

IDAHO POWER COMPANY
POWER SALES AGREEMENT
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Facility No: 31415004

Project Name: Mud Creek

POWER SALES AGREEMENT

BETWEEN

S & S LIMITED PARTNERSHIP

AND

IDAHO POWER COMPANY

THIS AGREEMENT, Entered into on this 30th day of October, 1981, is between S & S Limited Partnership a(n) Limited Partnership, hereinafter referred to as "Seller", and Idaho Power Company, a corporation, hereinafter referred to as "Idaho".

W I T N E S S E T H:

WHEREAS, Seller owns or will own and operate a Cogeneration Facility or Small Power Production Facility with generating capacity of not more than 10,000 kilowatts; and

WHEREAS, Seller wishes to sell, and Idaho wishes to purchase, electric power from the 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 and schedules attached hereto, the following terms shall have the following meanings:

"Capacity" - The ability of the facility to deliver electric power, expressed in kilowatts ("kw"), to the point of delivery.

"Contract Capacity" - That Capacity identified in Article III of this Agreement except as otherwise changed as provided herein.

"Contract Capacity Price" - The price in \$/kw-year set forth in Article IV(B) of this Agreement.

"Contract Termination" - The early termination of this Agreement.

"Current Capacity Cost" - The \$/kw-year Capacity cost from the most recent schedule of Capacity costs being published by Idaho and on file with the Idaho Public Utilities Commission.

"Capacity Sale Reduction" - A reduction in the amount of Capacity provided or to be provided under this Agreement.

"Designated Dispatch Facility" - Idaho's local dispatching center. For purposes of this Agreement, the Southern Division Dispatch Center located in Twin Falls, Idaho is the Designated Dispatch Facility for the Seller.

"Dispatchable" - That condition of the Facility whereby, through engineering design, installed equipment, and operating conditions and procedures, the Facility may be called upon by Idaho to provide the Contract Capacity at any time other than periods of Scheduled Maintenance or Forced Outage.

"Facility" - That generation facility described in Article III of this Agreement.

"Forced Outage" - Any outage caused by mechanical or electrical equipment failure that either fully or partially curtails the electrical output of the Facility.

"Firm Energy" - Electric energy, expressed in kilowatt hours ("kwh"), guaranteed to be delivered by Seller to Idaho in the quantities and at the times specified in the Agreement.

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

"Non-Firm Energy" - Electric energy, expressed in kwh, to be delivered by Seller to Idaho on a when, as, and if available basis.

"Points of Delivery" - The location(s) specified in Appendix B, where Idaho's and Seller's electrical facilities are interconnected. Upon mutual agreement more than one Point of Delivery may be established.

"Operation Date" - The day commencing at 0001 hours, following the day during which all features and equipment of the Facility and the Interconnection Facilities have reached a degree of completion and reliability, such that they are capable of operating simultaneously to deliver power continuously into Idaho's system; provided that the Operation Date may occur only after such degree of completion and reliability has been demonstrated to Idaho's satisfaction which must be confirmed by Idaho in writing. Seller shall have the duty to obtain the confirmation from Idaho; however, such confirmation shall not be unreasonably withheld by Idaho.

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

"Scheduled Maintenance" - The periods of time during which the Facility is shut down for routine maintenance operations with the advance approval of Idaho, as provided in Article VI(J) hereof.

"Special Facilities" - Interconnection Facilities furnished and owned by Idaho at Seller's request or because such facilities are necessary additions and/or modifications to Idaho's system, including equipment required to protect Idaho's system.

"System Avoided Energy Cost" - The incremental variable cost of electric energy on Idaho's system. Variable costs include fuel costs and operating and maintenance costs which vary with output of thermal plants, firm power purchases and spot market purchases.

"Unit Avoided Energy Cost" - The sum of the variable costs associated with the specific generating unit or project designated by the Idaho Public Utilities Commission as the basis for the determination of avoided Capacity cost. Variable costs include fuel costs and operation and maintenance expenses which vary with the designated unit's or project's generation.

ARTICLE II: 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) years from the Operation Date, ending on or about January 1, 2017.

ARTICLE III: SALE OF POWER

(A) Seller agrees to deliver and sell and Idaho agrees to accept and purchase the energy or energy and Capacity from Seller's Facility, in accordance with Appendix A and the Option specified below: (Seller to initial Option 1, 2, 3 or 4).

- Option 1 - Non-Firm Energy - estimated avoided energy cost;
- Option 2 - Non-Firm Energy - Avoided energy cost at time of delivery;
- X Option 3 - Firm Energy and non-Dispatchable resource Capacity;
- Option 4 - Firm Energy and Dispatchable resource Capacity.

By selecting Option 3, Seller agrees to provide energy in an amount estimated to be 2,922,000 kilowatt-hours per year. If Seller elects under Option 3 or 4 to supply Capacity, the Contract Capacity shall be 445 kilowatts.

(B) Seller's Facility is described as: Two separate diversions and turbine generator units. Make Westinghouse, Model to be supplied, Serial No to be supplied, fuel or energy source falling water, having a combined nameplate output rating of 520 kw (kva), and 480 volts, 3 phase, 60 hertz.

