

Edl, Michele

From: Rick Sterling [Rick.Sterling@puc.idaho.gov]
Sent: Monday, March 07, 2011 10:55 AM
To: Edl, Michele
Subject: RE: Faulkner Hydro FERC #7592

Michele --

Xan Allen of our office will be emailing you a copy of the power sales agreement between Faulkner Land and Livestock and Idaho Power. I checked our files and confirmed that there have been no amendments to the original contract.

-- Rick

From: Edl, Michele [<mailto:Michele.Edl@idwr.idaho.gov>]
Sent: Friday, March 04, 2011 9:19 AM
To: Rick Sterling
Subject: Faulkner Hydro FERC #7592

Rick,

I am tackling the licensing review for another old hydropower water right.

I believe that the Faulkner Land and Livestock Co or Faulkner Bros Hydro (FERC #7592) had a sales agreement with Idaho Power Co. Contrary to the field examiner's statement, the facility generates more power than the ranch can use. The original agreement may have been dated sometime in late 80's. FERC amended exemption #7592 to increase generation capacity in 1989 so there may be an amendment to the sales agreement too.

Could you or your staff look through the PUC files for a copies of those documents? And if you find them, could I get copies for IDWR files?

Thanks again.

Michele

Edl, Michele

From: Xan Allen [Xan.Allen@puc.idaho.gov]
Sent: Monday, March 07, 2011 10:33 AM
To: Edl, Michele
Subject: Faulkner Land and Livestock Company Agreement



Agreement -
Faulkner Land & Li..

Per Commission Order
No. 20986.

Facility No: 31615121
Project: Faulkner Ranch

Myrna J. Walters
Myrna J. Walters
Commission Secretary

FIRM ENERGY SALES AGREEMENT

THIS AGREEMENT, entered into on this 11th day of December, 1986, is between FAULKNER LAND AND LIVESTOCK COMPANY, INC, an Idaho corporation (Seller), and IDAHO POWER COMPANY, a Maine corporation (Idaho) hereinafter sometimes referred to collectively as "parties" or individually as "party."

W I T N E S S E T H:

WHEREAS, Seller plans to construct, own and operate an electric generation facility; and

WHEREAS, Seller wishes to sell, and Idaho wishes to purchase, electric energy from that facility,

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

ARTICLE I: DEFINITIONS

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

1.1 "Annual Net Energy" - The amount of Net Energy Seller estimates it will deliver to Idaho at the Point of Delivery during each Contract Year.

1.2 "Commission" - The Idaho Public Utilities Commission.

1.3 "Contract Year" - The period commencing each calendar year on the same calendar date as the Operation Date and ending 364 days thereafter.

1.4 "Designated Dispatch Facility" - Idaho's Boise Bench System Dispatch Center.

1.5 "Disconnection Equipment" - Any device or combination of devices located on the interconnection between the Facility and Idaho's system by which

Idaho can manually and/or automatically interrupt the flow of power from the Facility to Idaho's system. Disconnection Equipment includes such enclosures or other facilities as may be required to ensure that only Idaho will have access to the devices.

1.6 "First Energy Date" - The date when Seller has been interconnected with Idaho's system and begins delivering electric energy to Idaho for purposes of demonstrating to Idaho the Facility's degree of completion and reliability.

1.7 "Facility" - That electric generation facility described in Appendix B of this Agreement.

1.8 "Interconnection Facilities" - All facilities required to be installed solely to interconnect and deliver energy from the Facility to Idaho's system including, but not limited to, connection, switching, metering, relaying, communications and safety equipment.

1.9 "Losses" - The loss of energy occurring as a result of the transformation and transmission of energy between the Facility and the Point of Delivery.

1.10 "Net Energy" - The electric energy produced by the Facility, expressed in kilowatt hours ("kwh"), delivered to Idaho at the Point of Delivery less Station Use and less Losses.

1.11 "Operation Date" - The day commencing at 0001 hours, following the day during which all features and equipment of the Facility have reached a degree of completion and reliability, such that they are capable of operating simultaneously to deliver Net Energy continuously into Idaho's system.

1.12 "Point of Delivery" - The location specified in Appendix B, where Idaho's and Seller's electrical facilities are interconnected.

1.13 "Prudent Electrical Practices" - Those practices, methods and equipment that are commonly and ordinarily used in electrical engineering and operations to operate electric equipment lawfully and with safety, dependability, efficiency and economy.

1.14 "Scheduled Operation Date" - The date specified in Appendix B when Seller anticipates achieving the Operation Date.

1.15 "Season" - The four periods of three months each identified in Article VI.

1.16 "Seasonal Net Energy" - The amounts of Net Energy Seller estimates it will deliver to Idaho at the Point of Delivery during each Season.

1.17 "Special Facilities" - Those additions and alterations to Idaho's system which are reasonably required by Prudent Electrical Practices and the national Electric Safety Code to interconnect the Facility safely to Idaho's system.

1.18 "Station Use" - Electric energy which is used solely to operate the Facility's equipment which is auxiliary or directly related to the production of electricity and which, but for the generation of electricity, would not be consumed by Seller.

1.19 "Surplus Energy" - Net Energy which is delivered and accepted prior to the Operation Date.

ARTICLE II: NO RELIANCE ON IDAHO

2.1 Seller Independent Investigation - Except for the Disconnection Equipment and any other facilities exclusively within the control of Idaho, Seller warrants and represents to Idaho that in entering into this Agreement and the undertaking by Seller of the obligation set forth herein, Seller has

investigated and determined that it is capable of performing hereunder and has not relied upon the advice, experience or expertise of Idaho in connection with the transactions contemplated by this Agreement.

2.2 Seller Independent Experts - Except for the Disconnection Equipment and any other facilities within the exclusive control of Idaho, all professionals or experts including, but not limited to, engineers, attorneys or accountants, that Seller may have consulted or relied on in undertaking the transactions contemplated by this Agreement, have been solely those of Seller.

