article 23 of the Spaceholder Contracts which should be transferred from the Prepayment Fund to the Construction Fund and (B) the amount of the Series 1976 Bonds which should be issued and the amount of the proceeds thereof deposited into the Construction Fund in order to pay the Cost of Construction. The Authorized Representatives shall thereafter recommend to the Constructing Agency the amount of the Series 1976 Bonds which should be issued.

After the Constructing Agency has determined the amount of the Series 1976 Bonds to be issued as contemplated in Section 9.3 hereof, the Authorized Representatives shall make any necessary adjustments in the schedules above contemplated to be made and shall thereupon give notice to the Contracting Officer, in accordance with Article 15(a) of the Michaud Division, Fort Hall Indian Reservation Spaceholder Contract, of the payments which will be due thereunder. The Constructing Agency shall, on or prior to the date of delivery of the Series 1976 Bonds, transfer from the Prepayment Fund to the Construction Fund the amount above computed by the Authorized Representatives which is attributable to Spaceholders prepayments.

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[1] (A) The obligation of the Idaho Power Company to share in the estimated cost of the American Falls Replacement Dam Program shall be equal to the sum of:

(1) $19,550,000,

(2) the estimated cost of the Water Quality Facilities determined under the provisions of this Section 8.3, and

(3) .486405 (see Section 9.7 hereof) times the amount by which the total estimated cost of the American Falls Replacement Dam Program exceeds $38,000,000.

(B) The obligation of each Spaceholder and, to the extent applicable, attributable to the space of each Non-Participating Wateruser, to share in the estimated cost of the American Falls Replacement Dam Program shall be computed in accordance with the following formula:

where:

SP = the Waterusers share of the estimated cost of the American Falls Replacement Dam Program

p = a Wateruser's percentage of total space

C = $38,000,000, less $19,550,000 and the estimated cost of Water Quality Facilities

A = the estimated cost of American Falls Replacement Dam Program over $38,000,000

B = Idaho Power Company's share of the estimated cost of the American Falls Replacement Dam Program over $38,000,000

then:

$$SP = p\,(C + (A - B))$$

SECTION 8.4. *Cost of Construction.* The Cost of Construction of the American Falls Replacement Dam Program shall consist of:

(A) payment of principal of and interest on outstanding Interim Notes, if any, issued by the Constructing Agency pursuant to the authority contained in the State Act, and

(B) payments made under Section 602 of the Indenture for:

(1) payment of the initial or acceptance fee of the Trustee;

(2) payment to the Constructing Agency, Waterusers, or Idaho Power Company, as the cast may be, of such amounts, if any, as shall be necessary to reimburse the Constructing Agency, Waterusers, or the Idaho Power Company in full for advances and payments made or costs incurred by them or any of them, prior to or after the execution of this Falling Water Contract, for expenditures in connection with the construction of the American Falls Replacement Dam Program, including, but not limited to preparation of the Plans, Designs and Specifications and review thereof by the Contracting Officer;

(3) all costs representing interest on advancements made in connection with the construction of the American Falls Replacement Dam Program prior to the sale of the Series 1976 Bonds;

(4) payments to the Contracting Officer for costs incurred in reviewing the Plans, Designs, Specifications and for costs incurred pursuant to Article 20(a) of the Government Contract in reviewing the construction of the American Falls Replacement Dam Program; costs for the obtaining of any insurance policy or policies by the Constructing Agency during the Construction Period; and costs related to the obtaining of all real and personal properties deemed necessary in connection with the construction of the American Falls Replacement Dam Program by the Constructing Agency, or any one or more of said expenditures;

(5) payment for labor, services, materials and supplies used or furnished in site improvement and in the construction of the American Falls Replacement Dam Program, all as provided in the Plans, Designs and Specifications, payment for the cost of the construction, acquisition and installation of utility services or other facilities, and all real and personal property deemed necessary in connection with the construction of the American Falls Replacement Dam Program and payment for the miscellaneous expenses incidental to any thereof, including the premium on any surety bond;

(6) payment of sums due to the State of Idaho pursuant to that certain agreement dated November 27, 1974, between the Constructing Agency and the State of Idaho providing for the two-lane highway on the crest of the Replacement Dam and the two-lane highway bridge located immediately downstream from the Replacement Dam;

(7) payment of the sums contemplated in Sections 1 and 3 of that certain agreement dated July 2, 1974, between the Constructing Agency and the Idaho Fish and Game Department with respect to the Recreation and Fish and Wildlife Mitigation Facilities;

(8) payment of audit fees and expenses for maintenance of records required to be kept hereunder, and of the fees, if any, for architectural, engineering and supervisory services with respect to the construction of the American Falls Replacement Dam Program;

(9) compensation to be paid to the Authorized Constructing Agency Representative and the Authorized Spaceholder Representative in connection with the performance of their duties and the reimbursement of their expenses incurred in connection with such duties;

(10) payment of expenses incurred in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under a contract relating to the construction of the American Falls Replacement Dam Program;

(11) payment of costs of issuance of the Bonds, and Interim Notes, any necessary litigation and confirmation proceedings, and the obtaining of all necessary permits and rulings;

(12) payment of the legal, accounting and underwriting fees and expenses and printing and engraving costs, including fees of rating agencies, incurred in connection with the authorization, sale and issuance of the Bonds and Interim Notes, the preparation of this Falling Water Contract, the Government Contract, the Spaceholder Contracts, the Water Quality Facilities Agreement, and the Indenture;

(13) payments required to be made pursuant to Article 17(g) of the Government Contract; and

(14) payment of any other costs and expenses relating to the construction of the American Falls Replacement Dam Program which would constitute a cost or expense for which moneys in the Construction Fund may be used under the Act of December 28, 1973, the State Act and the Indenture, including fees and expenses of the Trustee during the Construction Period.

SECTION 8.5. *Award or Rejection of Construction Bids.* If, in accordance with Section 8.3 hereof, joint bidding for the construction of the Replacement Dam and the construction of the Powerplant is undertaken by the Constructing Agency and the Idaho Power Company, each of the Authorized Representatives must concur in the award of any contract for construction or the purchase of equipment. If separate construction contracts are to be entered into for the construction of the Replacement Dam and the construction of the Powerplant, each of the Authorized Representatives must concur in the award of the contract for the construction of the Replacement Dam and in the award of the contracts for the purchase of equipment for the Replacement Dam; however the Authorized Constructing Agency Representative and the Authorized Spaceholder Representative need not concur in the award of contracts for the construction and equipping of the Powerplant. Nothing contained in this Falling Water Contract shall prevent the Board from exercising its discretion and rejecting any and all bids pertaining to the construction of the American Falls Replacement Dam Program or the purchase of equipment in connection therewith, and readvertising for bids.

SECTION 8.6. *Recomputation of Obligations.* If the amounts deposited into the Construction Fund pursuant to Section 8.3 hereof are or will be insufficient to pay in full the total Cost of Construction of the American Falls Replacement Dam Program, the Authorized Representatives shall from time to time revise the estimated Cost of Construction and determine the additional amounts necessary to be deposited into the Construction Fund from the Prepayment Fund and from the proceeds of Additional Bonds in order to pay the total revised Cost of Construction. The Constructing Agency shall, to the extent necessary, issue Additional Bonds as permitted under Section 207 of the Indenture for completion purposes and as contemplated in Sections 9.10 and 9.11 hereof.

In the event Additional Bonds need only be issued pursuant to Section 9.10 hereof within the initial authorization, the Authorized Representatives shall recompute the obligation of the Idaho Power Company, of each Spaceholder and, to the extent applicable, attributable to the space of each Non-Participating Wateruser, based on the revised Cost of Construction of the American Falls Replacement Dam Program and shall prepare a revised schedule of such obligations showing the increase over the initial determination for each.[1] Such schedule of obligation shall be approved by the Constructing Agency and shall be filed with the Idaho Power Company, the Contracting Officer and each Spaceholder. The Constructing Agency shall, on or prior to the date of delivery of the Additional Bonds transfer from the

[1] The respective obligations of the Idaho Power Company, each Spaceholder and, to the extent applicable, attributable to the space of each Non-Participating Waterusers, to pay the revised cost, shall be computed according to the computation set forth in Section 8.3 hereof, but substituting for the words "estimated cost" the words "revised cost" wherever they appear in the description of the computation.

Prepayment Fund to the Construction Fund the amount above computed by the Authorized Representatives which is attributable to Spaceholder prepayments. The Authorized Representatives shall also notify the Contracting Officer to increase the payments under the Michaud Division, Fort Hall Indian Reservation Spaceholder Contract accordingly.

In the event it is determined necessary to issue Additional Bonds pursuant to Section 9.11 hereof in excess of the initial authorization, and appropriate supplements to this Falling Water Contract and the Spaceholder Contracts are entered into, the Authorized Representatives shall recompute the obligation of the Idaho Power Company, of each Spaceholder and, to the extent applicable, attributable to the space of each Non-Participating Wateruser, in accordance with the principles of allocation of responsibility for the payment of the total Cost of Construction of the American Falls Replacement Dam Program in excess of the initial authorization set forth in Section 9.11 hereof and shall prepare a schedule showing the respective obligations in accordance therewith. Such schedule shall be consistent with the supplements to Spaceholder Contracts and the Falling Water Contract contemplated to be executed in Section 9.11 hereof, shall be approved by the Constructing Agency, and shall be filed with the Idaho Power Company, the Contracting Officer and each Spaceholder.

