



IDAHO POWER COMPANY  
P.O. BOX 70  
BOISE, IDAHO 83707

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**MONICA MOEN**  
Attorney

IDAHO PUBLIC UTILITIES COMMISSION

January 26, 2006

Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
P. O. Box 83720  
Boise, Idaho 83720-0074

Re: Case No. IPC-E-06-02  
Application For Approval of An Energy Sales  
Agreement Between Idaho Power Company and  
Co-Gen Co. LLC

Dear Ms. Jewell:

Please find enclosed for filing an original and seven (7) copies of Idaho Power Company's Application for the approval of an Energy Sales Agreement between Idaho Power Company and Co-Gen Co. LLC.

I would appreciate it if you would return a stamped copy of this transmittal letter in the enclosed self-addressed, stamped envelope.

Very truly yours,

Monica Moen

MM:jb  
Enclosures

MONICA MOEN, ISB # 5734  
BARTON KLINE, ISB # 1526  
Idaho Power Company  
1221 West Idaho Street  
P. O. Box 70  
Boise, Idaho 83707  
Telephone: (208) 388-2692  
FAX Telephone: (208) 388-6936

Attorney for Idaho Power Company

RECEIVED  
JAN 26 PM 4:31  
PUBLIC UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF )  
IDAHO POWER COMPANY FOR APPROVAL )  
OF AN ENERGY SALES AGREEMENT )  
FOR THE SALE AND PURCHASE OF )  
ELECTRIC ENERGY BETWEEN IDAHO )  
POWER COMPANY AND CO-GEN CO, LLC )  
\_\_\_\_\_ )

CASE NO. IPC-E-06-02  
APPLICATION

COMES NOW Idaho Power Company ("Idaho Power" or the "Company") and, pursuant to RP 52, hereby applies for an Idaho Public Utilities Commission ("IPUC" or the "Commission") Order declaring that all payments for purchases of energy under a one-year Energy Sales Agreement between Idaho Power and Co-Gen Co, LLC ("Co-Gen") be allowed as prudently incurred expenses for ratemaking purposes.

This Application is based on the following:

I.

Co-Gen owns, operates and maintains a 10 MW nameplate capacity wood waste (biomass) generation unit that is located adjacent to the Prairie Wood Products Mill

in Prairie City, Grant County, Oregon, approximately 100 miles west of Ontario, Oregon (“Facility”). The Facility is a qualified small power production facility under the applicable provisions of the Public Utility Regulatory Policies Act of 1978 (“PURPA”). In accordance with PURPA, the Public Utility Commission of Oregon (“OPUC”) is the state regulatory agency with jurisdiction to implement PURPA in the state of Oregon and to determine Idaho Power’s avoided costs in Oregon. The Facility is located in the service area of the Oregon Trails Electric Cooperative (“OTEC”) and in Idaho Power’s electrical control area. Generation from the Facility is delivered to Idaho Power over the transmission lines of OTEC and the Bonneville Power Administration.

## II.

On December 29, 2005, Idaho Power and Co-Gen entered into an Energy Sales Agreement (“Agreement”) in conformance with the rates, terms and conditions established by the OPUC. Under the terms of that Agreement, Co-Gen elected to contract with Idaho Power for a one-year term, commencing on January 1, 2006. Co-Gen further elected to receive payments from the Company computed in accordance with the Gas Market Method (Option 3) set out in Idaho Power’s Oregon Tariff No. E-25, Schedule 85, dated August 11, 2005 or its successor schedule as approved by the OPUC. Copies of the Agreement and Schedule 85 are enclosed as Exhibits 1 and 2.

## III.

Idaho Power seeks an Order from the Commission declaring that all payments for purchases of energy under the Agreement be allowed as prudently incurred expenses for ratemaking purposes.

IV.

Service of pleadings, exhibits, orders and other documents relating to this proceeding should be served on the following:

Monica B. Moen, Attorney II  
Barton L. Kline, Senior Attorney  
Idaho Power Company  
P.O. Box 70  
Boise, Idaho 83707

Randy C. Allphin  
Contract Administrator  
Idaho Power Company  
P.O. Box 70  
Boise, Idaho 83707

NOW, THEREFORE, based on the foregoing, Idaho Power Company hereby requests that the Commission issue its Order declaring that all payments for purchases of energy under the Energy Sales Agreement between Idaho Power Company and Co-Gen Co, LLC be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 26<sup>th</sup> of January 2006.



---

MONICA B. MOEN  
Attorney for Idaho Power Company

**CERTIFICATE OF MAILING**

I HEREBY CERTIFY that on the 26<sup>th</sup> day of January 2006, I served a true and correct copy of the within and foregoing APPLICATION upon the following named parties by the method indicated below, and addressed to the following:

Thomas M. Grim	<input type="checkbox"/>	Hand Delivered
Cable Huston Benedict	<input checked="" type="checkbox"/>	U.S. Mail
1001 S.W. Fifth Avenue, Suite 2000	<input type="checkbox"/>	Overnight Mail
Portland, OR 97204-1136	<input type="checkbox"/>	FAX

Randy Crockett	<input type="checkbox"/>	Hand Delivered
D.R. Johnson Lumber Co.	<input checked="" type="checkbox"/>	U.S. Mail
P. O. Box 66	<input type="checkbox"/>	Overnight Mail
Riddle, OR 97469	<input type="checkbox"/>	FAX



\_\_\_\_\_  
MONICA B. MOEN

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**CASE NO. IPC-E-06-02**

**IDAHO POWER COMPANY**

**EXHIBIT 1**

ENERGY SALES AGREEMENT  
BETWEEN  
IDAHO POWER COMPANY  
AND

CO-GEN CO, LLC  
(Includes Transmission Provisions)

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ENERGY SALES AGREEMENT  
(10 MW or Less)

CO-GEN CO, LLC

Project Number: 12618100

THIS AGREEMENT, entered into on this \_\_\_\_\_ day of December 2005 between CO-GEN CO, LLC, an Oregon limited liability company (Seller), and IDAHO POWER COMPANY, an Idaho corporation (Idaho Power), hereinafter sometimes referred to collectively as "Parties" or individually as "Party."