ARTICLE III: WARRANTIES

3.1 No Warranty by Idaho - Any review, acceptance or failure to review Seller's design, specifications, equipment or facilities shall not be an endorsement or a confirmation by Idaho, and Idaho makes no warranties, express or implied, regarding any aspect of Seller's design, specifications, equipment or facilities, including but not limited to safety, durability, reliability, strength, capacity, adequacy or economic feasibility.

3.2 Qualifying Facility Status - Seller warrants that the Facility is a "qualifying facility," as that term is used and defined in 18 CFR, Part 292. Seller will take such steps as may be required to maintain the Facility's "qualifying facility" status during the term of this Agreement.

ARTICLE IV: CONDITIONS TO INTERCONNECTION

4.1 Prior to the First Energy Date and as a condition of interconnection with Idaho, Seller shall:

4.1.1 Submit proof to Idaho that all licenses, permits or approvals necessary for Seller's operations have been obtained from applicable

federal, state or local authorities, including but not limited to those licenses, permit or approvals specified in Appendix C;

4.1.2 Supply Idaho with a letter of credit in a form acceptable to Idaho to make payment for all costs of Disconnection Equipment, metering equipment and Special Facilities as provided for in Appendix B of this Agreement; the costs in Exhibit "B" shall be adjusted in the event Seller exercises Seller's option to construct Seller's own Special Facilities;

4.1.3 Obtain written acceptance from Idaho as provided in paragraph 8.3;

4.1.4 Submit proof to Idaho of all insurance required in Article XIV;

4.1.5 Demonstrate to Idaho's satisfaction that Seller's Facility has been completed, and is capable of operating safely to commence deliveries of electric energy into Idaho's system.

4.1.6 Submit to Idaho a statement from a licensed professional engineer certifying that the design of and equipment in Seller's Facilities comply with the standards of this Agreement and with Prudent Electrical Practices.

4.1.7 Obtain written confirmation from Idaho that all conditions to interconnection have been fulfilled. It is understood that such written confirmation shall not be unreasonably withheld by Idaho.

ARTICLE V: TERM AND OPERATION DATE

5.1 Term - This Agreement shall become effective on the date first above written, and shall continue in full force and effect for a period of thirty-five (35) Contract Years.

5.2 Operation Date - The Operation Date may occur only after Seller has achieved the First Energy Date, and the necessary degree of completion and reliability has been demonstrated and Idaho has confirmed that fact in writing. Seller shall have the duty to obtain that confirmation and it will not be unreasonably withheld by Idaho.

ARTICLE VI: SALE OF NET ENERGY

6.1 Delivery and Acceptance of Net Energy - Except when either party's performance is prevented by events of force majeure (Article XVI) or otherwise excused as provided herein, Idaho shall purchase all of the Net Energy and Surplus Energy delivered by Seller to the Point of Delivery.

6.2 Seasonal Net Energy Amounts - Based on long-term historical water flow records and average long-term energy estimates based thereon, Seller estimates that it can deliver Net Energy in the following amounts:

Season 1	December	677,200 KWH
	January	
	February	
Season 2	March	1,205,400 KWH
	April	
	May	
Season 3	June	1,833,500 KWH
	July	
	August	
Season 4	September	1,538,600 KWH
	October	
	November	

6.3 Annual Net Energy Amount - The Annual Net Energy shall be 5,254,700 KWH and shall be the sum of the four Seasonal Net Energy amounts Seller specified above.

6.4 Normal Water Conditions - For hydroelectric generating facilities, the Net Energy amounts Seller has estimated it can supply are based upon the anticipated water flows at the Facility. The parties have reviewed these anticipated water flows and the water records supporting those projected water flows and have agreed that, for purposes of this Agreement, the projected water flows used to calculate the Annual Net Energy amount are reasonable and shall constitute the water flows available to the Facility under "normal" water conditions. No later than 120 days after the Operation Date, Seller will install, operate and maintain such water flow measuring equipment as is reasonably required to permit the parties to monitor the water flows at the Facility site.

6.5 Net Energy Changes - If, during the first three Contract Years, as a result of some action by Seller (for example, procurement of additional long-term water or other fuel supplies, or installation of larger or more efficient generating equipment), Seller is able to permanently increase the amount of annual Net Energy delivered to Idaho by more than 25% above the amount specified in paragraph 6.3 above, Idaho shall purchase this increased amount of Net Energy under the terms and conditions of this Contract except that the price paid to Seller for the increased increment of Net Energy over 25% shall not be determined in accordance with paragraph 7.1 of this Agreement, but instead will be priced at the firm energy rate in effect at the time of such increase for a Contract term equal in length to the period commencing in the year of the Net Energy increase and ending in the year in which this Agreement expires. After the first three Contract Years, the 25% amount referred to above shall be reduced to 10%, or, at the option of Seller, shall

be sold separately to Idaho as Annual Net Energy under a separately negotiated agreement.

ARTICLE VII: PURCHASE PRICE AND METHOD OF PAYMENT;
ADJUSTMENT OF PURCHASE PRICE

7.1 Net Energy Purchase Price - The price to be paid to Seller for Net Energy which is not Surplus Energy will be the sum of the following payments:

7.1.1 Base Payment -

Season 1	80.1 Mills/KWH
Season 2	53.4 Mills/KWH
Season 3	80.1 Mills/KWH
Season 4	53.4 Mills/KWH

7.1.2 Adjustable Payment - In addition to the Base Payment specified in paragraph 7.1.1, Idaho shall pay to Seller an Adjustable Payment of 8.0 mills per kilowatt hour for Net Energy delivered and accepted in Seasons 1 and 3 and 5.4 mills per KWH for Net Energy delivered and accepted in Seasons 2 and 4. The Adjustable Payment shall be subject to change pursuant to Commission Order.

7.2 Surplus Energy Purchase Price - Surplus Energy will be purchased at the non-firm avoided energy rate in effect at the time of delivery. This rate is calculated monthly and is filed with the Commission.