SECTION 8.7. *Computation of Actual Cost of Construction.* The Authorized Representatives, after computing the actual Cost of Construction as contemplated in Section 7.10 hereof, shall compute the obligations of Idaho Power Company, of each Spaceholder and, to the extent applicable, attributable to the space of each Non-Participating Wateruser, to pay the actual total Cost of Construction. If Additional Bonds are not issued under Section 9.11 hereof in excess of the initial authorization, then such obligations shall be computed in accordance with the computation set forth in Section 8.3 hereof, but substituting for the words "estimated cost" the words "total cost" wherever they appear in the description of the computation. If Additional Bonds are issued under Section 9.11 hereof in excess of the initial authorization, then such computation of the respective obligations shall be made in accordance with the provisions of Section 8.3 hereof as above modified and supplemented by the principles of allocation of the total Cost of Construction of the American Falls Replacement Dam Program set forth in Section 9.11 hereof and in any supplements to this Falling Water Contract and the Spaceholder Contracts. A schedule showing the final obligation of each to pay the actual total Cost of Construction shall be prepared, approved by the Constructing Agency and filed with the Idaho Power Company, the Contracting Officer and each Spaceholder. The Authorized Representatives shall then determine what sums, if any, should be retained in the Construction Fund in order to complete the American Falls Replacement Dam Program.

After the determination of the amounts needed to be retained in the Construction Fund in order to pay any Cost of Construction not then due and payable, the Constructing Agency shall cause a certificate to be filed with the Trustee pursuant to the provisions of Section 603 of the Indenture concerning the completion of the American Falls Replacement Dam Program. Such certificate shall direct the Trustee to dispose of any balance remaining in the Construction Fund, other than the amounts to be retained by the Trustee as provided in the certificate, as follows:

(A) That portion of the sums remaining in the Construction Fund attributable to prepayment by Spaceholders of their obligations under the Spaceholder Contracts shall be returned by the Trustee to the Spaceholders which made such prepayments in accordance with the percentage of active storage capacity of each such Spaceholder; and

(B) That portion remaining in the Construction Fund attributable to Spaceholders who elected to pay annual Spaceholder Bond Payments or to Idaho Power Company shall be transferred by the Trustee to the Bond Fund.

The Authorized Representatives shall also make a separate computation of the actual Cost of Construction, according to the assignment of such costs, of the Water Quality Facilities. This computation shall be filed with the Idaho Power Company, the Contracting Officer, and the Constructing Agency so that the computation contemplated to be made under paragraph 11 of the Water Quality Facilities Agreement can be completed by the Constructing Agency and the Idaho Power Company.

Any insurance rebates or dividends arising from policies taken out by the Constructing Agency in connection with the American Falls Replacement Dam Program shall, when received, be deposited into the Construction Fund. If any such rebates or dividends are received by the Constructing Agency subsequent to the closing of the Construction Fund, such rebates and dividends shall be distributed to the Spaceholders and the Idaho Power Company as their interests then appear.

ARTICLE IX

Issuance of Constructing Agency Bonds

SECTION 9.1. *Bonds; Source of Payment.* In order to provide funds for payment of all or part of the Cost of Construction of the American Falls Replacement Dam Program as set forth in Section 8.4 hereof, the Constructing Agency agrees that it will use its best efforts, at one time or from time to time, to sell and cause to be delivered to the purchasers thereof, one or more series of its Bonds in the principal amounts determined as provided in Sections 9.3, 9.10 and 9.11 hereof.

The Bonds shall be issued by the Constructing Agency pursuant to the provisions of the State Act then in force, and shall be payable solely from the special fund contemplated to be established in the State Act (Section 43-2201(D), Idaho Code).

SECTION 9.2. *Interim Notes; Idaho Power Company Guarantee of Interim Notes.* Either at or before the time the estimated Cost of the Construction of the American Falls Replacement Dam Program has been determined pursuant to Section 8.3 hereof, the Board, pursuant to the provisions of the State Act (Section 43-2202, Idaho Code), may determine it to be advisable and to be in the interests of the Constructing Agency to borrow funds temporarily in advance of the permanent financing for the payment of all or part of the Cost of Construction of the American Falls Replacement Dam Program by the issuance of one or more series of Interim Notes of the Constructing Agency. Such Interim Notes shall be issued, sold and delivered from time to time and shall be secured as provided in the State Act (Section 43-2202, Idaho Code), and the proceeds thereof shall be deposited in a fund in the hands of a bank or trust company doing business in the State of Idaho, to be disbursed by the Constructing Agency for the purposes specified in Section 8.4 hereof.

The Constructing Agency and the Idaho Power Company recognize that in order to meet the Construction Work Schedule for the American Falls Replacement Dam Program, it may be necessary to issue Interim Notes prior to the time that the Constructing Agency could market its Series 1976 Bonds. The Idaho Power Company, therefore, agrees that, in order to improve the marketability of any Interim Notes issued by the Constructing Agency, and in order to reduce the costs of borrowing represented by such Interim Notes, it will, with the consent of all regulatory agencies having jurisdiction over the Idaho Power Company for such purpose, whether state or Federal, and with the consent of all mortgage, indenture or other lien holders whose contracts or agreements with the Idaho Power Company require such consent for such purpose, simultaneously with the issuance of any Interim Notes by the Constructing Agency, to the issuance of which Interim Notes, the Idaho Power Company shall have prior thereto indicated its approval in writing, execute a guaranty agreement to the purchasers of such Interim Notes. Under the terms of the guaranty agreement the Idaho Power Company shall unconditionally guarantee to the holders at any time, and from time to time, of the Interim Notes of the Constructing Agency (a) the full and prompt payment of the principal of any Interim Note when and as the same shall become due, whether at the stated maturity thereof, by acceleration, or call for redemption or otherwise, and (b) the full and prompt payment of any interest on any Interim Note when and as the same shall become due, and shall agree to pay all expenses and charges (including court costs and attorneys' fees) paid or incurred by the holders of the Interim Notes in collecting any of the payments so guaranteed or in enforcing the guaranty agreement by the holders of the Interim Notes.

SECTION 9.3. *Determination of Details of Falling Water Payments, Spaceholder Bond Payments and Amount and Term of Series 1976 Bonds.* After the estimated Cost of Construction of the American

Falls Replacement Dam Program shall have been determined as provided in Section 8.3 hereof and the Authorized Representatives shall have recommended to the Board the amount of the Series 1976 Bonds to be sold, the Board, in consultation with the Authorized Representatives, shall then determine the date upon which the first Installment of Falling Water Payments will be made and the date upon which the first Spaceholder Bond Payments will be made, the date from which interest shall be deemed to accrue on the Falling Water Payments and the date from which interest shall be deemed to accrue on the Spaceholder Bond Payments. The Board in fixing the date upon which the first Installment of the Falling Water Payments will be made shall to the extent practicable provide that the date of the first Installment shall be not more than twelve (12) months from the date of the Series 1976 Bonds. The last Installment shall be forty (40) years from the year in which the Series 1976 Bonds first begin to mature either by their terms or by option of redemption from a sinking fund. The dates and terms of the Spaceholder Bond Payments fixed by the Board shall conform to those specified for the Falling Water Payments, taking into account the applicable provisions of the Spaceholder Contracts providing for the payment of the Spaceholder Bond Payments on April 1 of each year. The Board shall fix the due date of the Installments of the Falling Water Payments so that such payments shall become due and payable by the Idaho Power Company on the first day of the month preceding the date on which principal on the Series 1976 Bonds will fall due if such Installments are to be paid annually or on the first days of the months preceding the dates on which interest and principal, or interest alone, will fall due if such Installments are to be paid semi-annually.

The Board shall then determine the term of the Series 1976 Bonds, which term shall not exceed the maximum term specified in the proceedings taken in connection with the issuance of the Bonds and which shall be coordinated with the dates upon which the Installments of the Falling Water Payments and the Spaceholder Bond Payments will be made.

The Board shall thereupon fix the amount of the Series 1976 Bonds, which amount, within the Bond authorization, shall be sufficient, together with any prepayment of obligations under Spaceholder Contracts to be transferred into the Construction Fund from the Prepayment Fund to pay the estimated Cost of Construction of the American Falls Replacement Dam Program, and sufficient to pay, as to both principal and interest, any of the Interim Notes which shall have been issued by the Constructing Agency for such purposes pursuant to the applicable provisions of the State Act and which will be outstanding on the date of delivery of the Series 1976 Bonds. In determining the amount of the Series 1976 Bonds or of any Additional Bonds to be issued, the Constructing Agency shall increase the obligation of Idaho Power Company, determined under the provisions of Article VIII hereof, by the amount necessary to round off the total amount of Series 1976 Bonds or Additional Bonds to be issued to the next highest $5,000.

SECTION 9.4. *Details of Series 1976 Bonds.* After the amount and term of the Series 1976 Bonds shall have been determined by the Board, the Board shall thereupon fix the various details of the Series 1976 Bonds, including the date, maturity or maturities, sinking funds, serial or term nature, and option of redemption. In determining the date of the Series 1976 Bonds, the date upon which the first interest on the Series 1976 Bonds will become payable, the date upon which the first principal of the Series 1976 Bonds will become due, the maturity schedule or sinking fund of the Series 1976 Bonds, the redemption features of the Series 1976 Bonds, the Board shall take into account the requirements of Section 9.3 hereof with respect to the details of the Falling Water Payments and of the Spaceholder Bond Payments. Copies of the Indenture shall then be prepared in final form for execution. Such changes may be made in the February 1, 1976 draft of the Indenture which do not conflict with the provisions of this Falling Water Contract, the Spaceholder Contracts, the Government Contract, the Act of December 28, 1973, or the State Act and which are agreed to by the Constructing Agency and the Idaho Power Company, and bond counsel to the Constructing Agency in connection with the issuance and sale of the Series 1976 Bonds.