(C) Seller's Facility is located approximately 3½ Miles N W of Buhl, Idaho in the west half of Section 14 Range 14E Township 9S (BM) and the scheduled Operation Date of the Facility is January 1, 1982.

ARTICLE IV: PURCHASE PRICE AND METHOD OF PAYMENT

(A) Energy. Idaho shall pay Seller monthly for energy delivered and accepted at the Avoided Energy Cost rate specified in for the Option selected.

(B) Capacity. If Seller elects to supply Capacity, Seller shall be paid for Capacity made available to Idaho in accordance with Appendix A for the Option selected. The applicable Contract Capacity Price for purposes of computing Capacity payments is \$290 per kilowatt-year, except as may be adjusted as provided in Appendix A or Appendix C. The Contract Capacity Price is derived from Table 2, Appendix A. Idaho's obligation to pay Seller for Capacity furnished to Idaho shall commence as of the Operation Date.

Payments for the Capacity provided in the contract year will be made in twelve (12) equal monthly amounts based on the Contract Capacity Price set forth in this Agreement multiplied by the Contract Capacity.

ARTICLE V: FACILITY, INTERCONNECTION AND
METERING REQUIREMENTS

(A) Seller shall design, construct, install, own, operate and maintain the Facility. Seller agrees to meet reasonable Idaho requirements for those portions of the Seller's Facility and equipment generating or transmitting electrical power and for any other equipment which directly affects Idaho's system. To aid in determination of compliance with Idaho's requirements, Seller shall submit its Facility and equipment specifications to Idaho for review. Seller shall not be interconnected with Idaho's system unless Seller receives Idaho's written acceptance of all Facility specifications. All changes in specifications, including new or additional equipment, shall similarly be subject to Idaho's acceptance. Idaho's acceptance of Seller's specifications shall not be construed as confirming or endorsing the design, or as a warranty of safety, durability, or reliability of the Facility. Idaho shall not, by reason of any review, acceptance, or failure to review, be responsible for the Facility, including but not limited to the strength, details of design, adequacy or Capacity thereof, nor shall Idaho's acceptance be deemed to be an endorsement of any Facility.

(B) Seller shall construct, install, own and maintain Interconnection Facilities as required for Idaho to receive energy or energy and Capacity from Seller's Facility. Seller's Interconnection Facilities shall be of a size to accomodate the delivery of the energy or energy and capacity designated in

Paragraphs III(A) and VI(E) of this Agreement. Seller shall allow Idaho to review the adequacy of all protective devices and to establish requirements for settings and periodic maintenance and testing of protective devices. At Seller's request, Idaho will construct, install, own and maintain the Inter-connection Facilities as Special Facilities. If Seller requests Idaho to provide Special Facilities or if Idaho determines that it is necessary to install Special Facilities, Seller shall reimburse Idaho for its costs relating to those Special Facilities. The costs and payment requirements associated with the Special Facilities will be set out in Appendix B--Special Facilities and Point(s) of Delivery and Metering".

(C) Idaho shall provide, install and maintain meters to be located at a mutually agreed upon location to record and measure power flows to Idaho. If required by Idaho, metering will also include measurement of kilovar-hours and secondary meters at locations within Seller's Facility, agreed to by both parties. All meter equipment, installation ownership and administration costs, therefore shall be borne by Seller, including costs incurred by Idaho for inspecting and testing such equipment at Idaho's actual cost of providing this equipment and services. Appendix D--"Standards for Interconnection and Metering" describes the metering configurations Idaho will utilize.

(D) Except as otherwise agreed by the parties, metering will be provided for recording net output of the Facility and will be separate from metering of Seller's load. Idaho's sales to Seller shall continue to be metered in accordance with the terms of the service agreement, if any, existing between the parties, and/or otherwise in accordance with tariffs filed and approved by the regulatory authority having jurisdiction.

(E) The point of metering for energy or energy and Capacity to Idaho's system shall be at the location described in Appendix B.

(F) 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.

Idaho shall, at Seller's expense, inspect and test all meters upon their installation and at least once every two years thereafter. If requested to do so by Seller, Idaho shall inspect or test a meter more frequently than every two years, but the expense of such inspection or test shall be paid by Seller unless upon being inspected or tested the meter is found to register inaccurately by more than two percent of full scale. Each Party shall give reasonable notice of the time when any inspection or test shall take place to the other Party, and that 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 shall be made correcting all measurements made by the inaccurate meter for:

- (1) the actual period during which inaccurate measurements were made, if the period can be determined, or if not
- (2) the period immediately preceding the test of the meter equal to one-half the time from the date of the last previous test of the meter; provided, that the period covered by the correction shall not exceed six months.

Each Party, after reasonably notice to the other Party, shall have the right of access to all metering and related records.