WITNESSETH:

WHEREAS, Seller owns, maintains and operates an electric generation facility; and

WHEREAS, Seller wishes to sell, and Idaho Power is willing to purchase, electric energy produced by the Seller's 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 "Commission" - The Oregon Public Utility Commission.
- 1.2 "Contract Year" - The period commencing each calendar year on the same calendar date as the Operation Date and ending 364 days thereafter.
- 1.3 "Designated Dispatch Facility" - Idaho Power's Systems Operations Group, or any subsequent group designated by Idaho Power.
- 1.4 "Facility" - That electric generation facility described in Appendix B of this Agreement.
- 1.5 "First Energy Date" - The day commencing at 0001 hours, Mountain Time, following the day that Seller has satisfied the requirements of Article IV and the Seller begins delivering energy to Idaho Power's system at the Point of Delivery.

- 1.6 “Idaho Power Electrical System Control Area” or “Control Area” – The geographical area of integrated transmission and generation controlled by Idaho Power for which Idaho Power is responsible for scheduling interchanges with other control areas and balancing supply and demand within the area. The Control Area may include physical locations and/or electrical systems not served or owned by Idaho Power, but which are dependant upon Idaho Power’s operation of its generation and transmission to balance supply and demand.
- 1.7 “Losses” – The loss of electrical energy expressed in kilowatt hours (kWh) occurring as a result of the transformation and transmission of energy between the point where the Facility’s energy is metered and the point the Facility’s energy is delivered to the Idaho Power electrical system by the Transmitting Entity. The loss calculation formula will be as specified in Appendix B of this Agreement.
- 1.8 “Market Energy Cost” – Eighty-five percent (85%) of the monthly weighted average of the daily on-peak and off-peak Dow Jones Mid-Columbia Index (Dow Jones Mid-C Index) prices for non-firm energy. If the Dow Jones Mid-Columbia Index price is discontinued by the reporting agency, both Parties will mutually agree upon a replacement index, which is similar to the Dow Jones Mid-Columbia Index. The selected replacement index will be consistent with other similar agreements and a commonly used index by the electrical industry.
- 1.9 “Material Breach” – A Default (as defined in paragraph 19.2.1 and subject to paragraph 19.2.2) that is identified in this Agreement as a Material Breach.
- 1.10 “Maximum Capacity” - The maximum capacity (MW) of the Facility will be as specified in Appendix B of this Agreement.
- 1.11 “Nameplate Capacity” – The generation capacity (MW) of the Facility as rated by the manufacturer and verified in accordance with paragraph 4.1.2. The Nameplate Capacity may not exceed 10 MW. The Nameplate Capacity of the Seller’s Facility is specified in Appendix B.
- 1.12 “Net Energy” – All of the electric energy produced by the Facility, less Station Use and Losses, expressed in kilowatt hours (kWh), which the Transmitting Entity delivers to Idaho Power, that is less than or equal to the Nameplate Capacity. Seller commits to deliver all energy produced by

- the Facility, less Station Use, and Losses, to the Transmitting Entity for delivery by the Transmitting Entity to Idaho Power at the Point of Delivery for the full term of the Agreement.
- 1.13 “Net Energy Amounts” – Monthly Net Energy amounts that the Seller estimates the Facility will produce and the Transmitting Entity will deliver to Idaho Power at the Point of Delivery. The Seller shall use all available information (equipment characteristics, resource characteristics and data, Facility design, etc) to accurately estimate the monthly Net Energy Amounts. These Net Energy Amounts as specified in paragraph 6.2 will be used to calculate the monthly Shortfall Energy quantities within this Agreement.
- 1.14 “Operation Date” – The day commencing at 0001 hours, Mountain Time, following the day that all requirements of paragraph 5.2 have been completed.
- 1.15 “Point of Delivery” – The location specified in Appendix B, where the Transmitting Entity delivers the Facility’s Net Energy to the Idaho Power electrical system.
- 1.16 “Prudent Electrical Practices” – Those practices, methods and equipment that are commonly and ordinarily used in electrical engineering and operations to operate electric equipment lawfully, safely, dependably, efficiently and economically.
- 1.17 “Schedule 85” – Idaho Power’s Oregon Tariff No E-25, Schedule 85, dated August 11, 2005 or its successor schedules as approved by the Commission.
- 1.18 “Scheduled Operation Date” – The date specified in Appendix B when Seller anticipates achieving the Operation Date.
- 1.19 “Season” – The three periods identified in Schedule 85.
- 1.20 “Shortfall Energy” – The negative difference, if any, (expressed in kWh) between the monthly actual Net Energy delivered to Idaho Power and the Monthly Net Energy Amounts specified in paragraph 6.2 of this Agreement.
- 1.21 “Station Use” – Electric energy that is used to operate equipment that is auxiliary or otherwise related to the production of electricity by the Facility.
- 1.22 “Surplus Energy” – (1) All monthly Net Energy produced by the Seller’s Facility and delivered by the Transmitting Entity to the Idaho Power electrical system that exceeds the Nameplate

Capacity of the Facility but is less than the Maximum Capacity of the Facility or (2) All monthly Net Energy produced by the Seller's Facility and delivered by the Transmitting Entity to the Idaho Power electrical system prior to the Operation Date and is less than the Maximum Capacity of the Facility.

- 1.23 "Total Cost of the Facility" - The total cost of structures, equipment and appurtenances.
- 1.24 "Transmitting Entity" - The signatory(s) (other than the Seller) to the Transmission Agreement referred to in paragraph 9.1 and its successors and assigns.

## ARTICLE II: NO RELIANCE ON IDAHO POWER

- 2.1 Seller Independent Investigation - Seller warrants and represents to Idaho Power that in entering into this Agreement and the undertaking by Seller of the obligations 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 Power in connection with the transactions contemplated by this Agreement.
- 2.2 Seller Independent Experts - 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 Power - Any review, acceptance or failure to review Seller's design, specifications, equipment or facilities shall not be an endorsement or a confirmation by Idaho Power and Idaho Power makes no warranties, expressed 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 §292.207. Seller's failure to maintain the Facility and operations of the Facility in a manner consistent with its Qualifying Facility certification will be a Material

Breach of this Agreement. Idaho Power reserves the right to review the Seller's Qualifying Facility status and associated support and compliance documents at anytime during the term of this Agreement.