SECTION 9.5. *Option of Redemption of Series 1976 Bonds.* The Constructing Agency agrees that the Indenture shall provide that the Series 1976 Bonds shall be subject to redemption in whole or

in part at any time from and after ten (10) years from the date of the Series 1976 Bonds and at such premium or premiums which shall be established by the Board pursuant to the provisions of Section 9.4 hereof. If the Series 1976 Bonds are issued as term obligations with a mandatory sinking fund, the Series 1976 Bonds shall also be made subject to redemption in part on interest payment dates from the sinking fund established in the Indenture.

SECTION 9.6. *Sale of Series 1976 Bonds.* After the details of the Series 1976 Bonds shall have been fixed and determined by the Board as herein contemplated, and after the form of the Indenture shall have been agreed upon, the Constructing Agency shall sell the Series 1976 Bonds in such manner and at such price or prices as shall be determined by resolution of the Board, pursuant to the provisions of the State Act then in force. Prior to any offering of the Series 1976 Bonds the Constructing Agency shall obtain the opinion of bond counsel that interest on the Series 1976 Bonds will be excludable from Federal gross income taxes under the provisions of the Internal Revenue Code in effect on the date of the offering. No proposal or bond purchase agreement for the purchase of the Series 1976 Bonds shall be accepted or entered into by the Constructing Agency unless the Board shall determine and find that the proceeds of the Falling Water Payments together with the Spaceholder Bond Payments, computed as provided in Section 9.7 hereof, will be sufficient to pay the principal of and interest on the Series 1976 Bonds as the same shall fall due. Thereafter the Board shall complete the blanks in the Indenture and shall cause the Indenture to be executed by its duly authorized officers and the Trustee. Nothing contained in this Falling Water Contract shall prevent the Board from exercising its discretion and rejecting any and all proposals for the purchase of the Bonds, and advertising for bids or seeking new proposals for the purchase of the Bonds.

SECTION 9.7. *Computation of Falling Water Payments and Spaceholder Bond Payments.* The Falling Water Payments and the Spaceholder Bond Payments shall be calculated by the Authorized Representatives in accordance with the provisions of this Section 9.7. A schedule of the annual combined principal and interest requirements on the Series 1976 Bonds shall be prepared. The annual Installments of the Falling Water Payments shall consist of that portion of the annual combined principal and interest requirements on the Series 1976 Bonds as is represented by the proportion of the total of (A), (B) and (C) below to the principal amount of the Series 1976 Bonds:

(A) $19,550,000,

(B) the estimated cost of the Water Quality Facilities determined under the procedures of Section 8.3 hereof, and

(C) .486405[1] times the amount by which the total estimated cost of the American Falls Replacement Dam Program exceeds $38,000,000.

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[1] The .486405 is computed according to the following formula:

(i) Where .026471 equals the portion of total active storage capacity of Idaho Power Company in the Replacement Dam as a Spaceholder;

(ii) Where B equals the Idaho Power Company portion of the excess above $38,000,000 of the total estimated cost of the American Falls Replacement Dam Program in addition to its payment as a Spaceholder; and

(iii) Where A equals the cost of the American Falls Replacement Dam Program in excess of $38,000,000:

$$B + .026471\ (A-B) = .5A$$

$$.973529B = .473529A$$

$$B = \frac{.473529}{.973529}A = .486405A$$

The balance of the annual combined principal and interest requirements on the Series 1976 Bonds, after the deduction of the Falling Water Payments, shall constitute the annual Spaceholder Bond Payments, and shall be used by the Authorized Representatives in calculating the Schedule of Spaceholder Bond Payments for each of the Spaceholders which did not prepay its obligation as permitted in Article 23 of the Spaceholder Contracts and attributable to the space of each Non-Participating Wateruser to the extent applicable.[1]

SECTION 9.8. *Schedules of Falling Water Payments and Spaceholder Bond Payments.* After the receipt of a proposal for the purchase of the Series 1976 Bonds and the execution of a bond purchase agreement, but before the delivery of the Series 1976 Bonds to the Underwriters, the Authorized Representatives shall calculate the details of the Falling Water Payments and the Spaceholder Bond Payments and shall prepare the Schedule of Falling Water Payments and the Schedules of Spaceholder Bond Payments, and the percentage of the fees, charges and expenses of the Trustee and any paying agent bank for which each Spaceholder and the Idaho Power Company is responsible. Schedules of Spaceholder Bond Payments shall also be prepared with respect to the space attributable to Non-Participating Waterusers.

Each schedule shall be approved by the Trustee and shall be filed with the Trustee, the Idaho Power Company, the Contracting Officer and the Constructing Agency. Each Spaceholder which did not prepay its obligation shall be furnished with its applicable Schedule of Spaceholder Bond Payments. When the Schedule of Falling Water Payments and the Schedules of Spaceholder Bond Payments have been approved by the Trustee and filed as contemplated herein, each schedule shall be conclusively binding on the Idaho Power Company and each Spaceholder.

In the event the Constructing Agency issues Additional Bonds, either under the provisions of Section 9.10 or Section 9.11 hereof, the Authorized Representatives shall prepare a supplemental Schedule of Falling Water Payments and supplemental Schedules of Spaceholder Bond Payments for each Spaceholder which does not prepay its obligation and for the space attributable to Non-Participating Waterusers, in accordance with the calculations contemplated to be made by the Authorized Representatives in Section 9.10 and Section 9.11 hereof. Such supplemental schedules shall be approved by the Trustee, shall be filed and become conclusive as above provided with respect to the original schedules.

SECTION 9.9. *Delivery of Series 1976 Bonds; Disposition of Proceeds.* After the acceptance of the proposal of the Underwriters for the purchase of the Series 1976 Bonds and the execution of a bond purchase agreement with respect thereto, the acceptance of the bids for the construction of the Replacement Dam and the execution of the contracts for the construction of the Replacement Dam, the Series

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[1] Such calculation shall be made under the following formula:

where:

DS = each annual combined principal and interest requirement

DSsp = the amount of each annual combined principal and interest requirement attributable to non-prepaid space

P = total percentage of the active storage capacity attributable to non-prepaid space

p = the percentage of total storage capacity of a Spaceholder which did not prepay or attributable to a Non-Participating Wateruser (p = P)

K = 100% ÷ P

S = the total amount to be paid by each Spaceholder which did not prepay or attributable to the space of each Non-Participating Waterusers (S = DSsp)

then:

$$S = (K)(p)(DSsp)$$

1976 Bonds shall be delivered in accordance with the requirements of the bond purchase agreement for the purchase of the Series 1976 Bonds to be entered into between the Constructing Agency and the Underwriters, and the proceeds thereof shall be deposited in the Bond Fund and the Construction Fund, pursuant to Sections 601 and 602 of the Indenture, and disbursements shall be made from the Construction Fund, in accordance with the provisions of Section 602 of the Indenture. The Constructing Agency and the Idaho Power Company agree to cooperate, one with the other, in furnishing the Trustee with the documents referred to in Section 602 of the Indenture that are required to effect payments out of the Construction Fund.

SECTION 9.10. *Issuance of Additional Bonds Within Initial Authorization for Completion.* It is intended by the Constructing Agency that an amount of Bonds has been authorized and will be issued which will be sufficient, together with any prepayments, to pay the total cost of the American Falls Replacement Dam Program. If it is determined necessary, subsequent to the issuance of the Series 1976 Bonds, to issue all or part of the balance of any of the initially authorized but as then unissued Bonds in order to complete the payment of the total cost of the American Falls Replacement Dam Program, the Constructing Agency will, to the extent then legally permitted, issue and sell a series of Additional Bonds as permitted under Section 207 of the Indenture for completion purposes. In the event the balance of the initially authorized Bonds is issued, the annual Installments of the Falling Water Payments shall be increased by that portion of the annual combined principal and interest requirements on such series of Additional Bonds as is represented by the proportion of the total of (A) and (B) below (but as to each only to the amount of any initially authorized but as then unissued Bonds) to the pirncipal amount of such series of Additional Bonds:

(A) any increased cost of the Water Quality Facilities determined under the procedures of Section 8.7 hereof over the estimated cost thereof determined under the procedures of Section 8.3 hereof, and

(B) .486405 (see Section 9.7 hereof) times the amount by which the total cost of the American Falls Replacement Dam Program determined under the procedures of Section 8.7 hereof less the increased cost of the Water Quality Facilities included in (A) above exceeds the higher of (1) the estimated cost of the American Falls Replacement Dam Program determined under the procedures of Section 8.3 hereof or (2) $38,000,000.

The Spaceholder Bond Payments shall be increased in an amount sufficient to pay the balance of the annual combined principal and interest requirements on such series of Additional Bonds not returned pursuant to the increased Falling Water Payments. The calculation of such increases shall be in accordance with the formula set forth in Section 9.7 hereof. No such Additional Bonds shall be issued unless the Constructing Agency shall receive a written opinion by an attorney or firm of attorneys of recognized standing on the subject of municipal bonds to the effect that the exemption from Federal income tax of interest on the Series 1976 Bonds and any series of Additional Bonds theretofore issued will not be affected by the issuance of such series of Additional Bonds then being issued.