VI: OPERATION, PROTECTION AND MAINTENANCE

(A) Seller shall operate and maintain the Facility and Seller furnished Interconnection Facilities in accordance with Appendix D--Standards for Interconnection and Metering, Prudent Electrical Practices, the National Electric Safety Code as modified from time to time, and any other applicable local, State and Federal codes. If, in the opinion of Idaho, Seller's operation of the Facility or Interconnection Facilities is unsafe or may otherwise adversely affect Idaho's equipment or personnel, or those of other Sellers or Idaho's other customers, Idaho may physically interrupt the flow of energy from the Facility or take such other steps as Idaho deems appropriate.

(B) Seller shall provide and maintain adequate protective equipment sufficient to prevent damage to the Facility.

(C) 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(s) 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.

(D) Seller agrees that in the event of and during a period of a shortage of energy or energy and Capacity on Idaho's system as declared by Idaho in its sole 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 energy or energy and Capacity, and shall, if necessary, delay any scheduled shutdown of the Facility.

(E) Seller shall limit both kilowatt and reactive kilovolt-ampere flows through the Point of Delivery so that the vector sum of such flows shall not at any one time exceed not applicable kilovolt amperes. Additionally, Seller shall maintain a power factor at the Point of Delivery of not less than ninety-five percent (95%) lagging. In the event that Seller shall fail to limit real and reactive flows or to maintain the required power factor as herein provided, Idaho may, in addition to any other remedy available at law or in equity, require the Seller to compensate Idaho for vars supplied by Idaho, install adequate capacitors or, if required for safety or system stability, physically interrupt all service and interconnections without prior notice and without liability therefor.

(F) Seller shall report monthly to the Designated Dispatch Facility the times, by hour and minute, of opening and closing his generator breaker and the corresponding kwh meter reading at the time of opening as well as closing the breaker.

Idaho and Seller shall maintain appropriate operating communications through Idaho's Designated Dispatch Facility. These communications are described in Appendix D.

(G) Idaho shall not be obligated to accept, and Idaho may require Seller to curtail, interrupt or reduce deliveries of energy or energy and Capacity if Idaho determines that curtailment, interruption or reduction is necessary because of line construction or maintenance requirements, emergencies, operating conditions on its system, or as otherwise required by Prudent Electrical Practices.

Except in the event of force majeure, if Idaho requires, pursuant to this provision, a curtailment, interruption or reduction of energy deliveries that exceeds twenty days from the twenty-first day of such interruption, curtailment or reduction until Idaho notifies Seller that it is ready to accept full energy deliveries, Seller will be deemed, for purposes of determining the monthly energy payment, to be delivering energy at the same average rate as Seller was delivering energy for the 30-day period immediately preceding the curtailment, interruption or reduction.

(H) In the event Idaho is required by the Idaho Public Utilities Commission to institute curtailment of energy deliveries to its customers, Idaho may require Seller to curtail its consumption of electricity in the same manner and to the same degree as other customers within the same customer class who do not own facilities for generating electricity.

(I) If Seller elects to delivery energy and Capacity, Seller may shut down the Facility for Scheduled Maintenance of a total period not to exceed thirty (30) days during each contract year. Seller shall submit its proposed maintenance scheduled for each calendar year by the proceeding February 1, and Idaho shall inform Seller to the acceptability or unacceptability of the proposed date(s). To the extent reasonably possible, Seller will attempt to perform its scheduled maintenance during Idaho's off-peak months (March, April, October and November). Seller and Idaho will coordinate, insofar as possible, Seller's periods of Scheduled Maintenance with any line construction or maintenance by Idaho that would require a curtailment, interruption or reduction of deliveries of energy under Paragraph (G).

ARTICLE VII: LIABILITY AND INSURANCE

(A) Each Party shall 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.

(3) Prior to interconnection of Seller's Facility with Idaho's system, Seller shall secure and continuously carry insurance coverage, or its equivalent, as indicated below:

LIABILITY: The coverage provided must include or be equivalent to comprehensive liability insurance policies for both bodily injury and property damage liability in the following amounts:

- (a) For Facilities up to 5,000 kilowatts, \$1,000,000 combined single limit.
- (b) For Facilities 5,000 kilowatts and larger, \$5,000,000 combined single limit.

Such insurance shall include an endorsement naming Idaho as an additional insured insofar as work performed under this Agreement is concerned; a provision that such liability policies shall not be cancelled or their limits of liability reduced without thirty (30) days' written notice to Idaho. Seller shall furnish Idaho, prior to commencing performance

hereof, but not less than thirty (30) days before the scheduled Operation Date, certificates of insurance, together with the endorsements required therein. Idaho shall have the right to inspect the original policies of such insurance.

(C) Seller agrees to obtain insurance acceptable to Idaho covering property damage or destruction of the Facility and Seller-owned Interconnection Facilities (insured property) in an amount not less than the cost of replacement of the insured property. Idaho shall be a named loss payee on all such insurance policies. Seller shall promptly notify Idaho of any loss or damage to the insured property. Idaho may make proof of loss if Seller fails to do so within fifteen (15) days of the casualty. Unless the parties agree otherwise, Seller shall repair or replace the insured property. Proceeds from said casualty insurance policies shall be paid into an escrow account with disbursements from that account to be used solely for repairing or replacing the insured property. In the event the parties agree the insured property cannot be economically repaired or replaced, Seller shall pay, to Idaho, from said escrow account, the amount owing under the refund obligation of Seller to Idaho as set forth in the terms and conditions of Appendix C. The balance in the escrow account, in the event the insured property is not repaired or replaced, shall become the property of the Seller.