7.3 Continuing Jurisdiction of the Commission - This agreement is a special contract and as such, the rates, terms and conditions contained in this Agreement will be construed in accordance with *Idaho Power Company v Idaho Public Utilities Comm'n and Afton Energy, Inc*, 107 Idaho 781, 693 P2d 427

(1984), *Idaho Power Company v Idaho Public Utilities Comm'n*, ____ Idaho ____, 695 P2d 1261 (Idaho 1985), Section 210 of the Public Utilities Regulatory Policies Act of 1978, and 18 CFR § 292.303-308.

ARTICLE VIII: FACILITY AND INTERCONNECTION

8.1 Design of Facility - Seller shall design, construct, install, own, operate and maintain the Facility. The Facility shall be designed and constructed so as to allow safe, reliable delivery of electric energy to Idaho's system.

8.2 Interconnection Facilities - Except for the Special Facilities, metering equipment and Disconnection Equipment specified in Appendix B, Seller shall construct, install, own, and maintain all Interconnection Facilities. Seller will pay all costs of interconnecting the Facility with Idaho.

8.3 Idaho Review - To assure the Facility and Seller-furnished Interconnection Facilities are of suitable size and are compatible with Idaho's system, Seller shall submit the designs, plans, specifications and performance data for the Facility and Seller-furnished Interconnection Facilities to Idaho for review. Idaho shall, in writing and in conformance with paragraph 4.1.3, notify Seller of its acceptance and confirmation of system compatibility or conversely, notify Seller, in writing, of any changes which, consistent with Prudent Electrical Practices, Idaho reasonably determines are necessary to assure the safe delivery of electric energy from the Facility to Idaho's system. Written notification shall not unreasonably be withheld.

ARTICLE IX: DISCONNECTION EQUIPMENT

9.1 Disconnect Equipment - Idaho will, at Seller's expense, provide, install, own, operate, and maintain all Disconnection Equipment. At Seller's request, Idaho will provide Seller with the general specifications and an itemization by category of the costs of such Disconnection Equipment. Idaho will establish the settings of Disconnection Equipment to disconnect automatically from the Facility for the protection of Idaho's system and personnel consistent with Prudent Electrical Practices. Idaho will notify Seller as to the original setting and any adjustments thereof. Except as otherwise required by Prudent Electrical Practices, Disconnection Equipment will be designed so that the closure of any breaker or other disconnecting device which connects the Facility to Idaho's system shall be controlled by equipment which will perform the following:

(1) Automatically monitor the status of the electrical system on Idaho's side of the disconnecting device; as to voltage and frequency; and

(2) Prohibit closure or reconnection until voltage and frequency have been within approved limits for a continuous period of not less than five minutes; and

(3) Operate so that if Idaho's system is de-energized within ten seconds after the initial closure of the disconnecting device, the disconnecting device will immediately open and not close again until Idaho has been satisfied that Idaho can safely reclose the Disconnecting Equipment.

9.2 Security of Disconnect Equipment - The Disconnection Equipment will be located in an enclosure secured by a lock or otherwise secured in a manner designed to ensure that only Idaho's authorized personnel will have access to the disconnecting devices.

9.3 Remote Disconnection - Other Disconnection Equipment, including equipment which will provide Idaho's operating personnel with the ability to remotely control and monitor the status of the breaker or other disconnecting device by radio or hard-wire circuit between the Facility and the Designated Dispatch Facility may be specified by Idaho when, in Idaho's reasonable judgment, such equipment is required by Prudent Electrical Practices. Seller recognizes that such remote control equipment may not initially be required by Idaho, but at such time as operating conditions on Idaho's system dictate, Idaho will install this remote control equipment at Seller's expense. If Seller disputes Idaho's determination that the installation of such remote Disconnection Equipment is required, such dispute shall be submitted to the Commission for resolution and, pending Commission resolution, Idaho may not withhold payments from Seller for reimbursement of the cost of the remote disconnection equipment.

9.4 Interference with Disconnection Equipment - If Seller attempts to modify, adjust or otherwise interfere with the Disconnection Equipment or its enclosure, such action shall constitute an event of default pursuant to Article XXI.

ARTICLE X: METERING

10.1 Metering - Idaho shall, for the account of Seller, provide, install, and maintain required metering equipment to be located at a mutually agreed upon location to record and measure power flows to Idaho in accordance with the standards set forth in Appendix A. If required by Idaho, metering will also include measurement of kilovar-hours in a manner agreed to by both parties. All meter equipment and installation costs therefor, shall be borne

by Seller, including costs incurred by Idaho for inspecting and testing such equipment at reasonable intervals at Idaho's actual cost of providing this equipment and services. The point of metering shall be at the location described in Appendix B. All meters used to determine the billing hereunder shall be sealed and the seals shall be broken only upon occasions when the meters are to be inspected, tested or adjusted.

10.2 Meter Inspection - Idaho shall inspect and test all meters upon their installation and at least once every four years thereafter. If requested by Seller, Idaho shall make a special inspection or test of a meter and Seller shall pay the reasonable costs of such special inspection. Both parties shall be notified of the time when any inspection or test shall take place, and each party may have representatives present at the test or inspection. If a meter is found to be inaccurate or defective, it shall be adjusted, repaired, or replaced, at Idaho's expense, in order to provide accurate metering. If a meter fails to register, or if the measurement made by a meter during a test varies by more than two percent from the measurement made by the standard meter used in the test, adjustment to the payments Seller has received shall be made to correct those payments affected by the inaccurate meter for the actual period during which inaccurate measurements were made. If the actual period cannot be determined, corrections to the payments will be based on the shorter of (1) a period equal to one-half the time from the date of the last previous test of the meter to the date of the test which established the inaccuracy of the meter; or (2) six (6) months.

ARTICLE XI: RECORDS

11.1 Maintenance of Records - Seller shall maintain at the Facility or such other location mutually acceptable to the parties, adequate metering and related power production records, in a form and content recommended by Idaho.