SECTION 9.11. *Issuance of Additional Bonds in Excess of the Initial Authorization for Completion.* If the amount of the Bonds which has been initially authorized together with any prepayments, is not sufficient to complete the payment of the total cost of the American Falls Replacement Dam Program and therefore it is determined necessary for the Constructing Agency to issue and sell a series of Additional Bonds as permitted under Section 207 of the Indenture for completion purposes in excess of the Bonds initially authorized to be issued, the Constructing Agency will, to the extent then legally permitted, issue and sell Additional Bonds in excess of the initial authorization under the conditions set forth in this Section 9.11:

(A) If the amount of such series of Additional Bonds is determined to be $1,000,000 or less, the Idaho Power Company shall enter into a supplement to this Falling Water Contract pursuant to which the annual Installments of the Falling Water Payments shall be increased by an amount necessary to pay principal of and interest on such series of Additional Bonds.

(B) If the amount of such series of Additional Bonds is determined to be an amount over $1,000,000 but not over $2,000,000:

(1) the Idaho Power Company shall enter into a supplement to this Falling Water Contract pursuant to which the annual Installments of the Falling Water Payments shall be increased by an amount sufficient to pay that portion of the annual combined principal and interest requirements on such series of Additional Bonds as is represented by the proportion of the total of (a) and (b) below to the principal amount of such series of Additional Bonds:

(a) $1,000,000,

(b) the remaining increased cost, if any, of Water Quality Facilities determined under the procedures of Section 8.7 hereof over the estimated cost thereof determined under the procedures of Section 8.3 hereof, which is in excess of the total of (i) the increased cost of the Water Quality Facilities provided for in Section 9.10(A) hereof and (ii) $1,000,000; and

(2) supplements to Spaceholder Contracts shall be executed pursuant to which increased Spaceholder Bond Payments will be made by Spaceholders, other than Idaho Power Company, which did not prepay their obligations, in an amount sufficient to pay the balance of the annual combined principal and interest requirements on such series of Additional Bonds not returned pursuant to this Falling Water Contract as so supplemented.

(C) If the amount of such series of Additional Bonds is determined to be an amount over $2,000,000:

(1) the Idaho Power Company shall enter into a supplement to this Falling Water Contract pursuant to which the annual Installments of the Falling Water Payments shall be increased by an amount sufficient to pay that portion of the annual combined principal and interest requirements on such series of Additional Bonds as is represented by the proportion of the total of (a), (b) and (c) below to the principal amount of such series of Additional Bonds:

(a) $1,000,000;

(b) the remaining increased cost, if any, of the Water Quality Facilities determined under the procedures of Section 8.7 hereof over the estimated cost thereof determined under the procedures of Section 8.3 hereof which is in excess of the total of (i) the increased cost of the Water Quality Facilities provided for in Section 9.10(A) hereof and (ii) $1,000,000; and

(c) .486405 (see Section 9.7 hereof) times the amount by which the total cost of the American Falls Replacement Dam Program determined under the procedures of Section 8.7 hereof less (i) the total increased cost of the Water Quality Facilities, (ii) the obligation of Idaho Power Company for other than Water Quality Facilities under Section 9.11(A)[1] hereof, and (iii) the obligations of Spaceholders other than Idaho Power Company under Section 9.11(B)[2], exceeds the higher of (1) the estimated cost of the American Falls Replacement Dam Program determined under the procedures of Section 8.3 hereof or (2) $38,000,000;

(2) supplements to Spaceholder Contracts shall be executed pursuant to which increased Spaceholder Bond Payments will be made by Spaceholders, other than Idaho Power Company, which did not prepay their obligations, in an amount sufficient to pay that portion of the annual combined principal and interest requirements on such series of Additional Bonds as is represented by the proportion of $1,000,000, less the amount determined pursuant to Section 9.11(B)(1)(b)[2] hereof to the principal amount of such series of Additional Bonds; and

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[1] Calculated as if $1,000,000 or less Additional Bonds were to be issued in excess of the initial authorization.

[2] Calculated as if $2,000,000 or less Additional Bonds were to be issued in excess of the initial authorization.

(3) supplements to Spaceholder Contracts shall be executed pursuant to which increased Spaceholder Bond Payments will be made by Spaceholders, including Idaho Power Company, which did not prepay their obligations, in an amount sufficient to pay that portion of the annual combined principal and interest requirements on such series of Additional Bonds as is represented by the proportion of the principal amount of such series of Additional Bonds issued in excess of the initial authorization, less the amounts computed under Section 9.11(C)(1) and Section 9.11(C)(2) hereof, to the total principal amount of such series of Additional Bonds.

No such Additional Bonds shall be issued unless the Constructing Agency shall receive a written opinion by an attorney or firm of attorneys of recognized standing on the subject of municipal bonds to the effect that the exemption from Federal income tax of interest on the Series 1976 Bonds and any series of Additional Bonds theretofore issued will not be affected by the issuance of such series of Additional Bonds then being issued.

The principal amounts of multiple series of Additional Bonds whether or not of the initial authorization shall be aggregated for all purposes of the computations required in Sections 9.10 and 9.11 hereof.

The increased obligations of Spaceholders computed according to (B)(2), (C)(2) and (C)(3) of this Section 9.11 shall be computed for each Spaceholder with the formula set forth in Section 9.7 hereof.

SECTION 9.12. *Obligation of Idaho Power Company after Initial Series of Bonds.* If the Constructing Agency is unable to market a series of Additional Bonds as contemplated in either Section 9.10 or 9.11, the Constructing Agency and the Idaho Power Company shall nevertheless use their best efforts, to the extent then permitted by law, to issue and sell an issue of obligations of the Constructing Agency which shall be guaranteed as to principal and interest by the Idaho Power Company, to pay such additional costs of the American Falls Replacement Dam Program which are not in excess of $1,000,000.

It is recognized that, except as specifically provided therein, the provisions of Sections 9.10 and 9.11 do not relieve the obligation of the Idaho Power Company to make increased Spaceholder Bond Payments pursuant to a supplemental Spaceholder Contract, in accordance with its percentage of total active storage capacity in the Replacement Dam.

SECTION 9.13. *Obligation of Idaho Power Company for Supplemental Falling Water Payments with Respect to Additional Bonds for Completion.* If the Constructing Agency shall issue a series of Additional Bonds, pursuant to the provisions of Section 207 of the Indenture, as contemplated in Sections 9.10 and 9.11 hereof, for the purpose of paying the costs of completing the construction of the American Falls Replacement Dam Program not paid from the proceeds of the Series 1976 Bonds, and the Constructing Agency thereafter levies additional Assessments and enters into supplementary Spaceholder Contracts with the Spaceholders increasing the amount of Spaceholder Bond Payments obligated to be made to the Constructing Agency by the Spaceholders for the purpose of repaying the Cost of Construction of the American Falls Replacement Dam Program, the Idaho Power Company shall be obligated to make Supplemental Falling Water Payments representing the obligations of the Spaceholders for the increased amounts if there is a default by any Spaceholder in the payments of such increased amounts attributable to such Additional Bonds for completion purposes and shall be entitled to the use of stored water of the Defaulted Spaceholder in accordance with the provisions of Section 3.4 hereof.

SECTION 9.14. *Refunding Bonds.* In the event that it is mutually agreed among the Constructing Agency, the Idaho Power Company and the Spaceholders obligated to make Spaceholder Bond Payments that an attempt should be made to authorize the issuance of Bonds by the Constructing Agency for the purpose of refunding all of the outstanding Series 1976 Bonds and Additional Bonds, if any, in accordance with the State Act (Sections 43-2202 and 43-2203, Idaho Code), as then in force, the Idaho Power Company and the Spaceholders obligated to make Spaceholder Bond Payments shall share the costs of such refunding effort, whether successful or unsuccessful, in direct proportion to their respective obligations to pay the annual principal and interest falling due on the Bonds to be refunded.

ARTICLE X

CONSTRUCTION OF THE POWERPLANT

SECTION 10.1. *Idaho Power Company Responsible for Powerplant Construction.* The Idaho Power Company shall be responsible for obtaining the necessary cost estimates, studies, licenses, permits, plans and specifications, construction contracts and other items necessary for the construction of the Powerplant, pursuant to the License, in coordination with the construction of the Replacement Dam, including the Plan of Operation and the Construction Work Schedule, so as not to impair the efficiency of the Replacement Dam to serve the other purposes of the Minidoka Project. The Idaho Power Company shall assume and pay all costs relating to the engineering, construction and equipping of the Powerplant, including the cost of any waterways or penstocks outside and downstream from the Replacement Dam as set forth in the approved Plans, Designs and Specifications.

SECTION 10.2. *Rights of Access to the Idaho Power Company for Construction, Operation, and Maintenance of the Powerplant.* The Idaho Power Company and its duly authorized agents shall, without charge, have such rights of access to the Replacement Dam and for ingress and egress on lands of the United States adjacent thereto as may be reasonably necessary to coordinate the construction of the Powerplant with the construction of the Replacement Dam and, after completion of construction of the Powerplant, for the proper operation and maintenance of the Powerplant by the Idaho Power Company.