3.2.1 If Idaho Power's obligation to purchase energy from a "Qualifying Facility," as that term is defined in 18 CFR § 292.207 or ORS 758.505(8), is repealed or otherwise terminated, this Agreement will remain in full force and effect unless state or federal law mandates termination of this Agreement.

#### ARTICLE IV: CONDITIONS TO ACCEPTANCE OF ENERGY

4.1 Prior to the First Energy Date and as a condition of Idaho Power's acceptance of deliveries of energy from the Seller, Seller shall:

4.1.1 Submit proof to Idaho Power 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, evidence of compliance with Subpart B, 18 CFR 292.207.

4.1.2 Capacity Determination - Submit to Idaho Power such data as Idaho Power may reasonably require to confirm the manufacturer's Nameplate Capacity rating and the Maximum Capacity rating of the Facility. Such data will include but not be limited to, equipment specifications, power factor assumptions, and any other data that would allow Idaho Power to verify the generating capacity and the manufacturer's nameplate rating of this Facility. Upon receipt of this information, Idaho Power will review the provided data and if necessary, request additional data to complete the verification process within a reasonable time.

4.1.3 Engineer's Certifications - Submit an executed Engineer's Certification of Design & Construction Adequacy and an Engineer's Certification of Operations and Maintenance (O&M) Policy. These certificates will be in the form specified in Appendix C but may be modified to the extent necessary to recognize the different engineering disciplines providing the certificates.

- 4.1.4 Insurance - Submit written proof to Idaho Power of all insurance required in Article XIII.
- 4.1.5 Transmission Agreement - Provide Idaho Power with a copy of (1) the Transmission Agreement executed by the Seller and the Transmitting Entity in a form acceptable to Idaho Power and (2) confirmation that the Idaho Power delivery business unit has agreed to accept the Net Energy deliveries at the Point of Delivery in an amount up to the Maximum Capacity Amount. Idaho Power's acceptance will not be unreasonably withheld.
- 4.1.6 Security Requirements – Provide Idaho Power with commercially reasonable representations and warranties and other documentation to determine the Seller's creditworthiness. Such documentation would include, at a minimum, that the Seller is current on existing debt obligations and has not been a debtor in a bankruptcy proceeding within the preceding two years. Upon receipt of this information, Idaho Power will review the provided data and, if necessary, request additional data and/or will provide written confirmation or rejection of the provided data within a reasonable time. In lieu of providing evidence of acceptable creditworthiness, the Seller may provide Idaho Power with commercially reasonable security instruments such as letter of credit, senior lien rights, step-in-rights, escrow accounts or other forms of liquid financial security that would provide readily available cash to Idaho Power in the Event of a Default under this Agreement.
- 4.1.7 Written Acceptance – Request and obtain written confirmation from Idaho Power that all conditions to acceptance of energy have been fulfilled. Such written confirmation shall be provided within a commercially reasonable time following the Seller's request and will not be unreasonably withheld by Idaho Power.

## ARTICLE V: TERM AND OPERATION DATE

5.1 Term - Subject to the provisions of paragraph 5.2 below, this Agreement shall become effective on the date first written and shall continue in full force and effect for a period of one (1) Contract Year from the Operation Date.

5.2 Operation Date - The Operation Date may occur only after the Facility has achieved all of the following:

- a) Achieved the First Energy Date.
- b) Seller has demonstrated to Idaho Power's satisfaction that the Facility is complete and able to provide energy in a consistent, reliable and safe manner.
- c) Seller has requested an Operation Date from Idaho Power in a written format.
- d) Seller has received written confirmation from Idaho Power of the Operation Date.

This confirmation will not be unreasonably withheld by Idaho Power.

5.3 If the Seller fails to achieve the Operation Date within 30 days of the Scheduled Operation Date, Seller will reimburse Idaho Power for any Shortfall Energy Repayment Amount accruing from 30 days following the Scheduled Operation Date until the Seller achieves the Operation Date. Such reimbursement shall be determined in the manner described in paragraph 7.3, 7.4 and 7.5 of this Agreement.

5.4 Seller's failure to achieve the Operation Date within ten (10) months of the Scheduled Operation Date will be an Event of Default.

## ARTICLE VI: PURCHASE AND SALE OF NET ENERGY

6.1 Delivery and Acceptance of Net Energy - Except when either Party's performance is excused as provided herein, Idaho Power will purchase and Seller will sell all of the Net Energy produced by the Facility and delivered by the Transmitting Entity to Idaho Power at the Point of Delivery.

6.2 Net Energy Amounts - Seller intends to produce and Transmitting Entity shall deliver Net Energy in the following monthly amounts:

6.2.1 Monthly Net Energy Amounts:

	<u>Month</u>	<u>kWh</u>
Season 1	March	5,208,000
	April	5,040,000
	May	2,688,000
Season 2	July	5,208,000
	August	5,208,000
	November	5,040,000
	December	5,208,000
Season 3	June	5,040,000
	September	5,040,000
	October	5,208,000
	January	5,208,000
	February	4,704,000

6.2.2 Seller's Adjustment of Monthly Net Energy Amounts –

6.2.2.1 No later than the Operation Date, by written notice given to Idaho Power in accordance with paragraph 24.1, the Seller may revise all of the previously provided Monthly Net Energy Amounts.

6.2.2.2 At any time, by written notice given to Idaho Power in accordance with paragraph 24.1, Seller may revise all of the previously provided Monthly Net Energy Amounts, beginning with the next calendar year for the remaining term of the Agreement.

6.3 Unless excused by an event of Force Majeure, Seller's failure to deliver Net Energy in any Contract Year in an amount equal to at least ten percent (10%) of the sum of the Net Energy Amounts as specified in paragraph 6.2 shall constitute an Event of Default.