ARTICLE VIII: LAND RIGHTS

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 and other facilities necessary or useful to this

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

ARTICLE IX: FORCE MAJEURE

As used in this Agreement, "Force Majeure" means unforeseeable causes beyond the reasonably control of and without the fault or negligence of the party claiming Force Majeure, and specifically excludes strikes, walkouts, lockouts or other labor disputes in which Idaho or Seller or their respective employees participate. If either party is rendered wholly or in part unable to perform its obligations under this Agreement because of Force Majeure, both parties shall be excused from whatever performance is affected by the Force Majeure to the extent so affected, provided that:

(A) The non-performing party shall, as soon as is reasonably possible after the occurrence of the Force Majeure, give the other party written notice describing the particulars of the occurrence;

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

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

(D) The non-performing party shall use its best efforts to remedy its inability to perform. This subparagraph shall not require the settlement of any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the party involved in the dispute, are contrary to its interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be entirely within the discretion of the party having the difficulty; provided that, in the event of a strike affecting Seller's Facility, Seller shall use its best efforts to operate the Facility with management personnel.

ARTICLE X: 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 XI: 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 XII: 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 XIII: CHOICE OF LAWS

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

ARTICLE XIV: GOVERNMENTAL JURISDICTION AND AUTHORIZATION

This Agreement is subject to the jurisdiction of those governmental agencies having control over either Party or this Agreement. This Agreement shall not become effective until all required governmental authorizations and permits are first obtained and copies thereof are submitted to Idaho; provided that this Agreement shall not become effective unless it, and all provisions thereof, are authorized and permitted by such governmental agencies without change or condition.

If after this Agreement becomes effective any governmental agency having jurisdiction over the Seller requires any change in this Agreement, or imposes any condition or obligation on the Seller for which Seller can show

good cause that the condition or obligation renders this Agreement unreasonably burdensome, the Seller may terminate this Agreement.

ARTICLE XV: DISPUTES

The Parties hereto recognize and agree that:

(A) The Public Utilities Regulatory Policies Act of 1978 (PURPA) conferred on the Idaho Public Utilities Commission (Commission) the obligation and authority to require Idaho to purchase energy or energy in capacity from qualifying cogeneration and small power production Facilities; and

(B) Pursuant to that authority and to promote uniformity among the various electric companies within its jurisdiction, the Commission conducted investigations and held hearings regarding cogeneration - small power production. Based on those hearings, the Commission issued Orders No 15746 and 16026, which Orders, in addition to establishing the rates to paid Seller for energy or energy and Capacity, specified the form and terms and conditions of standard contracts, including this Agreement and required Idaho to offer this Agreement to Seller and any other owners or owners and operators of qualifying cogeneration - small power production Facilities.

(C) In light of these facts, the Parties agree that if the Commission determines that any term or conditions of this Agreement or the standard contracts it has required Idaho to offer to Seller and others is contrary to the public interest, the Commission may modify those terms or conditions and such modifications will be binding on the Parties.

It is further understood and agreed that this Article XV, is not to be construed as permitting Idaho to inquire into the operation of Seller's

Facility or other business, not attempt to bring Seller under the Commission's regulation.

ARTICLE XVI: 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. 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.

XVII: MODIFICATION

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

ARTICLE XVIII: 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: Wayne Skeem
1742 Targhee
Twin Falls, Idaho 83301

To Idaho: Vice President, Power Operations
Idaho Power Company
1220 Idaho Street
Boise, Idaho 83707

ARTICLE XIX: ADDITIONAL TERMS AND CONDITIONS

This Agreement includes Appendices A, B, and D which are attached hereto and included by reference.

In addition, if Seller has chose to supply Capacity, Appendix C shall be attached and included by reference.

Appendix A - Schedule of Power Purchase Rates

Appendix B - Special Facilities and Point(s) of Delivery and Metering

Appendix C - Adjustment of Capacity Payments in the Event of Termination or Reduction

Appendix D - Standards for Interconnection and Metering

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

S & S Limited Partnership
Seller

IDAHO POWER COMPANY

By Wayne B Skeem
Title Gen. Partner
Wayne B. Skeem

DE Barclay
By /s/ D E Barclay
Vice President - Planning
and Resources

By Daniel C Skeem
Title General Partner
Daniel C. Skeem

APPENDIX A
COGENERATION AND SMALL POWER PRODUCTION
SCHEDULE OF POWER PURCHASE PRICES

A-1 GENERAL PROVISIONS

This schedule of purchase prices shall be the basis upon which Idaho will make payments to Seller for energy or energy and Capacity deliveries from Seller's Facilities under Options 1, 2, 3 and 4.