11.2 Inspection - Either party, after reasonable notice to the other party, shall have the right, during normal business hours, to inspect and audit any or all such metering and related power production records pertaining to Seller's account.

ARTICLE XII: PROTECTION

12.1 Seller shall construct, operate and maintain the Facility and Seller-furnished Interconnection Facilities in accordance with Appendix A, Prudent Electrical Practices, the National Electric Safety Code and any other applicable local, state, and federal codes. If, in the reasonable opinion of Idaho, Seller's operation of the Facility or Interconnection Facilities is unsafe or may otherwise adversely affect Idaho's equipment, personnel, or service to its customers, Idaho may physically interrupt the flow of energy from the Facility or take such other reasonable steps as Idaho deems appropriate. Except in the case of an emergency, Idaho will attempt to notify Seller of such interruption prior to its occurrence as provided in paragraph 13.8. Idaho shall not curtail or interrupt the flow of energy except in accord with Prudent Electrical Practices and as would be exercised by Idaho in those situations when Idaho would curtail or interrupt the flow of electrical energy in its own system. Seller shall provide and maintain adequate protective

equipment sufficient to prevent damage to the Facility and Seller-furnished Interconnection Facilities.

ARTICLE XIII: OPERATIONS

13.1 Emergency Conditions - Seller agrees that in the event of and during a period of a shortage of power on Idaho's system as declared by Idaho in its reasonable discretion, Seller shall, at Idaho's request and within the limits of reasonable safety requirements as determined by Seller, use its best efforts to provide requested Net Energy, and shall, if necessary, delay any scheduled shutdown of the Facility.

13.2 Communications - Idaho and Seller shall maintain appropriate operating communications through Idaho's Designated Dispatch Facility, and Seller shall report to Idaho at the times and in the manner set forth in Appendix A.

13.3 Energy Acceptance - Idaho shall be excused from accepting and paying for Net Energy delivered by Seller to the Point of Delivery under the following circumstances:

13.3.1 If it is prevented from doing so by an event of force majeure.

13.3.2 If Idaho reasonably determines that curtailment, interruption or reduction of Net Energy deliveries is necessary because of line construction or maintenance requirements, emergencies, or operating conditions on its system, as determined by Prudent Electrical Practices and consistent with situations in which Idaho would interrupt, curtail or reduce the flow of energy on its own system. If, for reasons other than an event of force majeure, Idaho requires such a curtailment, interruption

or reduction of Net Energy deliveries for a period that exceeds ten consecutive days or twenty days annually, beginning with the eleventh or the twenty-first day of such interruption, curtailment or reduction, as the case may be, Seller will be deemed to be delivering Net Energy at a rate determined by dividing the Annual Net Energy amount by 8760 hours. Idaho will notify Seller when the interruption, curtailment or reduction is terminated and such interruption, curtailment, or reduction shall be terminated with all reasonable dispatch.

13.4 Voltage Levels - Seller shall use its best efforts to minimize voltage swings and to maintain voltage levels acceptable to Idaho. Idaho may, upon one hundred eighty (180) days' notice to Seller, change its nominal operating voltage level by more than ten percent (10%) at the Point of Delivery, in which case Seller shall modify, at Idaho's expense, Seller's equipment as necessary to accommodate the modified nominal operating voltage level.

13.5 Power Factor - Seller shall provide power within plus or minus 5% of unity power factor. The generator shall be equipped with controls or equipment which give it the capability of operating anywhere within this range.

13.6 Scheduled Maintenance - Seller shall submit a proposed maintenance schedule for each calendar year on or before the preceding February 1, and Idaho and Seller shall mutually agree as to the acceptability or unacceptability of the proposed date(s). The parties' determination as to the acceptability of Seller's timetable for scheduled maintenance will take into consideration Prudent Electrical Practices and neither party shall unreasonably withhold its acceptance of the proposed date for scheduled maintenance.

13.7 Maintenance Coordination - The parties shall, to the extent practical, coordinate their respective line and Facility maintenance schedules such that they occur simultaneously.

13.8 Contact Prior to Curtailment - Idaho will make a reasonable attempt to contact Seller prior to exercising its rights to curtail, interrupt or reduce deliveries from Seller. Seller understands that in the case of emergency circumstances as determined by Prudent Electrical Practices and consistent with situations in which Idaho would immediately interrupt its own system, no notice will be given to Seller prior to interruption, curtailment, or reduction. Such interruption, curtailment or reduction shall be terminated with all reasonable dispatch.

ARTICLE XIV: INDEMNIFICATION AND INSURANCE

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

14.2 Insurance - During the term of this agreement, Seller shall secure and continuously carry:

14.2.1 Comprehensive General Liability Insurance for both bodily injury and property damage equivalent to the amount of \$1,000,000 combined single limit. Such insurance shall:

- (a) include an endorsement naming Idaho as an additional insured insofar as work performed under this agreement is concerned; and
- (b) include a provision stating that such liability policies shall not be canceled or their limits of liability reduced without thirty (30) days' written notice to Idaho.

14.2.2 Valued Loss of Income Insurance covering, at a minimum, the perils of fire, extended coverage, vandalism and malicious mischief, earthquake and flood and loss arising out of accidents to boilers and/or pressure vessels and mechanical and electrical breakdown coverage for turbines and generators. Such policies shall:

- (a) be in amounts equal to the repayment amounts shown in Appendix E that would be owed to Idaho pursuant to paragraph 21.2.
- (b) include a provision stating that this policy shall not be canceled or the limits reduced without thirty (30) days' written notice to Idaho.
- (c) include Idaho as an additional insured and loss payee.

14.2.3 Seller to Provide Copies of Policies of Insurance - It is a requirement of this contract that a certified copy of the original policies and all endorsements be furnished Idaho as soon as reasonably possible.