ARTICLE VII: PURCHASE PRICE AND METHOD OF PAYMENT

7.1 Net Energy Purchase Price – The Seller has selected Option 3 (Gas Market Method) from Schedule 85 as the purchase price for the Term of this Agreement. The Net Energy Purchase Price shall be calculated as specified in Schedule 85 for the option selected by the Seller resulting

in an on-peak and off-peak Net Energy Purchase Price which will be applied to the applicable Net Energy deliveries during on-peak and off-peak hours as defined by the North American Electric Reliability Council (NERC).

- 7.2 Surplus Energy Price - For all Surplus Energy, Idaho Power shall pay to the Seller the applicable month's Schedule 85, Option 1 (Fixed Price Method), Off-peak energy price.
- 7.3 Shortfall Energy Repayment Price -The Shortfall Energy Repayment Price shall be equal to the applicable month's Market Energy Cost minus that month's Net Energy Purchase Price. If the result of this subtraction is less than 0, then the Shortfall Energy Repayment Price is 0.
- 7.4 Shortfall Energy Repayment Amount - A Shortfall Energy Repayment Amount shall be due only if there is Shortfall Energy in a month and during that same month, the Market Energy Cost is greater than that month's Net Energy Purchase Price. The Shortfall Energy Repayment Amount shall be equal to the applicable month's Shortfall Energy multiplied by the Shortfall Energy Repayment Price for that same month.
- 7.5 Shortfall Energy Repayment Schedule - By January 31 of the calendar year following expiration of the Term, Idaho Power will accumulate and invoice Seller for all of the previous year's monthly Shortfall Energy Repayment Amounts. The accumulated Shortfall Energy Repayment Amount will be due and payable within thirty (30) days from Seller's receipt of the invoice. An annual interest rate of 7.8% will be applied to the monthly Shortfall Energy Repayment Amounts, calculated from the end of each month in which the Shortfall Energy Repayment Amount was incurred until paid by Seller. The obligations of this paragraph 7.5 shall survive termination of this Agreement, until satisfied.
- 7.6 Payment Due Date -Payments to the Seller for Net Energy and Surplus Energy will be disbursed within 30 days of the date which Idaho Power receives and accepts the documentation of the monthly Net Energy and any Surplus Energy actually produced by the Seller's Facility and delivered to Idaho Power as specified in Appendix A.

## ARTICLE VIII: ENVIRONMENTAL ATTRIBUTES

- 8.1 Idaho Power waives any claim to ownership of Environmental Attributes. Environmental Attributes include, but are not limited to, Green Tags, Green Certificates, Renewable Energy Credits (RECs), Tradable Renewable Certificates (TRCs) directly associated with the production of energy from the Seller's Facility.

## ARTICLE IX: TRANSMISSION AGREEMENT

- 9.1 Transmission Agreement - The Seller will arrange and pay for the delivery of Net Energy over the facilities of the Transmitting Entity(s) (Oregon Trail Electric Consumers Cooperative) to the Point of Delivery. The delivery of Net Energy from the Facility to the Idaho Power Point of Delivery shall be in accordance with the terms and conditions of a Transmission Agreement between the Seller and the Transmitting Entity(s).
- 9.2 Acceptance of Transmission Agreement - This Agreement is expressly conditioned and contingent upon Idaho Power's acceptance of the Transmission Agreement. Such acceptance will not be unreasonably withheld. A default by Seller under the Transmission Agreement will be a Material Default under this Agreement.
- 9.3 Losses - Idaho Power will only purchase the Net Energy that is delivered by the Transmitting Entity to Idaho Power at the Point of Delivery. Losses will be calculated as provided in Appendix B of this Agreement.
- 9.4 Required Transmission Agreement provisions for Facilities not located within the Idaho Power Electrical System Control Area -

If the Facility is not located within the Idaho Power Electrical System Control Area, the following requirements must be contained within the Transmission Agreement (s);

- 9.4.1 Scheduling and delivery of Net Energy -- The Transmission Agreement shall include provisions that require the Transmitting Entity(s) to schedule and deliver the Facility's energy to Idaho Power in accordance with industry standard Western Electricity Coordinating Council (WECC) scheduling processes and

procedures.

9.4.2 Energy Reserve Requirements -- The Transmitting Entity(s) will provide all generation reserves as required by the WECC and/or as required by any other governing agency or industry standard to deliver the Net Energy to the specified Point(s) of Delivery.

9.4.3 Documentation – Seller and/or the Transmitting Entity will provide Idaho Power with monthly documentation in a form acceptable to Idaho Power showing the amount of energy scheduled and delivered to Idaho Power on an hourly bases.

#### ARTICLE X - RECORDS

10.1 Maintenance of Records - Seller shall maintain at the Facility or such other location mutually acceptable to the Parties adequate total generation (kWh), Net Energy, Station Use and maximum generation (kW) records in a form and content recommended by Idaho Power.

10.2 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 generation (kWh), Net Energy, Station Use and maximum generation (kW) records pertaining to the Seller's Facility.

#### ARTICLE XI - OPERATIONS

11 .1 Communications - Idaho Power, the Transmitting Entity and the Seller shall maintain appropriate operating communications through Idaho Power's Designated Dispatch Facility in accordance with Appendix A of this Agreement.

11 .2 Energy Acceptance –Idaho Power shall be excused from accepting and paying for Net Energy produced by the Facility and delivered by the Transmitting Entity on behalf of the Seller to the Point of Delivery, if it is prevented from doing so by an event of Force Majeure, or if Idaho Power determines that curtailment, interruption or reduction of Net Energy deliveries is necessary because of line construction or maintenance requirements, emergencies, electrical system operating conditions on its system or as otherwise required

by Prudent Electrical Practices. If, for reasons other than an event of Force Majeure, Idaho Power requires such a curtailment, interruption or reduction of Net Energy deliveries for a period that exceeds twenty (20) days, beginning with the twenty-first day of such interruption, curtailment or reduction, Seller will be deemed to be delivering Net Energy at a rate equivalent to the pro rata daily average of the amounts specified for the applicable month in paragraph 6.2. In accordance with FERC requirements, Idaho Power will provide information on the status of any line construction, maintenance requirements, emergencies or electrical system operating conditions on its system on its OASIS website.

