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FEDERAL ENERGY
REGULATORY COMMISSION

**Big Wood Canal Company
American Falls Reservoir District No. 2
112 S. Apple Street
Shoshone, Idaho 83352
Tel. (208) 886-2331 Fax (208) 886-2010**

ORIGINAL

September 21, 2005

**Secretary
Federal Energy Regulatory Commission
888 1st, Street N. E.
Washington D. C. 20426**

Re: New Exemptee

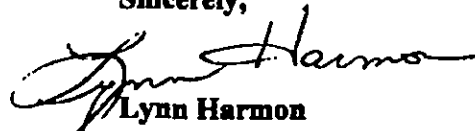
Secretary FERC:

The Big Wood Canal Co. and American Falls Reservoir District No. 2 have entered into a purchase and sale agreement to take over ownership of the Jim Knight Project No. (7686) and Sagebrush Project No. (8046) from Mutual Hydro. I am enclosing copies of the contract for purchase and sale agreement. We will now be the new exemptee for the hydro projects. Correspondence should be addressed to:

**Lynn Harmon, Manager
Big Wood Canal Co.
American Falls Reservoir District No. 2
112 S. Apple St.
Shoshone, Idaho 83352.**

If any additional information is needed please, contact me at 1-208-886-2331.

Sincerely,


**Lynn Harmon
General Manager**

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT is made and entered into this ~~20th~~^{28th} day of March, 2001 by and between
MUTUAL HYDRO (MUTUAL) and BIG WOOD CANAL COMPANY (BWCC).

WITNESSETH:

WHEREAS, MUTUAL, owns the Knight Hydroelectric Project and the Sagebrush Hydroelectric Project both of which are located on the South Gooding Main Canal in Gooding and Lincoln Counties, respectively including, but not limited to, all equipment, parts, generators, turbines, controls, transmission lines, licenses, and power sales contracts associated therewith (hereinafter facility); and,

WHEREAS, BWCC holds an interest in the hydroelectric facility by way of two separate leases between Big Wood Canal Company and MUTUAL's predecessor, Mutual Energy; and

WHEREAS, BWCC contends that the facility is in arrears for payments due under the Leases for the years 1992 through 2000, inclusive; and,

WHEREAS, MUTUAL and BWCC desire to settle all arrearages; and,

WHEREAS, BWCC agrees to purchase and MUTUAL agrees to sell the entire hydroelectric facility, in consideration for the forgiveness of all arrearages and a payment to MUTUAL of Twenty-five percent (25%) of Gross Revenues beginning April 1, 2001, through March 31, 2013; and,

WHEREAS, BWCC has relied on representations of MUTUAL as to the annual revenue and

expenses associated with the operation of the facility; and,

WHEREAS, MUTUAL agrees to allow BWCC to receive all revenue from hydroelectric generation commencing April 1, 2001, subject to the 25% payment due Mutual..

NOW, THEREFORE, in consideration of the mutual covenants contained herein, it is hereby agreed between the parties as follows:

- (1) MUTUAL warrants and guarantees that it is the sole owner of the facility described above and has authority to sell the same.
 - (2) MUTUAL shall sell to BWCC the facility described above for the sum 25% of gross revenue from the sale of hydro electricity from April 1, 2001 through March 31, 2013, plus forgiveness for all arrearages described above.
 - (3) All taxes and assessments for the year 2000 and previous years have been or will be paid by MUTUAL.
 - (4) MUTUAL shall indemnify and save and hold harmless BWCC from and against any and all claims, damages or causes of action that occurred or accrued against the facility prior to April 1, 2001, including any outstanding accounts payable.
 - (5) This sale shall be closed on or before April 1, 2001 or within five (5) days of said date
 - (6) MUTUAL shall ~~co~~operate and assist BWCC in the assignment of any and all FERC licenses, Firm Energy sales agreements and/or any other transfer of equipment or contracts necessary to complete this transaction.
 - (7) In the event any suit, action or other proceeding is instituted by either party to require performance of any provision, term or condition of this agreement, the prevailing party shall be
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entitled to a reasonable amount for attorney fees to be determined by the court together with the usual costs and disbursements allowed by law.

(8) In the event Idaho Power Company shall refuse to allow the assignment of the Firm Energy sales agreement to BWCC this agreement shall be null and void, and the plant shall be restored to MUTUAL, ~~and the advantages shall be restored as far as possible.~~ *EGS*

(9) This agreement shall be binding upon the heirs, personal representatives, administrators, successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the parties have hereunto set their hands the day and year first above written.

Jerry Nance

Jerry Nance / President
Big Wood Canal Company

Carl Berg

Carl Berg-Partner
Mutual Hydro