ARTICLE XV: LAND RIGHTS

15.1 Seller to Provide Access - Seller hereby grants to Idaho for the term of this Agreement all necessary rights of way and easements to install, operate, maintain, replace, and remove Idaho's metering equipment, Disconnection Equipment and other Special Facilities necessary or useful to this agreement, including adequate and continuing access rights on property of Seller. Seller warrants that it has procured sufficient easements and rights of way from third parties so as to provide Idaho with the access described above. All documents granting such easements or rights of way shall be subject to Idaho's approval and in recordable form. Such approval shall not be unreasonably withheld.

15.2 Use of Public Rights-of-Way - The parties agree that it is necessary to avoid the adverse environmental and operating impacts that would occur as a result of duplicate electric lines being constructed in close proximity. Therefore, subject to Idaho's compliance with paragraph 15.4, Seller agrees that should Seller seek and receive from any local, state or federal governmental body the right to erect, construct and maintain Seller-furnished Interconnection Facilities upon, along and over any and all public roads, streets and highways, then the use by Seller of such public right-of-way shall be subordinate to any future use by Idaho of such public right-of-way for construction and/or maintenance of electric distribution and transmission facilities and Idaho may claim use of such public right-of-way for such purposes at any time. Except as required by paragraph 15.4, Idaho shall not be required to compensate Seller for exercising its rights under this paragraph 15.2.

15.3 Joint Use of Facilities - Subject to Idaho's compliance with paragraph 15.4, Idaho may use and attach its distribution and/or transmission facilities to Seller's Interconnection Facilities, may re-construct Seller's Interconnection Facilities to accommodate Idaho's usage or Idaho may construct its own distribution or transmission facilities along, over and above any public right-of-way acquired from Seller pursuant to paragraph 15.2, attaching Seller's Interconnection Facilities to such newly constructed facilities. Except as required by paragraph 15.4, Idaho shall not be required to compensate Seller for exercising its rights under this paragraph 15.3.

15.4 Conditions of Use - It is the intention of the parties that the Seller be left in substantially the same condition, both financially and electrically, as Seller existed prior to Idaho's exercising its rights under this Article XV. Therefore, the parties agree that the exercise by Idaho of any of the rights enumerated in paragraphs 15.2 and 15.3 shall: (1) comply with all applicable laws, codes and Prudent Electrical Practices, (2) Equitably share the costs of installing, owning and operating jointly used facilities and rights of way. If the parties are unable to agree on the method of apportioning these costs, the dispute will be submitted to the Commission for resolution and the decision of the Commission will be binding on the parties, and (3) shall provide Seller with an interconnection to Idaho's system of equal capacity and durability as existed prior to Idaho exercising its rights under this Article XV.

ARTICLE XVI: FORCE MAJEURE

As used in this Agreement, "force majeure" or "an event of force majeure" means any cause beyond the control of the Seller or of Idaho which,

despite the exercise of due diligence, such party is unable to foresee, prevent or overcome, including but not limited to an act of God, fire, flood, explosion, strike, sabotage, an act of the public enemy, civil or military authority, court orders, laws or regulations, insurrection or riot, an act of the elements or lack of precipitation resulting in reduced water flows for power production purposes. If either party is rendered wholly or in part unable to perform its obligations under this Agreement because of an event of force majeure, both parties shall be excused from whatever performance is affected by the event of force majeure, provided that:

(1) The non-performing party shall, as soon as is reasonably possible after the occurrence of the event of force majeure, give the other party written notice describing the particulars of the occurrence.

(2) The suspension of performance shall be of no greater scope and of no longer duration than is required by the event of force majeure.

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

ARTICLE XVII: LIABILITY; DEDICATION

Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any person not a party to this Agreement. No undertaking by one party to the other under any provision of this Agreement shall constitute the dedication of that party's system or any portion thereof to the other party or to the public, nor affect

the status of Idaho as an independent public utility corporation, or Seller as an independent individual or entity.

ARTICLE XVIII: SEVERAL OBLIGATIONS

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

ARTICLE XIX: WAIVER

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

ARTICLE XX: CHOICE OF LAWS

This Agreement shall be construed and interpreted in accordance with the laws of the State of Idaho.

ARTICLE XXI: DEFAULT, NOTICE AND LIQUIDATED DAMAGES

21.1 Notice - In the event either party defaults in the performance of any of the terms or conditions of this Agreement, the nondefaulting party shall cause notice in writing to be given to the defaulting party, specifying

the manner in which such default occurred. If the defaulting party shall fail to cure such default within the 30 days after service of such notice, then, and only then, may the nondefaulting party pursue any remedy which it may have in law or equity, including an action to terminate this Agreement, to enforce the terms of this Agreement, or to recover damages for breach thereof. This article shall not be construed as restricting in any way Idaho's rights under Article XII, or paragraph A-4.1 of Appendix A to immediately interrupt flows of energy from the facility to Idaho's system.

21.2 Liquidated Damages. The parties agree that the amount of the payment which Idaho is to make to Seller is based on the agreed value to Idaho of Seller's performance of its obligation to provide Net Energy as set out in Article VI for the full term of the Agreement. The parties further agree that if Idaho does not receive such full performance (1) Idaho shall be deemed damaged by reason thereof, (2) it would be impractical or extremely difficult to fix the actual damages to Idaho resulting therefrom, (3) the payments as provided below are in the nature of adjustments in Net Energy prices and liquidated damages and not a penalty, and are a reasonable attempt by the parties to estimate a fair compensation to Idaho for the reasonable losses that would result from such total or partial default.