- 11.3 Scheduled Maintenance – On or before January 31 of each calendar year, Seller shall submit a written proposed maintenance schedule of significant Facility and/or Transmitting Entity maintenance for that calendar year and Idaho Power, Seller and the Transmitting Entity shall mutually agree as to the acceptability of the proposed schedule. The Parties' determination as to the acceptability of the Seller's timetable for scheduled maintenance will take into consideration Prudent Electrical Practices, Idaho Power system requirements and the Seller's preferred schedule. Neither Party shall unreasonably withhold acceptance of the proposed maintenance schedule.
- 11.4 Maintenance Coordination - The Seller, Idaho Power and the Transmitting Entity shall, to the extent practical, coordinate their respective line and Facility maintenance schedules such that they occur simultaneously.
- 11.5 Contact Prior to Curtailment - Idaho Power will make a reasonable attempt to contact the Seller and/or the Transmitting Entity prior to exercising its rights to curtail, interrupt or reduce deliveries from the Transmitting Entity from the Seller's Facility. Seller and the Transmitting Entity understand that, in the case of emergency circumstances, real time operations of the electrical system, and/or unplanned events Idaho Power may not be able to provide notice to the Seller or the Transmitting Entity prior to interruption, curtailment, or reduction of electrical energy deliveries to Idaho Power.

## ARTICLE XII: RELIABILITY MANAGEMENT SYSTEM

If the Facility is not located within the Idaho Power Electrical System Control Area, the Seller will be required to comply with the Reliability Management processes of the control area operator having control of the specific location of the Facility and this Article XII will not apply. If the Facility is located within the Idaho Power Control Area, the Seller is required to comply with the following:

- 12.1 Purpose. In order to maintain the reliable operation of the transmission grid, the WECC Reliability Criteria Agreement sets forth reliability criteria adopted by the WECC to which Seller and Idaho Power shall be required to comply. Seller acknowledges receipt of and understanding of the WECC Reliability Criteria Agreement and how it pertains to the Seller's Facility.
- 12.2 Compliance. Seller shall comply with the requirements of the WECC Reliability Criteria Agreement, including the applicable WECC reliability criteria set forth in Section IV of Annex A thereof, and, in the event of failure to comply, Seller agrees to be subject to the sanctions applicable to such failure. Such sanctions shall be assessed pursuant to the procedures contained in the WECC Reliability Criteria Agreement. Each and all of the provisions of the WECC Reliability Criteria Agreement are hereby incorporated by reference into this Article 12 as though set forth fully herein, and Seller shall for all purposes be considered a Participant, and shall be entitled to all of the rights and privileges and be subject to all of the obligations of a Participant, under and in connection with the WECC Reliability Criteria Agreement, including, but not limited to the rights, privileges and obligations set forth in Sections 5, 6 and 10 of the WECC Reliability Criteria Agreement.
- 12.3 Payment of Sanctions. Seller shall be responsible for reimbursing Idaho Power for any monetary sanctions assessed against Idaho Power by WECC due to the action or inaction of the Seller, pursuant to the WECC Reliability Criteria Agreement. Seller also shall be responsible for payment of any monetary sanction assessed against the Seller by WECC pursuant to the WECC Reliability Criteria Agreement. Any such payment shall be made pursuant to the procedures specified in the WECC Reliability Criteria Agreement.
- 12.4 Transfer of Control or Sale of Generation Facilities. In any sale or transfer of control of any

generation facilities subject to this Agreement, Seller shall, as a condition of such sale or transfer, require the acquiring party or transferee with respect to the transferred facilities either to assume the obligations of the Seller with respect to this Agreement or to enter into an agreement with Idaho Power imposing on the acquiring party or transferee the same obligations applicable to the Seller pursuant to this Article 12.

12.5 Publication. Seller consents to the release by the WECC of information related to the Seller's compliance with this Agreement only in accordance with the WECC Reliability Criteria Agreement.

12.6 Third Parties. Except for the rights and obligations between the WECC and the Seller specified in this Article 12, this Agreement creates contractual rights and obligations solely between the Parties. Nothing in this Agreement shall create, as between the Parties or with respect to the WECC: (a) any obligation or liability whatsoever (other than as expressly provided in this Agreement), or (b) any duty or standard of care whatsoever. In addition, nothing in this Agreement shall create any duty, liability or standard of care whatsoever as to any other party. Except for the rights, as a third-party beneficiary under this Article 12, of the WECC against the Seller for the Seller, no third party shall have any rights whatsoever with respect to enforcement of any provision of this Agreement. Idaho Power and the Seller expressly intend that the WECC is a third-party beneficiary to this Article 12, and the WECC shall have the right to seek to enforce against the Seller any provision of this Article 12, provided that specific performance shall be the sole remedy available to the WECC pursuant to Article 12 of this Agreement, and the Seller shall not be liable to the WECC pursuant to this Agreement for damages of any kind whatsoever (other than the payment of sanctions to the WECC, if so construed), whether direct, compensatory, special, indirect, consequential, or punitive.

12.7 Reserved Rights. Nothing in the Article 12 of this Agreement or the WECC Reliability Criteria Agreement shall affect the right of Idaho Power, subject to any necessary regulatory approval, to take such other measures to maintain reliability, including disconnection that Idaho Power may otherwise be entitled to take.

12.8 Termination of Article 12. Seller may terminate its obligations pursuant to this Article 12:

12.8.1 If after the effective date of this Article 12, the requirements of the WECC Reliability Criteria Agreement applicable to the Seller are amended so as to adversely affect the Seller, provided that the Seller gives fifteen (15) days' notice of such termination to Idaho Power and WECC within forty-five (45) days of the date of issuance of a FERC order accepting such amendment for filing, provided further that the forty-five (45) day period within which notice of termination is required may be extended by the Seller for an additional forty-five (45) days if the Seller gives written notice to Idaho Power of such requested extension within the initial forty-five (45) day period; or

12.8.2 For any reason on one year's written notice to Idaho Power and the WECC.

#### ARTICLE XIII: INDEMNIFICATION AND INSURANCE

13.1 Indemnification - Each Party shall agree to hold harmless and to indemnify the other Party, its officers, directors, agents, affiliates, subsidiaries, parent company 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, including reasonable attorney fees, that may be incurred by the other Party in enforcing this indemnity.