(A) Option 1 - Non-Firm Energy - Estimated Avoided Energy Cost. Under this Option, Idaho will pay Seller for energy delivered and accepted at a rate equal to Idaho's estimated average monthly System Avoided Energy Cost. The System Avoided Energy Cost is the incremental variable cost of electric energy on Idaho's system. Variable costs include fuel costs and operating and maintenance expenses which vary with output of thermal plants, firm power purchases and spot market purchases. The System Avoided Energy Cost will be filed with the Idaho Public Utilities Commission. The attached Table 1 shows the estimated annual System Avoided Energy Cost schedule. The seller will be provided an update of Table 1 each year. The amount shown on Table 1, includes an aggregate capacity payment of 3 mills per kwh.

(B) Option 2 - Non-Firm Energy - Avoided Energy Cost at Time of Delivery. Under this Option, Idaho will pay Seller for energy delivered and accepted at a rate equal to Idaho's System Avoided Energy Cost for each month of the year. The System Avoided Energy Cost is the incremental variable cost of electric energy on Idaho's system. Variable costs include average fuel cost and operating and maintenance expenses which vary with output of thermal plants, firm power purchases and spot market purchases. The System Avoided

Energy Cost will be determined at the end of each calendar month and will be on file with the Idaho Public Utilities Commission. Payments for the month will be made on the basis of that month's filed cost.

(C) Option 3 - Firm Energy and Non-Dispatchable Resource Capacity. Payments under this Option will equal the sum of the Energy Component and Capacity Component described below. The amount of each component is determined by reference to the attached Table 2.

(1) Energy Component. The energy component will be calculated by multiplying the kwh of energy delivered and accepted by the estimated annual Unit Avoided Energy Cost specified in Table 2. The Unit Avoided Energy Cost is the sum of the variable costs associated with the specific generating unit or project designated by the Idaho Public Utilities Commission as the basis for determination of avoided Capacity cost. Variable costs include fuel costs and operating and maintenance expenses which vary with the designated unit's or project's generation. The Idaho Public Utilities Commission may, by Order, modify the Unit Avoided Energy Costs. Idaho will file with the Idaho Public Utilities Commission a tariff specifying the effective Unit Avoided Energy Cost.

(2) Capacity Component. The Contract Capacity payment to Seller of a non-Dispatchable resource will be based on the Facility's projected long-term average annual energy production in kwh as agreed upon by the Parties. That amount will be divided by the product of 8760 hours per year multiplied by 75%, thereby producing the Contract Capacity.

In order to qualify for a Capacity Payment under this Option 3, the following provisions must be met:

(a) The Contract Capacity must be available for the term of the agreement.

(b) Contract Capacity must be available for a minimum of one (1) year.

(3) The Contract Capacity may be adjusted in the event there is a change in any of the factors used in calculating the Facility's long-term average annual energy production. Such adjustment may include a Capacity Sale Reduction or Contract Termination in accordance with Appendix C.

(D) Option 4 - Firm Energy and Dispatchable Resource Capacity. Payments under this Option will equal the sum of the energy component and the Capacity Component described below. The amount of each component is determined by reference to the attached Table 2.

(1) Energy Component. The energy component will be calculated by multiplying the kwh of energy delivered and accepted by the estimated annual Unit Avoided Energy Cost specified in Table 2. The Unit Avoided Energy Cost is the sum of variable cost associated with the specific generating unit or project designated by the Idaho Public Utilities Commission as the basis for the determination of avoided capacity cost. Variable costs include fuel costs and operating and maintenance expenses which vary with the designated unit's or project's generation. The Idaho Public Utilities Commission may, by Order, modify the Unit Avoided Energy Cost. Idaho will file with the Idaho Public Utilities Commission, a tariff specifying the effective Unit Avoided Energy Cost.

(2) Capacity Component. The Contract Capacity payment to a Seller of a Dispatchable Resource will be based on the generating capacity of the

Facility as specified by Seller; however, in order to qualify for a Capacity payment under this Option 4, the following provisions must be met:

(a) The Contract Capacity must be available or actually delivered to Idaho such that the energy made available in any twelve (12) month period or actually delivered in such period to Idaho divided by 8760 hours in such period is no less than sixty-five percent (65%) of the Contract Capacity to allow for Forced Outages and Scheduled Maintenance.

(b) Contract Capacity must be available for a minimum of one (1) year.

(3) Seller may increase the Contract Capacity with the written approval of Idaho, and subsequent payments for the additional capacity will be in accordance with the Current Capacity Cost Schedule contained in Appendix A, Table 2.

(4) Idaho may derate the Contract Capacity as a result of appropriate tests, studies or prior performance. If such derating occurs after the facility is in operation, it will constitute a Capacity Sale Reduction and will be subject to Appendix C.

A-2 ADJUSTMENT TO CONTRACT CAPACITY PRICE

The Contract Capacity Price will be adjusted upward to the Current Capacity Cost as of the Operation Date if the scheduled Operation Date specified in Article III(C) is met. The Current Capacity Cost Schedule, if higher, shall be attached to this Agreement and shall supersede Table 2 of this Appendix. If the scheduled Operation Date is not met, the Contract Capacity Price specified in Article IV will apply.