21.2.1 Failure to Deliver for Term of Agreement - If, at any time prior to the end of the term of the Agreement, Seller permanently curtails in whole or in part its deliveries of the Annual Net Energy amount Seller shall pay to Idaho, as Idaho's sole and exclusive remedy for damages arising out of this permanent curtailment of Net Energy deliveries, the appropriate lump sum repayment amount specified in Appendix D, multiplied by the difference in megawatt-hours between the

annual Net Energy amount specified in paragraph 6.3 and the reduced Annual Net Energy amount. This payment amount will bear interest from sixty (60) days after Idaho receives notice of Seller's permanent reduction of the annual Net Energy amount, until paid, at a rate equal to the average of the prime interest rates of the Idaho First National Bank in effect during each month of that period. For purposes of this paragraph, reduced deliveries of Net Energy due to below-normal water conditions (paragraph 6.4) shall not be considered a permanent curtailment.

ARTICLE XXII: GOVERNMENTAL AUTHORIZATION

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

ARTICLE XXIII: COMMISSION ORDER

This Agreement shall not become effective until the Commission approves all terms and provisions hereof without change or condition and declares that all payments to be made hereunder shall be allowed as prudently incurred expenses for ratemaking purposes.

ARTICLE XXIV: SUCCESSORS AND ASSIGNS

This Agreement and all of the terms and provisions hereof shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto, save that no assignment hereof by Seller shall become effective without the written consent of Idaho being first obtained. Such consent shall not be unreasonably withheld. This article shall not prevent a financing entity with recorded or secured rights from exercising all rights and

remedies available to it under law or contract. Idaho shall have the right to be notified by the financing entity that it is exercising such rights or remedies.

ARTICLE XXV: MODIFICATION

No modification to this Agreement shall be valid unless it is in writing and signed by both parties.

ARTICLE XXVI: TAXES

25.1 Each party agrees to pay its own federal and state taxes on its share of income attributable to the parties' performance of this Agreement, and any other tax, including any tax in the nature of an excise tax.

25.2 Each party shall pay before delinquency all ad valorem taxes and other governmental charges which if failed to be paid when due could result in a lien upon the Facility or the Interconnection Facilities.

ARTICLE XXVII: NOTICES

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

To Seller: John Faulkner
Faulkner Land and Livestock Company, Inc
Route 2
Gooding, Idaho 83330

To Idaho: Vice President, Power Operations
Idaho Power Company
P O Box 70
1220 Idaho Street
Boise, Idaho. 83707

ARTICLE XXVIII: ADDITIONAL TERMS AND CONDITIONS

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

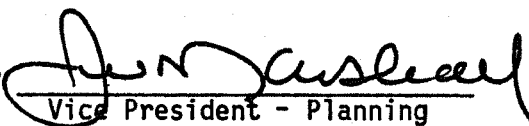
- Appendix A - Standards for Interconnection and Metering
- Appendix B - Special Facilities, Point(s) of Delivery and Metering, and Operation Date
- Appendix C - Schedule of Required Licenses and Permits
- Appendix D - Lump Sum Payment

ARTICLE XXIX - ENTIRE AGREEMENT

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

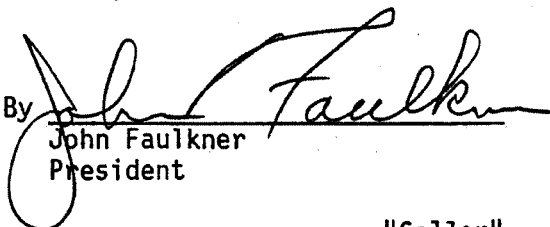
IN WITNESS WHEREOF, The parties hereto have caused this Agreement to be executed in their respective names as of the date first above written.

IDAHO POWER COMPANY

By 
Vice President - Planning
Resources and Rates

"Idaho"

FAULKNER LAND AND LIVESTOCK
COMPANY, INC

By 
John Faulkner
President

"Seller"

STATE OF IDAHO)
) ss
County of Ada)

On this 11th day of December, 1986, before me, the undersigned, a Notary Public, personally appeared J W MARSHALL, personally known, who being duly sworn, did say that he is the Vice President - Planning, Resources and Rates, of the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same as the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year in this certificate first above written.

(NOTARIAL SEAL)

Julie A. Ryan
Notary Public for Idaho
Residing at Boise, Idaho

STATE OF IDAHO)
) ss
County of Gooding)

On this 29 day of November, 1986, before me, the undersigned, a Notary Public, personally appeared JOHN FAULKNER personally known, who being duly sworn, did say that he is the President of the corporation that executed the within instrument, and acknowledged to me that he executed the same as the free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year in this certificate first above written.

(NOTARIAL SEAL)

C. Tom Carbo
Notary Public for Idaho
Residing at: Emmett, Idaho

APPENDIX A

STANDARDS FOR INTERCONNECTION AND METERING

A-1 GENERAL PROVISIONS

A-1.1 It is the policy of Idaho to permit Seller to operate its Facility in parallel with Idaho's electric system, whenever this can be done without adverse effect to Idaho's equipment, personnel or other customers

A-1.2 These guidelines contain the minimum metering, interconnection, protection, operation, and communications requirements for the safe and effective parallel operation of Seller's Facility with Idaho's system. Although these guidelines are established to provide a uniform approach for evaluating Seller's generation projects, each interconnection must be examined by Idaho individually. Idaho and the Seller will be guided by this document, which is a part of the Firm Energy Sales Agreement, in planning an interconnection between Idaho's system and the Seller.

A-1.3 Idaho may provide limited technical assistance for Seller, but will not perform any engineering, construction or repair work on power production equipment.

A-2 GENERAL DESIGN CONSIDERATIONS

A-2.1 All Seller generators larger than 20 KVA shall be three-phase generators connected to three-phase circuits unless otherwise approved by Idaho. Generators 20 KVA and smaller may be either single-phase or three-phase.

A-2.2 Except in certain instances to be determined by Idaho, Seller's generator(s) shall be isolated from Idaho's system by a transformer. The Seller may be required to limit the fault current contribution to Idaho's system by generator impedance, neutral grounding or other means.

A-2.3 Idaho will not assume any responsibility for protection of the Seller's generator or of any other portion of the Seller's electrical equipment. The Seller is fully responsible for protecting his equipment from faults or disturbances on Idaho's system.