SECTION 10.3. *Joint Facilities.* Any facilities which are not included in the American Falls Replacement Dam Program which may subsequently be required to be constructed, operated or maintained by the Constructing Agency and the Idaho Power Company on a joint basis must first be approved by the Authorized Representatives, and the necessary financing, construction, ownership or operation of such facilities shall be covered by special agreement between the parties hereto, to be added as an addendum to this Falling Water Contract, subject to the approval of the Contracting Officer.

SECTION 10.4. *Financing of Powerplant by Idaho Power Company.* The Idaho Power Company agrees that it will finance the construction of the Powerplant and will operate the Powerplant as contemplated in this Falling Water Contract, the License, the Government Contract and the Act of December 28, 1973. The preparation of all necessary designs and specifications for the construction of the Powerplant shall be the responsibility of the Idaho Power Company.

SECTION 10.5. *Liability.* The Constructing Agency shall be liable for its own acts and shall not be liable for the acts of others with regard to the construction, operation and maintenance of the Powerplant or with regard to the financing, construction, operation and maintenance of the American Falls Replacement Dam Program. The Constructing Agency shall require the contractor or contractors constructing the Replacement Dam, the Related Facilities and the Water Quality Facilities to carry liability insurance naming the Idaho Power Company as an additional insured party.

The Idaho Power Company shall be liable for its own acts and shall not be liable for the acts of others with regard to the construction, operation and maintenance of the Powerplant or with regard to the financing, construction, operation and maintenance of the American Falls Replacement Dam Program. The Idaho Power Company shall require the contractor constructing the Powerplant to carry liability insurance naming the Constructing Agency as an additional insured party.

SECTION 10.6. *Payment of Operation and Maintenance Expenses Related to Replacement Dam.* The Idaho Power Company shall pay directly to the Contracting Officer in each year such amounts as shall represent thirty-three per cent (33%) of the actual, direct costs of operation and maintenance of the Replacement Dam, exclusive of the reservoir. Such amounts shall be billed separately annually to the Idaho Power Company by the Contracting Officer under the same procedures, including examination of books and records, established for billing the Spaceholder Replacement Dam Operation and Maintenance Payments to the Spaceholders pursuant to the Spaceholder Contracts.

SECTION 10.7. *Supply of Energy to Operate and Maintain Replacement Dam.* As part of the consideration for the utilization by the Idaho Power Company of the Falling Water at the Powerplant for power generation within the limits specified in the Government Contract and as an additional payment for the operation and maintenance of the Replacement Dam, the Idaho Power Company shall, at a point on the line of division of ownership between the Replacement Dam and the Powerplant, which is a point accessible from the Powerplant, supply the energy required for control of the release of water from the Replacement Dam and the incidental lighting immediately adjacent thereto (exclusive of any highway and bridge lighting), at the required voltage and at a frequency of 60 cycles per second.

ARTICLE XI

EVENTS OF DEFAULT AND REMEDIES

SECTION 11.1. *Events of Default Defined; Uncontrollable Forces.* The following shall be "events of default" under this Falling Water Contract and the terms "events of default" or "default" shall mean, whenever they are used in this Falling Water Contract, any one or more of the following events:

(a) Failure by the Idaho Power Company to pay all or any part of any Installment of the Falling Water Payments specified in Section 3.1 hereof or failure by the Idaho Power Company to pay all or any part of the Supplemental Falling Water Payments specified in Section 3.4 hereof, at the times and places specified in this Falling Water Contract and (i) continuation of said failure for a period of five (5) days after notice by telegram or, if telegraph service is not available, after notice by mail given to it by the Constructing Agency that the Installment or payment referred to in such notice has not been received, or (ii) continuation of said failure for a period of twelve (12) days, shall constitute an event of default hereunder; or

(b) Failure by the Idaho Power Company to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder other than as referred to in subsection (a) of this Section, for a period of ninety (90) days after written notice, specifying such failure and requesting that it be remedied, given to the Idaho Power Company by the Board or the Trustee, unless the Board and the Trustee shall agree in writing to extension of such time prior to its expiration; or

(c) If the Idaho Power Company shall file a petition in bankruptcy or for reorganization or for an arrangement pursuant to the general bankruptcy act, as amended, or any similar Federal or state law, or shall be adjudged a bankrupt or become insolvent, or shall make an assignment for the benefit of its creditors, or shall admit in writing its inability to pay its debts generally as they become due, or if a petition or answer proposing the adjudication of the Idaho Power Company as a bankrupt or its reorganization under the general bankruptcy act or any similar Federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within sixty (60) days after the filing thereof, or if a receiver, trustee or liquidator (or similar official) of the Idaho Power Company or of more than one-third of the property of the Idaho Power Company shall be appointed in any proceeding or by any Federal or state officer or agency, and shall not be discharged within sixty (60) days after such appointment; or

(d) The occurrence of an "event of default" under Section 901 of the Indenture.

The provisions of (b) of this Section are subject to the following limitations: If by reason of uncontrollable forces the Idaho Power Company is unable, in whole or in part, to carry out its agreements on its part herein contained, other than the obligations of the Idaho Power Company contained herein to make the Falling Water Payments and the Supplemental Falling Water Payments, the Idaho Power Company shall not be deemed in default during the continuance of such inability. The term "uncontrollable forces" shall mean any cause beyond the control of the Idaho Power Company and

which, by the exercise of reasonable diligence, the Idaho Power Company is unable to overcome, and shall include, but not be limited to, an act of God, fire, flood, explosion, earthquake, strike, sabotage, an act of the public enemy, civil or military authority, including court orders, injunctions, and orders of government agencies with proper jurisdiction prohibiting acts necessary to performance hereunder or permitting any such act only subject to unreasonable conditions, insurrection or riot, an act of the elements, failure of equipment, or inability to obtain or ship materials or equipment because of the effect of similar causes on suppliers or carriers. Nothing contained herein shall be construed so as to require the Idaho Power Company to settle any strike or labor dispute in which it may be involved. If the Idaho Power Company is rendered unable to fulfill any obligation by reason of uncontrollable forces it shall exercise due diligence to remove such inability with all reasonable dispatch.

SECTION 11.2. *Remedies on Default.* Whenever any event of default referred to in Section 11.1 hereof shall have happened and be subsisting, the Constructing Agency, or the Trustee on behalf of the Constructing Agency, may take any one or more of the following remedial steps:

(a) Whenever an event of default hereunder shall have occurred and be continuing, and notwithstanding the fact that the Constructing Agency or the Trustee may have some other remedy hereunder or by virtue hereof, to give a notice of intention pursuant to the provisions of Section 14.6 hereof to terminate this Falling Water Contract on a date specified in such notice, which date shall be not less than thirty (30) days after the date of giving such notice. If the Idaho Power Company is given notice as provided herein, the Idaho Power Company's interest in, to and under this Falling Water Contract shall terminate upon the date so specified in said notice, and the Idaho Power Company thereafter shall have no right, title or interest in, to or with respect to the Falling Water but Idaho Power Company shall remain liable as hereinafter provided.

(b) In the event of any termination of this Falling Water Contract as provided in subsection (a) above, the Constructing Agency or the Trustee, as provided in the Indenture, shall forthwith, notwithstanding any other provision of this Falling Water Contract to the contrary, be entitled to recover from the Idaho Power Company, as and for liquidated damages (in lieu of all other claims for damages on account of such termination) and not as a penalty, an amount equal to the unpaid principal amount of the Bonds then outstanding as defined in the Indenture.

(c) Whenever an event of default hereunder shall have occurred and be continuing, the Constructing Agency or the Trustee on behalf of the Constructing Agency, shall have the right, then or at any time thereafter while any event of default hereunder shall continue, to request the Contracting Officer to suspend any and all rights of the Idaho Power Company to the use of the Falling Water or any water accruing to the storage space of a Defaulted Spaceholder or of a Non-Participating Wateruser upon not less than twelve (12) days' notice to the Idaho Power Company given as provided in Section 14.6 hereof. The Contracting Officer, acting with the consent of either the Constructing Agency or the Trustee, may, without further notice to the Idaho Power Company, suspend such rights of the Idaho Power Company and grant any or all of the suspended rights to any person for the duration of the suspension. Idaho Power Company agrees that, in addition to its other obligations under this Falling Water Contract, upon demand it will pay to the Trustee, the Constructing Agency and the Contracting Officer all expenses incurred in connection with such suspension and any grant of the suspended rights to another person, and that the Idaho Power Company will be and remain liable to make all payments, when due, required to be made by the Idaho Power Company hereunder, without regard to any such suspension and as if any suspended rights exercised by another person were exercised by the Idaho Power Company. The Constructing Agency, or the Trustee acting on behalf of the Constructing Agency, shall have the right from time to time to begin and maintain successive proceedings against the Idaho Power Company for the recovery of damages or for a sum equal to any and all Installments of the Falling Water Payments and Supplemental Falling Water Payments and any other payments required to be made by the Idaho Power Company pursuant to this Falling Water Contract, and to recover the same upon the liability of the Idaho Power Company herein provided. Nothing herein contained

shall be deemed to require the Constructing Agency or the Trustee to defer commencement of any such proceedings until the end of the Original Term of this Falling Water Contract.