13.2 Insurance -

13.2.1 If the Facility's Nameplate Capacity as determined in paragraph 1.11 of this Agreement is greater than 200 kW, the Seller shall secure and continuously carry the following insurance coverage:

13.2.1.1 Comprehensive General Liability Insurance for both bodily injury and property damage with limits equal to \$1,000,000, each occurrence, combined single limit.

The deductible for such insurance shall be consistent with current Insurance

Industry Utility practices for similar property.

13.2.1.2 The above insurance coverage shall be placed with an insurance company with an A.M. Best Company rating of A- or better and shall include:

- (a) An endorsement naming Idaho Power as an additional insured and loss payee as applicable; and
- (b) A provision stating that such policy shall not be canceled or the limits of liability reduced without sixty (60) days' prior written notice to Idaho Power.

13.2.1.3 Seller to Provide Certificate of Insurance - As required in paragraph 4.1.4 herein and annually thereafter, Seller shall furnish Idaho Power a certificate of insurance, together with the endorsements required therein, evidencing the coverage as set forth above.

13.2.1.4 Seller to Notify Idaho Power of Loss of Coverage - If the insurance coverage required by paragraph 13.2 shall lapse for any reason, Seller will immediately notify Idaho Power in writing. The notice will advise Idaho Power of the specific reason for the lapse and the steps Seller is taking to reinstate the coverage. Failure to provide this notice and to expeditiously reinstate or replace the coverage will constitute a Material Breach of this Agreement.

#### ARTICLE XIV. FORCE MAJEURE

14.1 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 Power which, despite the exercise of due diligence, such Party is unable to prevent or overcome. Force Majeure includes, but is not limited to, acts of God, fire, flood, storms, wars, hostilities, civil strife, strikes and other labor disturbances, earthquakes, fires, lightning, epidemics, sabotage, or changes in law or regulation occurring after the Operation Date, which, by the exercise of reasonable foresight such party could not reasonably have been expected to avoid and by the exercise of due diligence, it shall be unable to

overcome. 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 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 XV: LIABILITY; DEDICATION

15.1 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 or affect the status of Idaho Power as an independent public utility corporation or Seller as an independent individual or entity.

#### ARTICLE XVI: SEVERAL OBLIGATIONS

16.1 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 XVII: WAIVER

- 17.1 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 XVIII: CHOICE OF LAWS AND VENUE

- 18.1 This Agreement shall be construed and interpreted in accordance with the laws of the State of Oregon without reference to its choice of law provisions.
- 18.2 Venue for any litigation arising out of or related to this Agreement will lie in the District Court of the Ninth Judicial District of Oregon in and for the County of Malheur.

ARTICLE XIX: DISPUTES AND DEFAULT

- 19.1 Disputes - All disputes related to or arising under this Agreement, including, but not limited to, the interpretation of the terms and conditions of this Agreement, will be submitted to the Commission for resolution.
- 19.2 Notice of Default -
- 19.2.1 Defaults. If either Party fails to perform any of the terms or conditions of this Agreement (an "Event of Default" or "Default"), the non-defaulting 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 sixty (60) days after service of such notice, or if the defaulting Party reasonably demonstrates to the other Party that the Default can be cured within a commercially reasonable time but not within such sixty (60) day period and then fails to diligently pursue such cure, then, the non-defaulting Party may, at its option, terminate this Agreement and/or pursue its legal or equitable remedies.

19.2.2 Material Breaches – The notice and cure provisions in paragraph 19.2.1 do not apply to Defaults identified in this Agreement as Material Breaches. Material Breaches must be cured as expeditiously as possible following occurrence of the breach.

19.3 Security for Performance - Prior to the Operation Date and thereafter for the full term of this Agreement, Seller will provide Idaho Power with the following:

19.3.1 Insurance - Evidence of compliance with the provisions of paragraph 13.2. If Seller fails to comply, such failure will be a Material Breach and may only be cured by Seller supplying evidence that the required insurance coverage has been replaced or reinstated;

19.3.2 Engineer's Certifications - Seller will supply Idaho Power with a Certification of Ongoing Operations and Maintenance (O & M) from a Registered Professional Engineer licensed in the State of Oregon, which Certification of Ongoing O & M shall be in the form specified in Appendix C. Seller's failure to supply the required certificate will be an Event of Default. Such a Default may only be cured by Seller providing the required certificate; and

19.3.3 Licenses and Permits - During the full Term of this Agreement, Seller shall maintain compliance with all permits and licenses described in paragraph 4.1.1 of this Agreement. In addition, Seller will supply Idaho Power with copies of any new or additional permits or licenses. If at any time during the Term, Seller fails to maintain compliance with the permits and licenses described in paragraph 4.1.1 or to provide the documentation required by this paragraph, such failure will be an Event of Default and may only be cured by Seller submitting to Idaho Power evidence of compliance from the permitting agency.

19.3.4 Security Requirements – During the full Term of this Agreement, Seller shall maintain the Security Requirements established in accordance to paragraph 4.1.6. Failure to maintain these Security Requirements will be a Material Breach of this Agreement.

## ARTICLE XX: GOVERNMENTAL AUTHORIZATION

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

## ARTICLE XXI: 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, except that no assignment hereof by either Party shall become effective without the written consent of both Parties being first obtained. Such consent shall not be unreasonably withheld. Notwithstanding the foregoing, any party which Idaho Power may consolidate, or into which it may merge, or to which it may convey or transfer substantially all of its electric utility assets, shall automatically, without further act, and without need of consent or approval by the Seller, succeed to all of Idaho Power's rights, obligations and interests under this Agreement. 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 Power shall have the right to be notified by the financing entity that it is exercising such rights or remedies.

## ARTICLE XXII: MODIFICATION

No modification to this Agreement shall be valid unless it is in writing and signed by both Parties and subsequently approved by the Commission, if reasonably deemed necessary by Idaho Power.