A-2.4 Seller is hereby notified that certain conditions on Idaho's system may cause negative sequence currents to flow in the Seller's generator. It is the sole responsibility of the Seller to protect his equipment from excessive negative sequence currents, reverse power flow, and single phasing.

A-3 METERING REQUIREMENTS

A-3.1 Unless otherwise agreed by the Parties, metering will be provided for recording net output of the Facility and will be separate from any metering of Seller's load. Metering required will be determined by Idaho on a case-by-case basis, but will generally follow the guidelines below:

A-3.1.1 Capacity Under 750 KVA - A kilowatt-hour/demand meter will be installed.

A-3.1.2 Capacity of 750 KVA and Above - Two meters will be installed. These will measure KWH/KW demand, and reactive power flow to and from the generator. These meters will have pulse outputs to a solid state recorder in order to determine power factor and demand.

A-4 FACILITY PROTECTION

A-4.1 The Seller has full responsibility for the maintenance of his generating equipment and the equipment protecting the Facility. If, in the opinion of Idaho, the Seller has failed to provide proper maintenance of the facility or its protection, and this failure could adversely impact Idaho or other Idaho customers, Idaho can require the Seller to cease parallel operation.

A-5 SYNCHRONOUS GENERATORS

A-5.1 If a governor is used, the governor characteristics may be adjusted to at least 5% droop.

A-5.2 A check interlock for synchronizing of the Seller's generator is required.

A-6 INDUCTION GENERATORS

A-6.1 Overvoltage can become a serious problem when an induction generator is isolated to a portion of a transmission or distribution system. Overvoltage relay shall be provided that will open the generator breaker in the event that the voltage reaches predetermined limits consistent with the overvoltage capability of the generator and the system. Undervoltage protection may also be required. On larger units, underfrequency and overfrequency relaying may be required.

A-6.2 Vars for excitation of the induction generator will need to be supplied from the power system or from capacitors as a component of a static Var source. Appendix B to this Agreement provides for compensation to Idaho for Vars supplied.

A-7 DC TO AC CONVERTERS

A-7.1 Direct current generators may be operated in parallel with Idaho system through a synchronous inverter. The inverter installation will be designed such that an Idaho system interruption will result in the immediate removal of the inverter power flow to Idaho. Harmonics and/or spurious frequencies generated by the Seller's generator-inverter combinations must be limited to avoid causing any reduction in quality of electric service to Idaho's other customers.

A-8 SWITCHING REQUIREMENTS

A-8.1 Idaho reserves the right to open and secure by lock any disconnecting device without prior notice to Seller for any of the following reasons:

A-8.1.1 System emergency.

A-8.1.2 Inspection of the Seller's Facility protective equipment reveals a condition which might adversely impact Idaho or Idaho's other customers.

A-8.1.3 Seller's generating equipment interferes with other customers, or with Idaho's system.

A-8.2 Seller shall maintain a written record of all operating (opening and closing) by Seller of the Seller's interconnection with Idaho. Each operation will be recorded by the date, hour and minute and will include the generator kilowatt hour reading at the time of the operation. This record will be maintained on a monthly basis and the original will be mailed to Idaho on the first business day of the following month. Idaho will provide the forms necessary for filing this monthly switching report.

A-9 GENERATION SCHEDULING AND REPORTING

A-9.1 For installations under 750 KVA, the Seller shall read his generator kilowatt hour meter within the 24-hour period following 12:00 noon on the last day of each month. That kilowatt hour meter reading is to be recorded on the monthly switching report that is mailed to Idaho.

A-9.2 For installations 750 KVA and above, before 10:00 A M each day, the Seller shall provide the Designated Dispatch Facility with an estimate of what the Seller will generate on the following day or days as may be required. In order to maintain a continuous record of energy actually generated and delivered, the Seller shall, by means acceptable to Idaho, obtain the kilowatt hour reading at midnight of each day and shall notify the Designated Dispatch

Facility, the following day, of that meter reading. Additionally, the kilowatt hour meter reading, corresponding to midnight at the end of the last day of each month, shall also be recorded on the monthly switching report that is mailed to Idaho.

A-9.3 The written record of the end-of-month meter reading on the monthly switching report, subject to subsequent review and correction by Idaho, will be the basis of payment for energy purchased by Idaho from the Seller. An adjustment in the kilowatt hours delivered will be made to compensate for the losses in B-6.

APPENDIX B
SPECIAL FACILITIES, POINTS OF DELIVERY AND METERING,
AND OPERATION DATE
FAULKNER RANCH

B-1 DESCRIPTION OF FACILITY

The Seller's Facility is described as one synchronous generator with a nameplate rating of 900 KW, 2300 volts, three phase, 60 hertz, driven by a Frances Turbine.

B-2 LOCATION OF FACILITY

The Facility is located in the SW Quarter of Section 27, Township 5 South, Range 12 East, Boise Meridian, Gooding County, Idaho.

B-3 SCHEDULED OPERATION DATE

Seller has selected August 14, 1987, as the Scheduled Operation Date and July 15, 1987, as the First Energy Date. In making these selections, Seller recognizes that to allow for adequate testing of the Facility's degree of completion and reliability, it must achieve its First Energy Date at least thirty (30) days prior to the Operation Date. Idaho, based on the information supplied by Seller, will schedule its construction so that all Special Facilities, Disconnection Equipment and metering equipment will be completed in time so as not to delay Seller's achieving the First Energy Date. However, if Seller fails to pay the costs specified in B-11 below at the time specified therein, or materially changes the specifications or design of the Facility or Seller-furnished Interconnection Facilities from what was previously provided to Idaho (except in the event Seller exercises its option to construct its own Special

Facilities), Idaho may be required to reschedule its construction of these facilities which could adversely impact Seller's ability to achieve its scheduled First Energy Date.

B-4 FAILURE TO ACHIEVE OPERATION DATE

If Seller has not achieved the Operation Date within eleven (11) months of the Scheduled Operation Date, such failure shall be deemed to be an event of default pursuant to Article XXI.