(d) No suspension of any or all of the Idaho Power Company's rights to the use of the Falling Water under this Falling Water Contract shall be construed as an election on the part of the Construction Agency, the Trustee or the Contracting Officer to terminate the Idaho Power Company's interest in, to and under this Falling Water Contract unless a notice of intention be given to the Idaho Power Company or unless such termination be decreed at the instance of the Constructing Agency or the Trustee by a court of competent jurisdiction.

(e) The Constructing Agency, or the Trustee on behalf of the Constructing Agency, may take whatever action at law or in equity may appear necessary or desirable to collect the Falling Water Payments, or the Supplemental Falling Water Payments, or any other amounts payable by Idaho Power Company hereunder, then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Idaho Power Company under this Falling Water Contract.

Any amounts collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture.

SECTION 11.3. *No Remedy Exclusive.* No right or remedy herein conferred upon or reserved to the Constructing Agency, or to the Trustee on behalf of the Constructing Agency is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder, or now or hereafter legally existing, upon the occurrence of an event of default hereunder. The failure of the Constructing Agency, or the Trustee on behalf of the Constructing Agency, to insist at any time upon the strict observance or performance by the Idaho Power Company of any of the provisions of this Falling Water Contract, or to exercise any right or remedy provided for in this Falling Water Contract, shall not impair any such right or remedy nor be construed as a waiver or relinquishment thereof for the future. Receipt by the Trustee, on behalf of the Constructing Agency, of any Falling Water Payment or Supplemental Falling Water Payment required to be made hereunder with knowledge of the breach of any provisions of this Falling Water Contract, shall not be deemed a waiver of such breach. In addition to all other remedies provided in this Falling Water Contract, the Constructing Agency and the Trustee on behalf of the Constructing Agency, shall be entitled, to the extent permitted by applicable law, to injunctive relief in case of the violation, or attempted or threatened violation, of any of the provisions of this Falling Water Contract, or to a decree concerning performance of any of the provisions of this Falling Water Contract, or to any other remedy legally allowed to the Constructing Agency or to the Trustee on behalf of the Constructing Agency.

If any proceeding shall be brought for the enforcement of any right or remedy provided for in this Falling Water Contract in which it shall be determined that any event of default hereunder has occurred and was continuing at the time of commencement thereof, the Idaho Power Company shall pay to the Constructing Agency or to the Trustee on behalf of the Constructing Agency, all expenses incurred in connection therewith including, without limitation, reasonable attorneys' fees and expenses.

At any time the Trustee on behalf of the Constructing Agency or the holders of the Bonds, is entitled to enforce any of the rights or remedies provided for in this Falling Water Contract, it may proceed either in its own name and as Trustee of an express trust or otherwise to protect and enforce its rights and those of the Constructing Agency under this Falling Water Contract, whether or not the Constructing Agency shall have complied with any of the provisions hereof or proceeded to take any action authorized or permitted under applicable law. Such rights and remedies as are given the Constructing Agency hereunder shall also extend to the Trustee, and the Trustee and the holders of the Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements herein contained.

SECTION 11.4. *No Additional Waiver Implied by One Waiver.* Any waiver by a party of its rights with respect to an event of default under this Falling Water Contract, or with respect to any other matter arising in connection with this Falling Water Contract, shall not be deemed to be a waiver with respect to any other matter arising in connection with this Falling Water Contract. No delay in asserting or enforcing any rights hereunder shall be deemed a wavier of such rights.

ARTICLE XII

SPECIAL COVENANTS

SECTION 12.1. *Compliance with Laws, Rules and Regulations.* The Idaho Power Company and the Constructing Agency agree in the performance of their obligations hereunder to comply fully with all laws, rules and regulations pertaining to the subject matter of this Falling Water Contract including particularly the Federal Power Act, the Idaho Public Utilities Act and the rules and regulations of the Federal Power Commission and the Idaho Public Utilities Commission, and to the extent that their operations may be subject to the jurisdiction of any state or Federal regulatory agencies, subject to the terms of all valid and applicable orders of any of such agencies. This Falling Water Contract is subject to the laws of the State of Idaho and is subject to the approval of any state or Federal regulatory agency having jurisdiction thereof. The Idaho Power Company agrees to pay any and all costs and expenses of itself and the Constructing Agency in effecting compliance with any such laws, rules, regulations and orders which apply to construction, operation or maintenance of the Powerplant. Before incurring any such costs or expenses the Constructing Agency shall consult with the Idaho Power Company.

SECTION 12.2. *No Warranty of Suitability.* The Constructing Agency makes no warranty, either express or implied, as to the Replacement Dam or the Falling Water or that the Replacement Dam or the Falling Water or the design or the operation of the Replacement Dam will be suitable for Idaho Power Company's purposes or needs.

SECTION 12.3. *Rights of Access to the Constructing Agency and the United States for Construction, Operation, and Maintenance of the American Falls Replacement Dam Program.* The Constructing Agency and the Contracting Officer and their duly authorized agents, shall, without charge, have such rights of access to the Powerplant and for ingress and egress on all lands which are within the project area as defined in the License, as may be reasonably necessary to coordinate the construction of the Powerplant with the construction of the Replacement Dam, to permit the proper operation and maintenance of the Existing Dam during the construction of the Replacement Dam including the interim operation of the water control structures (as defined in the Government Contract) of the Replacement Dam at such time during construction that water control at the Existing Dam is transferred to water control at the Replacement Dam, and upon substantial completion of the Replacement Dam and Related Facilities for the proper operation and maintenance thereof by the United States.

The United States shall have the right to utilize without charge in the operation and maintenance of the Minidoka Project those lands of the United States which are within the area covered by the Idaho Power Company's License for the construction and operation and maintenance of the Powerplant, so long as such use by the United States is not inconsistent with or does not interfere with the uses intended in the License.

SECTION 12.4. *Corporate Existence of Idaho Power Company; Mergers and Consolidation.* The Idaho Power Company agrees that during the Original Term of this Falling Water Contract it will maintain its corporate existence, will continue to be a corporation either organized under the laws of or duly qualified to do business as a foreign corporation in the State of Idaho, and will not dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation unless the acquirer of its assets or the corporation with which it shall consolidate or into which it shall merge shall be a corporation organized and existing under the laws of one of the States of the United States of America and shall be qualified and admitted to do business in the State of Idaho, shall be or as a result of the

transaction shall become a public utility, shall have a net worth immediately subsequent to such acquisition, consolidation or merger at least equal to that of the Idaho Power Company immediately prior to such acquisition, consolidation or merger, and shall assume in writing all of the obligations of the Idaho Power Company herein.

SECTION 12.5. *Approvals.* Whenever under the provisions of this Falling Water Contract the approval of the Idaho Power Company is required or the Constructing Agency is required to take some action at the request of the Idaho Power Company, such approval or such request shall be made by the Authorized Idaho Power Company Representative unless otherwise specified in this Falling Water Contract and the Constructing Agency or the Trustee shall be authorized to act on any such approval or request and the Idaho Power Company shall have no complaint against the Constructing Agency or the Trustee as the result of taking any such action.

SECTION 12.6. *Financial Reports of Idaho Power Company and Constructing Agency.* The Idaho Power Company agrees to furnish to the Constructing Agency and to the Trustee a copy of each of the financial statements certified by a certified public accountant that it customarily furnishes to its stockholders. The Constructing Agency agrees annually to furnish to the Idaho Power Company, the Trustee, the Contracting Officer and each of the Spaceholders, a copy of a report of an independent certified public accountant, or state auditing official, if appropriate, reflecting in reasonable detail the status of each fund or account created under the terms of the Indenture, including the amount and source of the deposits therein, the amount and purpose of withdrawals, and the balance therein at the beginning and end of each fiscal year, as defined in the Indenture.

SECTION 12.7. *Non-Arbitrage Certifications and Representations.* The Constructing Agency and the Idaho Power Company covenant and represent to each other that:

1. On the basis of their own knowledge, and on examination of the reports and cost projections in connection with the construction of the American Falls Replacement Dam Program:

(a) All of the principal proceeds of the Series 1976 Bonds are needed for the purpose of paying the Cost of Construction of the American Falls Replacement Dam Program, including expenses preliminary and incidental thereto and to the issuance of the Series 1976 Bonds.

(b) At least 85% of the expendable proceeds of the Series 1976 Bonds, including investment proceeds, will be expended for the Cost of Construction of the American Falls Replacement Dam Program on or before three years following the date of issue of the Series 1976 Bonds.

(c) The Constructing Agency, prior to the issuance of the Series 1976 Bonds, will have incurred substantial binding obligations equal to at least 2½% of the total Cost of Construction of the American Falls Replacement Dam Program.

(d) Work on the construction of the American Falls Replacement Dam Program is expected to proceed with due diligence to completion.

(e) Except as required pursuant to the provisions of the Act of December 28, 1973, the American Falls Replacement Dam Program is not expected to be sold or otherwise disposed of, in whole or in part, prior to the maturity of the Series 1976 Bonds.

(f) Accrued interest received upon the sale of the Series 1976 Bonds is to be applied to the first interest due thereon.

2. On the basis of the foregoing certifications and representations, it is not expected by either the Constructing Agency or the Idaho Power Company that the proceeds of the Series 1976 Bonds will be used in a manner that would cause the Series 1976 Bonds to be classified as an "arbitrage bond" under Section 103(d) of the Internal Revenue Code of 1954, as amended, and the regulations

promulgated under that section; that to the best knowledge and belief of the Constructing Agency and the Idaho Power Company, there are no facts or circumstances that would materially change the foregoing conclusion.