## ARTICLE XXIII: TAXES

Each Party shall pay before delinquency all of its respective taxes and other governmental charges which, if failed to be paid when due, could result in a lien upon the Seller's Facility or Idaho Power's system.

ARTICLE XXIV: 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:

Original document to:

Randy Crockett  
Chief Financial Officer  
D.R. Johnson Lumber Company  
1991 Pruner Road  
PO Box 66  
Riddle, Or 97469  
541-874-2231  
541-874-8295 (fax)  
email: randyc@drjlumber.com

Copy of document to:

Thomas M. Grim  
Cable Huston Benedict Haggensen & Lloyd LLP  
Suite 2000, 1001 SW Fifth Avenue  
Portland, Or 97204  
503-224-3092  
503-224-3176 (fax)  
email: tgrim@chbh.com

To Idaho Power:

Original document to:

Vice President, Power Supply  
Idaho Power Company  
P. O. Box 70  
Boise, Idaho 83707

Copy of document to:

Cogeneration and Small Power Production  
Idaho Power Company  
P. O. Box 70  
Boise, Idaho 83707

ARTICLE XXV: ADDITIONAL TERMS AND CONDITIONS

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

Appendix A	-	Generation Scheduling and Reporting
Appendix B	-	Facility and Point of Delivery
Appendix C	-	Engineer's Certifications

ARTICLE XXVI: SEVERABILITY

The invalidity or unenforceability of any term or provision of this Agreement shall not affect the validity or enforceability of any other terms or provisions and this Agreement shall be construed in all other respects as if the invalid or unenforceable term or provision were omitted.

ARTICLE XXVII: COUNTERPARTS

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

ARTICLE XXVIII: 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.

ARTICLE XXIX: COMMISSION INVESTIGATION

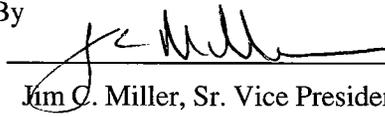
The Seller and Idaho Power acknowledge that the rates, terms and conditions specified in this Agreement and the related tariffs are being investigated by the Oregon Public Utility Commission. Upon a decision by the Oregon Public Utility Commission in the investigation, Idaho Power will notify the Seller within ten (10) calendar days. The Seller shall have thirty (30) calendar days from the effective date of the revised standard contract and tariffs complying with the Commission's order to amend this Agreement if the Seller so chooses to adopt the revised standard contract and/or the

revised rates, terms and conditions in the tariff approved by the Oregon Public Utility Commission as a result of the investigation.

IN WITNESS WHEREOF, The Parties hereto have caused this Agreement to be executed in their respective names on the dates set forth below:

Idaho Power Company

By

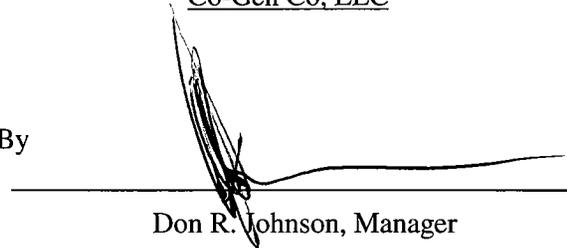
  
\_\_\_\_\_  
Jim C. Miller, Sr. Vice President, Power Supply

Dated

DEC 29, 2005  
"Idaho Power"

Co-Gen Co, LLC

By

  
\_\_\_\_\_  
Don R. Johnson, Manager

Dated

1/9/06  
"Seller"

APPENDIX A

A -1 MONTHLY POWER PRODUCTION AND SWITCHING REPORT FOR PROJECTS  
LOCATED WITHIN THE IDAHO POWER ELECTRICAL SYSTEM CONTROL AREA

At the end of each month, the following required documentation will be submitted to:

Idaho Power Company  
Attn: Cogeneration and Small Power Production  
P. O. Box 70  
Boise, Idaho 83707

The Meter readings required on this report will be the reading on the Meter Equipment measuring the Facility's Net Energy delivered by the Transmitting Entity to the Idaho Power electrical system and/or any other required energy measurements to adequately administer this Agreement. If the Metering Equipment is not located at the point which is able to measure the exact energy deliveries to the Idaho Power electrical system, then the metered energy amounts will be adjusted to account for electrical Losses occurring between the metering point and the point which the energy is delivered to the Idaho Power electrical system

**Idaho Power Company**

**Cogeneration and Small Power Production**

**MONTHLY POWER PRODUCTION AND SWITCHING REPORT**

Month \_\_\_\_\_

Year \_\_\_\_\_

Project Name \_\_\_\_\_

Project Number: \_\_\_\_\_

Address \_\_\_\_\_

Phone Number: \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

Zip \_\_\_\_\_

	<u>Facility Output</u>	<u>Station Usage</u>	<u>Station Usage</u>	<u>Metered Maximum Generation</u>
Meter Number: _____	_____	_____	_____	kW
End of Month kWh Meter Reading: _____	_____	_____	_____	
Beginning of Month kWh Meter: _____	_____	_____	_____	
Difference: _____	_____	_____	_____	
Times Meter Constant: _____	_____	_____	_____	<u>Net Generation</u>
kWh for the Month: _____	-	-	=	
Metered Demand: _____	_____	_____	_____	

**Breaker Opening Record**

**Breaker Closing Record**

<u>Date</u>	<u>Time</u>	<u>Meter</u>

<u>* Reason</u>

<u>Date</u>	<u>Time</u>	<u>Meter</u>

\* **Breaker Opening Reason Codes**

- 1 Lack of Adequate Prime Mover
- 2 Forced Outage of Facility
- 3 Disturbance of IPCo System
- 4 Scheduled Maintenance
- 5 Testing of Protection Systems
- 6 Cause Unknown
- 7 Other (Explain)

I hereby certify that the above meter readings are true and correct as of Midnight on the last day of the above month and that the switching record is accurate and complete as required by the Energy Sales Agreement to which I am a Party.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

A-2 ROUTINE REPORTING FOR PROJECTS WITHIN THE IDAHO POWER ELECTRICAL SYSTEM CONTROL AREA.