B-5 POINT OF DELIVERY

The Point of Delivery of Energy from the Seller to Idaho will be the slack span deadend bells on an Idaho inline pole located approximately 500 feet East and 580 feet North of the center of Section 27, Township 5 South, Range 12 East, Boise Meridian. The slack span will extend from the Idaho 34.5 KV three phase distribution feeder which runs in a Northwest direction to the Easternmost pole of the developer-owned 34.5 KV primary line extension. The developer-owned 34.5 KV distribution line will extend from the point of interconnection, in a Southwesterly direction to the generator site. The developer will own the 1125 KVA power transformer. The transformer bank will be a 1125 three phase bank, 2300 volts to 19900/34500 volts, connected grounded-wye--grounded-wye, located approximately 100 feet from the generator, and will be owned and maintained by the Seller.

B-6 LOSSES

Losses shall be 1.02% of the metered energy.

B-7 METERING AND TELEMETRY

The metering equipment will be on the 2300 volt side of the transformer, and will consist of current and potential transformers, a JEM 2 electronic

bi-directional meter with an electromechanical backup meter, and associated equipment. The meter installation will have load profiling and communication port capability and will be connected to the project voice communications circuit. The meters will register kilowatt-hours and kilowatts of demand. Metering equipment will be owned and maintained by Idaho, with total cost of purchase, installation, operation, and maintenance, including administrative cost, to be reimbursed to Idaho by the Seller.

B-8 SPECIAL FACILITIES

The reconstruction of 1,277 feet of existing three phase 34.5 KV overhead line, the construction of 100 feet of a new three phase 34.5 KV overhead slack span, and the installation of fused disconnects at the 0 point of interconnection, will be provided by Idaho. The total cost for these facilities will be reimbursed to Idaho by the Seller. The Seller will be responsible for providing an easement for the placement of the poles supporting the protection package and the pole riser on private property.

B-9 REACTIVE POWER

The Seller shall operate the synchronous generators within plus or minus 5% of unity power factor, or as listed in Appendix A.

B-10 DISCONNECTION EQUIPMENT

Disconnection Equipment is required to insure that the Seller's Facility will be disconnected from Idaho's system in the event of a disturbance on either Idaho's system or the Seller's Facility. This equipment is for the protection of Idaho's equipment only. Idaho will supply and install the Disconnection Equipment which consists of a pole mounted 34.5 KV rated oil switch to be used as the breaker, a disconnection panel which includes the

relays and associated logic, a pole mounted transformer bank for ground fault detection and a safety switch. Seller will supply and install all all wiring and conduit necessary for the operation of the interconnection equipment. Idaho will supply details for the interconnection panel and will connect and test the equipment prior to operation of the Facility. Seller will provide drawings of the interconnection wiring for engineering approval before installation. The total cost of the Disconnection Equipment, connection and testing will be reimbursed to Idaho by the Seller.

B-11 COSTS

The total cost of Special Facilities is \$21,949. The total cost of Metering Equipment is \$9,138. The total cost of the Disconnecting Equipment is \$17,824. Total amount to be paid to Idaho by the Seller is \$48,911, less the \$1,000 Application Fee. This represents the amount that will be charged by Idaho if the Seller makes the payment on or before January 10, 1987. If the Seller does not make this payment by the specified date, the amount will be subject to adjustment by Idaho. Idaho will not schedule construction or order Special Facilities which are not ordinarily maintained in Idaho's inventory until payment has been made. In addition, to the installation and construction charges above, during the term of the Agreement, Seller will pay Idaho an operation and maintenance charge of 0.7% per month times the total amount specified above, less any amounts refunded by Idaho to other cogeneration or small power production facilities who have previously paid for facilities to be used by Seller. The monthly operations and maintenance charge may be adjusted during the term of the Agreement to reflect changes in the costs upon which the charge is based. Idaho will maintain on file with the

Commission a schedule showing the cost components and calculation of the monthly operation and maintenance charge.

B-12 SALVAGE

No later than sixty (60) days after the termination or expiration of this Agreement, Idaho will prepare and forward to Seller an estimate of the remaining value of those Idaho Power furnished Interconnection Facilities described in this Appendix, less the cost of removal and transfer to Idaho's nearest warehouse, if the Interconnection Facilities will be removed. Idaho may then be invoiced by Seller for the net salvage value estimated by Idaho for the Interconnection Facilities and shall pay such amount to Seller within thirty (30) days after receipt of said invoice. Seller shall have the right to offset the invoice amount against any present or future payments due Idaho.

APPENDIX C

SCHEDULE OF REQUIRED LICENSES AND PERMITS

1. Evidence of compliance with Part 1 of the Federal Power Act. Acceptable evidence of compliance will be an Order from FERC: (1) issuing a License for the Facility, or (2) exempting the Facility from Licensing.
2. Permit for the appropriation of water for power production purposes issued by the Idaho Department of Water Resources.
3. Evidence of compliance with Subpart B of Part 292 - Regulations under Sections 201 and 210 of the Public Utilities Regulatory Policies Act of 1978 with regard to small power production and cogeneration. See §292.201 - 207 specifically.

APPENDIX D

LUMP SUM REFUND PAYMENT FOR PERMANENT CURTAILMENT OF PORTION OR ALL OF ANNUAL NET ENERGY AMOUNT UNDER 35-YEAR CONTRACT DOLLARS PER ANNUAL MEGAWATT HOUR

<u>Contract Year of Curtailment Commencement</u>	<u>Facility Operation Date 1987</u>
1	20
2	40
3	65
4	85
5	105
6	125
7	145
8	165
9	185
10	200
11	220
12	240
13	270
14	300
15	325
16	355
17	385
18	410
19	435
20	460
21	480
22	495
23	510
24	520
25	525
26	520
27	510
28	495
29	475
30	430
31	385
32	315
33	220
34	110
35	0