APPENDIX A

TABLE 1

1981 ESTIMATED AVOIDED ENERGY COSTS BY MONTHS

	IN CENTS/KWH
January	2.20
February	1.71
March	1.72
April	2.34
May	2.26
June	2.96
July	3.89
August	4.16
September	3.46
October	1.93
November	2.57
December	2.78

(Note: The price stated above assume that the total amount of energy purchased by Idaho Power Company from Qualifying Facilities does not exceed 50 average megawatts. At such time as Idaho Power Company's purchases from Qualifying Facilities exceeds 50 average megawatts, these prices will be adjusted appropriately).

APPENDIX A
TABLE 2

IDAHO POWER COMPANY
POWER RATES
FOR
COGENERATION AND SMALL POWER PRODUCTION

AVOIDED CAPACITY COSTS
(\$/kw-year)

Operation Date	Length of Contract										
	2 Years	4 Years	6 Years	8 Years	10 Years	12 Years	15 Years	20 Years	25 Years	30 Years	35 Years
1981	107	116	124	133	143	152	167	192	216	240	263
1982	118	127	137	147	157	167	184	211	238	264	290
1983	130	140	151	162	173	184	202	232	262	291	319
1984	143	154	166	178	190	202	222	255	288	320	350
1985	157	169	182	195	209	223	244	281	317	352	385
1986	173	186	200	215	230	245	269	309	348	387	424

Unit Avoided Energy Costs

As specified in Idaho's Tariff Schedule 89 on file with the Idaho Public Utilities Commission

APPENDIX "B"
SPECIAL FACILITIES AND POINT(S)
OF DELIVERY AND METERING

B-1 Point of Delivery

There are two Points of Delivery. The Points of Delivery of Energy from the Seller to Idaho will be the 7,200/12,470 volt bushings of each transformer bank. The transformer banks will be three phase banks, 240/480 volts to 7,200/12,470 volts, connected delta wye, installed on the Sellers pole and will be owned and maintained by the Seller.

B-2 Metering

There will be two metering points, one on each transformer bank. The metering equipment will be on the 480 volt side of each transformer bank and will consist of three current transformers, one meter, and associated wiring and enclosure. The meter will register kilowatt hours and kilowatts of demand. An adjustment will be made to the meter readings to compensate for energy losses through the transformers. Metering equipment will be owned and maintained by Idaho, with total cost of purchase, installation, operation, and maintenance, including administrative costs, to be reimbursed to Idaho by the Seller.

B-3 Special Facilities

The rebuilding of approximately three miles of the present Idaho distribution line, and the construction of an additional three phase line to the

Seller's transformer poles will be provided by Idaho as Special Facilities. The total cost of these Special Facilities will be reimbursed to Idaho by the Seller.

B-4 Reactive Power

Total reactive power required to be supplied by Idaho to the Seller is 83 KVAR, as calculated using typical machine parameters. Idaho will install and maintain facilities on its system so as to meet this requirement, with total cost of installation to be reimbursed by the Seller.

B-5 Costs

Total cost of metering equipment is \$2,000. Total cost of Special Facilities is \$24,340. Total cost of installation of reactive power is \$612. Cost for usage of commonly shared portions of line previously constructed pursuant to an existing Line Extension Agreement is \$13,650. Total amount to be paid to Idaho is \$40,602. This amount will be paid to Idaho at least 30 days prior to commencement of construction or installation of the facilities and equipment. If the Seller does not make this payment within 60 days of the execution of the Contract, the costs will be subject to adjustment upon re-application by the Seller. In addition to the installation and construction charges specified above, Seller will pay Idaho an operation and maintenance charge of 0.7% per month times \$26,952.

B-6 Salvage Value

No later than sixty (60) days after the Contract Termination date, or the expiration date of this agreement, Idaho will prepare and forward to Seller an estimate of the remaining value of those Special Facilities

described in B-1 of this Appendix, less the cost of removal and transfer to Idaho's nearest warehouse, if the Special Facilities will be removed. Idaho may then be invoiced by Seller for the net salvage value estimated by Idaho for the Special 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"

ADJUSTMENT OF CAPACITY PAYMENTS IN THE EVENT OF TERMINATION OR REDUCTION

C-1 GENERAL PROVISIONS.

(A) This Appendix shall be applicable in the event there is a Contract Termination of a Capacity Sale Reduction and Seller is receiving Capacity payments.

(B) The Parties agree that the amount of the payment which Idaho is to make to Seller for Capacity is based on the agreed value to Idaho of Seller's performance of his obligation to provide Capacity during the full period of the Term of Agreement. The Parties further agree that in the event Idaho does not receive such full performance by reason of a Contract Termination or a Capacity Sale Reduction, (1) Idaho shall be deemed damaged by reason thereof, (2) it would be impracticably or extremely difficult to fix the actual damages to Idaho resulting therefrom, (3) the reductions, offsets and refund payments as provided in this Appendix, as applicable, are in the nature of adjustments in Capacity prices and liquidated damages, and not a penalty, and are fair and reasonable endeavor by the Parties to estimate a fair compensation for the reasonable losses that would result from such termination or reduction.