SECTION 12.8. *Non-Arbitrage Covenants.* The Constructing Agency and the Idaho Power Company jointly and severally covenant that so long as any of the Series 1976 Bonds shall remain outstanding and any provision in this Falling Water Contract or the Indenture to the contrary notwithstanding with respect to an investment of moneys, whether such moneys were derived from the proceeds of the Series 1976 Bonds, or from any other source, no use will be made of such moneys which, if such use could have been reasonably expected on the date of the issue of the Series 1976 Bonds, would have caused the Series 1976 Bonds to be classified as an "arbitrage bond" within the meaning of Section 103(d) of the Internal Revenue Code of 1943, as amended, and further jointly and severally covenant to comply with the requirements of said Section 103(d) and any regulations promulgated thereunder.

ARTICLE XIII

ASSIGNMENT

SECTION 13.1. *Conditions on Assignments by Idaho Power Company.* This Falling Water Contract may be assigned in whole or in part, and the use of the Falling Water may be assigned as a whole or in part, by the Idaho Power Company without the necessity of obtaining the consent of either the Constructing Agency or the Trustee, but only upon obtaining the consent of the Secretary, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 12.4 hereof) shall relieve the Idaho Power Company from primary liability for any of its obligations hereunder, and in the event of any such assignment the Idaho Power Company shall continue to remain primarily liable for payment of the Falling Water Payments and the Supplemental Falling Water Payments, and for the performance and observance of the other covenants, representations, warranties and agreements on its part herein provided to be performed and observed by it to the same extent as though no assignment has been made.

(b) The assignee of the Idaho Power Company shall expressly assume in writing the obligations of the Idaho Power Company hereunder to the extent of the interest assigned.

(c) The Idaho Power Company shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Constructing Agency, the Secretary and the Trustee a true and complete copy of each such assignment or assumption or obligation as the case may be.

SECTION 13.2. *Assignments or Dissolution by Constructing Agency.* The Constructing Agency may assign its interest in, and pledge any moneys receivable under this Falling Water Contract, to the Trustee pursuant to the Indenture as security for payment of the principal of and interest on the Bonds, and applicable premium, if any, but each such assignment or pledge shall be subject and subordinate to the rights of the Idaho Power Company under this Falling Water Contract. The Constructing Agency, to the extent it may legally so covenant, covenants and agrees with Idaho Power Company that it will not dissolve or otherwise abandon its existence so long as this Falling Water Contract is in existence without the written consent of the Contracting Officer and the Idaho Power Company, and so long as any of the Bonds are outstanding, without the written consent of the Trustee.

ARTICLE XIV

GENERAL

SECTION 14.1. *Original Term; Liability of Constructing Agency.* This Falling Water Contract shall become effective upon its execution by the Constructing Agency and the Idaho Power Company and its approval by the Contracting Officer and, unless extended as hereinafter provided in Section 14.2

hereof, or unless this Falling Water Contract shall have been terminated in accordance with the provisions of Section 4.10 hereof, the Original Term of this Contract shall terminate on March 31, 2025, being fifty (50) years from the date of the License. The Idaho Power Company irrevocably waives, to the extent that it lawfully may, any defense based on the adequacy of a remedy at law which might be asserted as a bar to the remedy of specific performance, any suit in equity, action at law, or other legal or equitable proceeding brought against it for specific performance of the obligation of Idaho Power Company to make the Falling Water Payments and the Supplemental Falling Water Payments of this Falling Water Contract by the Constructing Agency, any receiver or the Trustee, as well as any defense to any other such proceeding which might be brought against the Idaho Power Company to enforce any of the rights or remedies provided for in this Falling Water Contract based on the fact that, at the time any payment hereunder is requested, the Constructing Agency is or may be insolvent. The Idaho Power Company's remedy for any act or omission by the Constructing Agency shall be limited to an action or actions for specific performance of this Falling Water Contract by the Constructing Agency; provided, however, as long as any Bonds are outstanding no such action shall be taken which will reduce the amount of the Installments of the Falling Water Payments or the amount of the Supplemental Falling Water Payments needed to pay principal of, premium, if any, or interest on the Bonds or will interfere with the right of the Trustee to receive and apply such Falling Water Payments and Supplemental Falling Water Payments. It is recognized by the Constructing Agency and the Idaho Power Company that the end of the term of this Falling Water Contract shall not preclude the other from seeking damages for any cause of action which shall have arisen prior to the end of the term of this Falling Water Contract.

SECTION 14.2. *Renewal Term.* If, after expiration of the Original Term of the License of the Idaho Power Company for the construction, operation, and maintenance of the Powerplant, such License is continued or renewed this Falling Water Contract shall thereupon be continued in effect during such period of continuation or the Renewal Term; provided, however, that the Constructing Agency and the Idaho Power Company may mutually consent to such annual payments to be made by Idaho Power Company to the Constructing Agency on behalf of the Spaceholders as shall be agreed to at that time.

SECTION 14.3. *Execution of Documents.* The Constructing Agency and the Idaho Power Company, upon request by the other, shall make, execute and deliver any and all documents reasonably required to implement the terms of this Falling Water Contract.

SECTION 14.4. *Supplements and Amendments.* Prior to the sale of the Series 1976 Bonds this Falling Water Contract may be supplemented or amended with the consent of the Secretary, for the purpose of complying with any directive, order or license requirement of the Federal Power Commission or of any other regulatory agency having jurisdiction over the parties and the Powerplant, or of any order, judgment or decree of any court of competent jurisdiction, either state or Federal, provided that no such supplement or amendment shall reduce the obligation of the Idaho Power Company to pay the Falling Water Payments or the Supplemental Falling Water Payments.

Subsequent to the sale of the Series 1976 Bonds, and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), this Falling Water Contract may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee and of the Secretary.

SECTION 14.5. *Spaceholders Third Party Beneficiaries.* The parties hereto recognize that the Spaceholders on whose behalf Spaceholder Contracts have been executed with the Constructing Agency in accordance with Section 3 of the Act of December 28, 1973, are in fact third party beneficiaries of the obligations of Idaho Power Company to make the Falling Water Payments and the Supplemental Falling Water Payments pursuant to this Falling Water Contract. The rights of Spaceholders shall be governed by the provisions of the Spaceholder Contracts entered among the Spaceholders, the Contracting Officer, and the Constructing Agency. The monetary return to the Constructing Agency as a result of this Falling Water Contract, shall be utilized to defray the Cost of Construction of the American Falls Replacement Dam Program as hereinabove agreed for the proportionate benefit of all Spaceholders on whose behalf

contracts are executed for the repayment of their proportionate share of the Cost of Construction of the American Falls Replacement Dam Program.

SECTION 14.6. *Notices; Manner of Giving; Duplicate Copies to United States and Trustee.* Any notice, demand, or request provided for in this Falling Water Contract, or given or made in connection with this Falling Water Contract to or upon the Constructing Agency, shall be deemed to be properly given or made if delivered or sent by registered mail to 1132 Locust Street, Twin Falls, Idaho 83301. Any notice, demand, or request provided for in this Falling Water Contract to or upon the Idaho Power Company shall be deemed to be properly given or made if delivered or sent by registered mail to 1220 Idaho Street, Boise, Idaho 83701. Any notice, demand, or request provided for in this Falling Water Contract, or given or made in connection with this Falling Water Contract to or upon the United States, shall be deemed to be properly given or made if delivered or sent by registered mail to Regional Director, Pacific Northwest Region, Bureau of Reclamation, Box 043, 550 West Fort Street, Boise, Idaho 83724.

Any notice, demand or request provided for in this Falling Water Contract or given in connection with this Falling Water Contract to or upon the Trustee shall be deemed to be properly given or made if delivered or sent by registered mail to the corporate trust office of the Trustee.

Any notice, demand or request provided for in this Falling Water Contract or given in connection with this Falling Water Contract to or upon the Spaceholders shall be deemed to be properly given or made if delivered or sent by registered mail to the Authorized Spaceholder Representative.

A duplicate copy or copies of each notice given hereunder by either the Constructing Agency or the Idaho Power Company to the other shall also be given to the United States and the Trustee. A duplicate copy of each notice given by either Constructing Agency or Idaho Power Company to either the Trustee or the United States shall also be given to the other party hereto.

The designation or the address of any person specified in this Section may be changed at any time by written notice to the other persons whose addresses are set forth in this Section.

SECTION 14.7. *Benefit of Falling Water Contract.* This Falling Water Contract shall inure to the benefit of and shall be binding upon the Constructing Agency, the Idaho Power Company, and their respective successors and assigns, subject, however, to the limitations contained in Sections 12.4, 13.1 and 13.2 hereof.

SECTION 14.8. *Severability.* In the event any provision of this Falling Water Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 14.9. *Amounts in Bond Fund.* Any amounts remaining in the Bond Fund upon expiration or sooner termination of the Original Term as provided in this Falling Water Contract, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the fees, charges and expenses of the Trustee and paying agents in accordance with the Indenture and all other amounts required to be paid under this Falling Water Contract and the Indenture, shall be paid by the Trustee to the Constructing Agency for disposition in accordance with the provisions of the Spaceholder Contracts and to Idaho Power Company in the proportion that the respective obligations of the Spaceholders and of Idaho Power Company to pay the principal of the Bonds as determined under Sections 9.7, 9.10 and 9.11 hereof bears to the total principal amount of the Bonds.

