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SNAKE RIVER



HYDRO POWER

IDAHO POWER COMPANY

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FILED September 11, 1987

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IDAHO PUBLIC
UTILITIES COMMISSION

JOSEPH W. MARSHALL
Vice President
Planning,

Resources and Rates

CERTIFIED MAIL

RETURN RECEIPT REQUESTED

Zions Credit Corporation
P O Box 180
Salt Lake City, UT 84110

Wayne Skeem
General Partner
S & S Limited Partnership
1742 Targhee
Twin Falls, ID 83301

Re: Mud Creek Small Hydro Project
Facility No 31415004

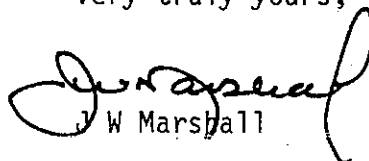
Gentlemen:

On October 30, 1981, Idaho Power Company ("Idaho Power") and S & S Limited Partnership ("S & S") entered into a Power Sales Agreement ("Agreement") which was subsequently amended on December 23, 1981 and February 28, 1983. S & S has subsequently assigned all of its right, title and interest to Zions Credit Corporation ("Zions"). By letter enclosed herewith, Idaho Power hereby consents to that Assignment, but in so doing, Idaho Power must advise both S & S and Zions that it is Idaho Power's position that the Agreement has been breached in a material manner and pursuant to its terms may be terminated.

The amended Agreement provides, in pertinent part, that S & S/Zions will provide Idaho Power with Firm Energy and nondispatchable resource Capacity. In paragraph (A) of Article III of the amended Agreement, S & S/Zions agreed to provide Firm Energy in an amount estimated to be 3,493,632 kilowatt-hours per year. Since this project went on line in 1982, it has had significant and recurring problems, including numerous breakdowns and failures of equipment. At no time during the entire life of the contract has the project ever even come close to producing the amount of Firm Energy it committed to provide. Attached hereto is a graph which shows the performance of the project since 1983. From that graph, it is clear that the performance of the project has reached the point where it is patently unreasonable to assert that it is providing either Firm Energy or Capacity. Therefore, pursuant to paragraph C-2-(D) of the contract, Idaho Power has the right to terminate this contract for nonperformance.

Unless you can clearly demonstrate to Idaho Power that specific steps are presently underway to correct the deficiencies in this Project, and to insure that this project will begin to provide Idaho Power with Firm Energy in the very near future, Idaho Power has no choice but to invoke its rights under the Agreement and terminate this Agreement. I would request that you contact Mr John Ferree as soon as possible so that we might discuss this matter more fully.

Very truly yours,


J W Marshall

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Enclosures (letter & graph)

c: J R Ferree
Robert Smith, IPUC ✓
Brian Hanson, Holland & Hart, Langroise, Sullivan