(C) Seller shall be invoiced by Idaho for all refund payments due under this Appendix and shall pay such amounts to Idaho within thirty (30) days after the invoice date.

(D) Idaho shall have the right to offset any amount due it against any present or future payments due Seller.

C-2 TERMINATION OR REDUCTION DUE TO SELLER'S FAILURE TO PERFORM

Except in the event of Force Majeure as defined in Article IX of the Agreement, in the event the Seller fails to provide all or part of the Contract Capacity, such failure shall be grounds for Contract Termination or a Capacity Sale Reduction in accordance with the following:

(A) Idaho may immediately suspend or reduce the Capacity payments to Seller for a probationary period not to exceed twelve (12) months.

(1) If Seller meets or satisfies Idaho that it can meet its minimum Capacity requirements during the probationary period, Idaho shall make a retroactive Capacity payment for the probationary period and reinstate regular Capacity payments in subsequent years.

(2) If Seller fails to meet its minimum requirements during the probationary period, Idaho may permanently derate the Contract Capacity appropriately or terminate the Capacity purchases.

(3) In the event Idaho terminates Capacity purchases, pursuant to this Section C-2, the following will apply:

(1) If the Contract Capacity is more than one megawatt, Seller shall refund to Idaho an amount equal to fifty percent (50%) of the difference between the Capacity Payments already paid by Idaho (based on the original term of the Agreement) and the total Capacity Payments which would have been paid if the Contract Capacity Price had been based on the period from the Operation Date to the actual date of Termination.

(2) If the Contract is less than one megawatt, Seller shall refund to Idaho an amount equal to ten percent (10%) of the difference between the Capacity Payments already paid by Idaho (based on the original

term of the Agreement) and the total Capacity Payments which would have been paid if the Contract Capacity Price had been based on the period from the Operation Date to the actual date of Termination.

(C) REPLACEMENT POWER

If, as a result of a strike, walk-out, lockout or other labor dispute, Seller will be unable to meet its obligation to provide the Contract Capacity, Seller will notify Idaho and Idaho may purchase power from another source to replace the power Seller had agreed to provide. Such replacement power will, for purposes of satisfying Seller's Contract Capacity obligation, be deemed to have been delivered by Seller. The Seller will reimburse Idaho for the difference, if any, between the amount which Idaho would have paid to the Seller and the actual cost of the replacement power, including losses, wheeling and load factoring. Idaho will bill Seller monthly for the reimbursement amount. Unless otherwise agreed, Idaho will not be obligated to attempt to procure replacement power for a period longer than six months. In no event will Idaho pay Seller for Capacity not actually provided by Seller.

(D) The foregoing remedies are not exclusive and Idaho reserves all rights it may have against Seller as a result of Seller's failure to perform under this Agreement.

APPENDIX "D"

Standards for Interconnection and Metering

D-1 GENERAL PROVISIONS

It is the policy of Idaho Power Company to permit any owner or operator (Seller) of a qualifying facility to operate his generating equipment in parallel with the Idaho Power Company (Company) electric system, whenever this can be done without adverse effect to the Company equipment or personnel or to our other customers or other Sellers.

These guidelines contain the minimum metering, interconnection, protection, operation, and communications requirements for the safe and effective parallel operation of the Seller with the Company system. Although these guidelines are established to provide a uniform approach for evaluating Sellers generation projects, each interconnection must be examined by the Company individually. The Company and the Seller or Seller's engineers will be guided by this document (which is a part of the appropriate Power and Energy Sales Agreement) in planning an interconnection between the Company system and the Seller.

The Company may provide limited technical assistance for Sellers, but will not perform any engineering, construction or repair work on power production equipment.

D-2 GENERAL DESIGN CONSIDERATIONS

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

Except in certain instances to be determined by the Company, all Seller's generators shall be isolated from the Company's system by a transformer. The Seller may be required to limit the fault current contribution to the Company system by generator impedance, neutral grounding or other means.

The Company 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 the Company system.

Sellers are hereby notified that certain conditions on the Company'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.

Sellers are hereby notified that single or three-phase automatic reclosing devices may be installed on the distribution system. Seller must install a protective device capable of isolating his generation from the line prior to reclosure.

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

When required for safety or system reliability, the Company may require that a control circuit be installed at Seller's expense.

D-3 METERING REQUIREMENTS

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 the Company on a case-by-case basis, but will generally follow the guidelines below:

(A) Capacity Under 750 KVA

A kilowatt-hour demand meter will be installed.

(B) Capacity of 750 KVA and Above

Four 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.

D-4 RELAYING AND PROTECTION

Certain protective devices (relay, circuit breakers, etc) are required by the Company and must be installed at any location where the Seller desires to operate generation in parallel with the Company. The purpose of these devices is to promptly remove the Seller's generation whenever a system disturbance occurs so as to protect the general public and the Company facilities and personnel from damage or injury due to the energy produced by the Seller's generator.

All facilities will require automatic over-current relay protection in addition to that protection required by this Appendix, section D-5, D-6, or D-7, as appropriate to the installation. The following stipulations regarding this protective equipment will apply:

(A) All protective devices installed to protect the Company system from Seller's generation will be approved by the Company.