SECTION 14.10. *Execution in Counterparts.* This Falling Water Contract may be executed in several counterparts, each of which shall be an original, and all such shall constitute and be one and the same instrument.

SECTION 14.11. *Choice of Law.* This Falling Water Contract shall be construed and governed exclusively by the applicable laws of the State of Idaho.

SECTION 14.12. *Waiver of Subrogation Rights.* No payment of any kind to the Trustee or the holders of the Bonds by the Idaho Power Company pursuant to the provisions hereof, including without limitation Section 11.2 hereof, shall entitle the Idaho Power Company, by subrogation to the rights of the holders of the Bonds in respect of which such payment is made or otherwise, to any payment by the Constructing Agency or to any payment required to be made by a Spaceholder pursuant to a Spaceholder Contract or out of the property of Constructing Agency in enforcement of the Indenture or otherwise, except after payment in full of the entire principal of and premium, if any, and interest on the Bonds and any and all indebtedness evidenced by the Bonds or the Indenture, or provision for such payment satisfactory to the Trustee.

IN WITNESS WHEREOF, the Constructing Agency and the Idaho Power Company have caused this Falling Water Contract to be executed in their respective names and their respective seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

AMERICAN FALLS RESERVOIR DISTRICT

By: /s/ JOHN M. BARKER
President

(SEAL)

Attest:

/s/ DIANNE BRIDEGUM
Secretary

IDAHO POWER COMPANY

By: /s/ JAMES E. BRUCE
President

(SEAL)

Attest:

/s/ PAUL L. JAUREGUI
Secretary

APPROVED this 31st day of March, 1976

UNITED STATES SECRETARY OF THE INTERIOR

By: /s/ RODNEY J. VISSIA
Regional Director

Pacific Northwest Region
Bureau of Reclamation
Box 043—550 West Fort Street
Boise, Idaho 83724

STATE OF IDAHO }
COUNTY OF ADA } ss.

On this 24th day of March, in the year 1976, before me, John A. Rosholt, a Notary Public, personally appeared John M. Barker and Dianne Bridegum, known to me to be, respectively, the President and the Secretary of the American Falls Reservoir District that executed the said instrument, and acknowledged to me that the American Falls Reservoir District executed the same.

IN WITNESS WHEREOF, I set my hand and affix my official seal the day and year first above written.

/s/ JOHN A. ROSHOLT

Notary Public in and for the State of Idaho

Residing at: Twin Falls, Idaho

My commission expires: 1979

(SEAL)

STATE OF IDAHO }
COUNTY OF ADA } ss.

On this 24th day of March, in the year 1976, before me, Mary L. Morton, a Notary Public, personally appeared James E. Bruce and Paul L. Jauregui, known to me to be the President and Secretary of the corporation that executed the said instrument on behalf of said corporation, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I set my hand and affix my official seal the day and year first above written.

/s/ MARY L. MORTON

Notary Public in and for the State of Idaho

Residing at: Boise, Idaho

My commission expires: 4-1-76

(SEAL)

SPACEHOL
HOLDINGS OF SPACE IN AMER. ..N FALLS RESERVOIR

Water User	Contract No.	Date	Date of Supplemental Contract	Approximate Acre-Feet	Percent of Active Capacity —Percent to Distribute Construction Costs	Percent to Distribute Annual Replacement Dam Operation and Maintenance Costs	Percent to Distribute Annual Water Quality Operation and Maintenance Costs
UPPER VALLEY ORGANIZATIONS							
Aberdeen-Springfield Canal Company(1)	14-06-W-24	10-22-52	9-26-63	32,572	1.9160	1.8276	1.9680
Andrus, Ray	14-06-100-7771	5-16-73	None	191	0.0112	.0107	.0115
The Blackfoot Irrigating Company	14-06-W-39	12-12-52	2-6-63	12,763	0.7508	.7161	.7712
The Butte and Market Lake Canal Company	14-06-W-38	12-12-52	2-6-63	4,666	0.2745	.2618	.2819
Clement Brothers, a partnership	14-06-100-7446	9-9-72	None	71	0.0042	.0040	.0043
Corbet Slough Ditch Company	14-06-W-12	12-12-52	2-6-63	3,396	0.1998	.1905	.2052
The Enterprize Canal Company, Ltd.	14-06-W-15	12-12-52	2-1-63	8,923	0.5249	.5007	.5392
Enterprise Irrigation District	14-06-100-1912	6-2-60	None	10,188	0.5993	.5716	.6156
Harrison Canal and Irrigation Company	14-06-W-30	12-12-52	2-1-63	12,025	0.7074	.6747	.7266
Michaud Division, Fort Hall Indian Reservation	Memorandum of Agreement	4-25-57	None	47,700	2.8059	2.6764	2.8822
New Sweden Irrigation District	14-06-W-14	12-12-52	2-1-63	25,731	1.5136	1.4438	1.5547
Poplar Irrigation District	14-06-W-45	12-18-52	2-1-63	673	0.0396	.0378	.0407
Progressive Irrigation District	14-06-W-47	12-18-52	1-31-63	12,485	0.7344	.7005	.7544
Rudy Canal Company, Limited	14-06-W-37	12-12-52	2-1-63	2,649	0.1558	.1486	.1601
Snake River Valley Irrigation District	14-06-W-35	12-12-52	2-1-63	26,367	1.5510	1.4795	1.5932
The Trego Ditch Company	14-06-W-23	12-12-52	2-6-63	1,314	0.0773	.0737	.0794
LOWER VALLEY ORGANIZATIONS							
American Falls Reservoir District(2)	14-06-W-59	5-13-54	3-14-60	460,170	27.0688	25.8199	27.8048
American Falls Reservoir District No. 2	14-06-W-73	10-14-54	2-2-60	400,000	23.5294	22.4438	24.1692
Hillsdale Irrigation District	Ilr-252	7-22-23 as amended and supplemented	None	41,146	2.4203	2.3087	2.4862
Milner Low Lift Irrigation District	14-06-W-92	1-7-55	1-21-66	45,687	2.6875	2.5635	2.7605
North Side Canal Company, Limited(1)	14-06-W-28	12-12-52	2-29-60	118,380	6.9635	6.6422	7.1529
A & B Irrigation District	14-06-100-2368	2-9-62	None	47,593	2.7996	2.6704	2.8757
Idaho Power Company	Ilr-733	6-15-23	None	45,000	2.6471	7.1388(3)	None

(1) Also has space through American Falls Reservoir District.

(2) American Falls Reservoir District holds this space for the following:

UPPER VALLEY ORGANIZATIONS	Percent of Capacity	Approximate Acre-Feet
Aberdeen-Springfield Canal Co.	1.3541	23,019
Martin Canal Co.	0.0839	1,426
Woodville Canal Co.	0.3356	5,706
LOWER VALLEY ORGANIZATIONS		
North Side Canal Co., Ltd.	16.4020	278,834
Twin Falls Canal Co.	8.8932	151,185
	27.0688*	460,170

* Erroneously typed as 27.0687 in supplemental contract of 3-14-60.

(3) Computed on the basis of article 17 of the contract of 6-15-23.

EXHIBIT I

NON-PARTICIPATING WATERUSERS

HOLDINGS OF SPACE IN AMERICAN FALLS RESERVOIR

Water User	Contract No.	Date	Date of Supplemental Contract	Approximate Acre-Feet	Percent of Active Capacity —Percent to Distribute Construction Costs	Percent to Distribute Annual Replacement Dam Operation and Maintenance Costs	Percent to Distribute Annual Water Quality Operation and Maintenance Costs
UPPER VALLEY ORGANIZATIONS							
Burgess Canal and Irrigating Company..	14-06-W-41	12-18-52	2-1-63	9,496	0.5586	.5328	.5738
Dilts Irrigation Company, Limited	14-06-W-32	12-12-52	2-6-63	886	0.0521	.0497	.0535
Falls Irrigation District	14-06-100-851	12-9-55	9-15-64	23,300	1.3706	1.3074	1.4079
Idaho Irrigation District	14-06-W-33	12-12-52	2-6-63	22,911	1.3477	1.2855	1.3844
The Lenroot Canal Company	14-06-W-22	12-12-52	2-1-63	3,868	0.2275	.2170	.2337
The Martin Canal Company(1)	14-06-W-36	12-12-52	9-10-73	580	0.0341	.0326	.0350
Peoples Canal & Irrigation Company ...	14-06-W-44	12-18-52	1-31-63	21,415	1.2597	1.2016	1.2940
Reid Canal Company	14-06-W-10	12-12-52	2-6-63	2,549	0.1499	.1430	.1540
Utah-Idaho Sugar Company ..... (Osgood tract)	Ilr-538	6-6-25	(2)	13,459	0.7917	.7552	.8132
The Woodville Canal Company(1)	14-06-W-49	12-18-52	9-10-73	341	0.0200	.0191	.0206
LOWER VALLEY ORGANIZATIONS							
Burley Irrigation District	14-06-W-48	12-18-52	1-25-60	157,942	9.2907	8.8621	9.5433
Minidoka Irrigation District	14-06-100-1833	2-2-60	None	83,563	4.9155	4.6887	5.0491

(1) Also has space through American Falls Reservoir District.

(2) Has contract for 15,852 acre-feet—is entitled to an additional 5,378 acre-feet of which total 7,771 is transferred to Jackson. Contract to accomplish this is in progress.

EXHIBIT H