(B) The check out of these devices must be supervised by the Company and subject to the Company's approval.

(C) All relaying settings on the interconnection will be approved by the Company.

(D) The Seller has full responsibility for the maintenance of his generating and protection equipment. Adequate maintenance records must be maintained by the Seller and be available for review by the Company. The Company reserves the right to inspect on demand all protective equipment. Inspection may include tripping of the power circuit breaker by protective relays. If, in the opinion of the Company, the Seller has failed to provide proper maintenance and this failure could adversely impact the Company or other Company customers, the Company can require the Seller to case parallel operation.

D-5 SYNCHRONOUS GENERATORS

On synchronous generators, over and under voltage and over and under frequency relays are required to trip the unit when significant differences exist between loads and generation.

Synchronous generators must be operated with governors. Governor characteristics may be adjusted to at least 5% droop. Governors are to be operated unrestrained to allow automatic reduction of generation in the event of excessive system frequency.

D-6 INDUCTION GENERATORS

Overvoltage can become a serious problem when an induction generator is isolated to a portion of a transmission or distribution system. Overvoltage relays 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.

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. The Power Sales Agreement provides for compensation to the Company for Vars supplied.

D-7 DC TO AC CONVERTERS

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

D-8 SWITCHING REQUIREMENTS

(A) The closure of any breaker or other disconnecting device which connects the Facility to delivery power to Idaho's system, shall be controlled by equipment installed by the Seller as a part of its Interconnection Facilities 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, frequency and phase rotation, and;
- (2) prohibit closure or reconnection until voltage, frequency and phase rotation have been within approved limits for a continuous period of not less than five (5) minutes, and;
- (3) operate so that if Idaho's system is de-energized within ten (10) seconds after the initial closure of the Seller's disconnecting device,

Seller's disconnecting device will immediately open and not close again until Seller has contacted the Designated Dispatch Facility and received permission to reclose;

Disconnection control system with characteristics varying from those described above may be acceptable to Idaho provided that in Idaho's judgment, they provide adequate protection consistent with Prudent Utility Practices.

(B) All automatic and other disconnection control equipment must be reviewed and approved by Idaho.

(C) The company reserves the right to open and secure by lock any disconnecting device without prior notice to Seller for any of the following reasons:

(1) System emergency.

(2) Inspection of the Seller's protective equipment reveals a hazardous condition or lack of maintenance.

(3) Seller's generating equipment interferes with other customers, other Sellers, or with the Company's system.

(D) Seller shall maintain a written record of all operating (opening and closing) of the Seller's interconnection with the Company. 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 the Company on the first business day of the following month. The Company will provide the forms necessary for filing this monthly switching report.

(E) Consistent with Prudent Utility Practice, Idaho may require the Seller to install communications circuits which will allow Idaho to remotely

control the closing of Seller's disconnecting equipment or require other arrangements limiting the Seller's ability to close its disconnecting equipment without first receiving Idaho's consent.

D-9 GENERATION SCHEDULING AND REPORTING

(A) 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 and he shall, within the period, notify the Designated Dispatch Facility of that meter reading. That kilowatt-hour meter reading shall also be recorded on the monthly switching report that is mailed to the Company.

(B) For installations under 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 the Company, 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 the Company.

The written record of the end-of-month meter reading on the monthly switching report will be the basis of payment for energy purchased by the Company from the Seller.

SNAKE RIVER



HYDRO POWER

D. E. BARCLAY
VICE PRESIDENT

IDAHO POWER COMPANY

BOX 70 • BOISE, IDAHO 83707

RECEIVED

October 29, 1981 NOV 6 AM 11

Mr Wayne Skeem
1742 Targhee
Twin Falls, Idaho 83301

IDAHO PUBLIC
UTILITIES COMMISSION

Re: Future Modifications to Power Sales Contract
between S & S Limited Partnership and
Idaho Power Company

Dear Mr Skeem:

Concurrent with this letter, your Company and the Idaho Power Company are executing a Power Sales Agreement pursuant to the requirements of Idaho Public Utilities Commission (Commission) Order Nos 15746, 16025 and 16739. I also want to take this opportunity to remind you that if, in the future, circumstances arise that require either party to seek an interpretation or modification of the Contract terms and conditions, or if the Commission, on its own initiative, chooses to modify the Contract terms and conditions, Article XV, Section (C) of the Contract provides that the Commission has the authority to make such changes. By executing the Power Sales Agreement, you are recognizing the Commission's authority to make changes to the Contract, including changes to the prices to be paid for energy or energy and capacity under the Contract, and are agreeing that these changes will be binding upon you. For verification purposes, I would request that you acknowledge receipt of this letter by signing in the space provided below.

Very truly yours,

D E Barclay
Vice President
Planning and Resources

DEB/BLK:jar

I, Wayne B Skeem, on behalf of S & S Limited Partnership, acknowledge receipt of a copy of this letter, this 30 day of Oct, 1981.

Signature

This agreement
was amended