Idaho Power Designated Dispatch Facility contact information

Daily Energy Production Reporting

All projects with a Nameplate Capacity of 1 MW or greater shall:

Call daily by 10 a.m., 1-800-356-4328 or 1-800-635-1093 and leave the following information:

- Project Identification - Project Name and Project Number
- Current Meter Reading
- Estimated Generation for the current day
- Estimated Generation for the next day

If Idaho Power determines that adequate generation data is available for this Facility's daily generation, Idaho Power may modify these reporting requirements

Planned and Unplanned Project outages

Call 1-800-345-1319 and leave the following information:

- Project Identification - Project Name and Project Number
- Approximate time outage occurred
- Estimated day and time of project coming back online

Seller's Contact Information

24-Hour Project Operational Contact

Name: Jim Munyon  
Telephone Number: 541- 820-3351  
Cell Phone: 541- 820-4548

Project On-site Contact information

Telephone Number: 541-820-3737

A -3 MONTHLY POWER PRODUCTION AND SWITCHING REPORT FOR PROJECTS  
LOCATED OUTSIDE OF THE IDAHO POWER ELECTRICAL SYSTEM CONTROL AREA.

- a.) The Transmitting Entity will schedule and deliver the Facility's Net Energy to the Idaho Power electrical system at the Point of Delivery in accordance with the electrical industry standard WECC scheduling and delivery processes. As specified in paragraph 9.4.3 the Seller and/or the Transmitting Entity shall provide Idaho Power with monthly documentation indicating the hourly energy scheduled and delivered to Idaho Power. This documentation will be reconciled with Idaho Power records of energy scheduled and received from this Facility. In the event a discrepancy exists between the Idaho Power records and the Seller / Transmitting Entity documents, Idaho Power records will be considered to be accurate until such time as Idaho Power, the Seller and the Transmitting Entity mutually agree on an adjustment to the Idaho Power records.
- b.) The Seller shall submit to Idaho Power a Monthly Power Production And Switching Report as specified in Appendix A-1 of this Agreement. The meter readings on this report shall be the meter readings at the actual Facility measuring the actual energy deliveries to Transmitting Entity at the Facility.

A-4 ROUTINE REPORTING FOR PROJECTS OUTSIDE OF THE IDAHO POWER  
ELECTRICAL SYSTEM CONTROL AREA.

The Seller and Transmitting Entity shall maintain appropriate communications with the Idaho Power Designed Dispatch Facility in compliance with electric industry standard WECC energy scheduling processes and procedures.

APPENDIX B

FACILITY AND POINT OF DELIVERY

PROJECT NO. 12618100

CO-GEN CO, LLC

B-1 DESCRIPTION OF FACILITY

A wood waste (biomass) generation unit comprised of a single Alpha boiler with steam production capability of 135,000 lbs/hr at 425 PSIG, coupled with a General Electric turbine generator with a Nameplate Capacity rating of 9.375 MW. The primary source of fuel being the wood waste from the adjacent Prairie Wood Products mill and other sources.

B-2 LOCATION OF FACILITY

The Facility is located in Section 2, Township 13.5, Range 33E, Grant County, Oregon. The Facility is adjacent to the Prairie Wood Products Mill in Prairie City, Oregon on Highway 26, approximately 100 miles west of Ontario, Oregon.

B-3 SCHEDULED FIRST ENERGY AND OPERATION DATE

Seller has selected January 1, 2006 as the estimated Scheduled First Energy Date.

Seller has selected January 1, 2006 as the estimated Scheduled Operation Date.

In making these selections, Seller recognizes that completion of all requirements in paragraph 5.2 of this Agreement must be completed prior to the Facility being granted an Operation Date.

B-4 MAXIMUM CAPACITY AMOUNT:

This value will be 10 MW. This value is the maximum energy (MW) that potentially could be delivered by the Seller's Facility to the Idaho Power electrical system at any moment in time and will be consistent with the designed capacity of the Facility.

B-5 POINT OF DELIVERY

The West John Day Substation is the point on the Idaho Power electrical system where the Sellers Facility's Net energy will be delivered by the Transmitting Entity to the Idaho Power electrical system.

B-6 LOSSES

a. Idaho Power Metering is unable to measure the exact energy deliveries by the Transmitting Entity on behalf of the Seller to the Idaho Power electrical system at the Point of Delivery, therefore a Losses calculation will be established to measure the energy losses (kWh) between the Seller's Facility and the Idaho Power Point of Delivery. The Losses will be calculated as the hourly energy, measured as described in B-8, multiplied by  $(1 - 0.992633)$  or  $0.007367$ ). If at anytime during the term of this Agreement, Idaho Power determines that the loss calculation does not correctly reflect the actual kWh losses attributed to the electrical equipment between the Facility and the Idaho Power electrical system, Idaho Power may adjust the calculation and retroactively adjust the previous months kWh loss calculations.

B-7 INTERCONNECTION FACILITIES

The Seller and Transmitting Entity shall construct, operate and maintain the Facility and all interconnection and protection equipment in accordance with Prudent Electrical Practices, the National Electric Safety Code and any other applicable local, state and federal codes

B-8 METERING AND TELEMETRY

BPA RMS Meter No. 2260 located at the Co-Gen Co. Facility will record the hourly energy generated by the Co-Gen Co. Facility. Meter No. 2260 is owned and will be maintained by Oregon Trail Electric Consumers Cooperative. The Bonneville Power Administration will access and record data from Meter No. 2260 on a daily basis using its existing cell phone dial-in capability. The data from Meter No. 2260 is posted on the Bonneville Power Administration

website and is available to Idaho Power delivery unit. Idaho Power delivery unit will make this information available to Idaho Power power supply unit.

Idaho Power will apply a meter correction factor of 0.992633 in order to determine the amount of Net Energy delivered to the West John Day Substation for purchase from Co-Gen Co pursuant to the terms of the Energy Sales Agreement.

Co-Gen Co. and Idaho Power delivery unit will coordinate to install the necessary telemetry equipment to directly input the Generation of the Co-Gen Co. Facility into the Idaho Power energy management system. The necessary telemetry equipment will be installed, at Co-Gen Co.'s expense, on a schedule mutually agreed by Co-Gen Co. and Idaho Power delivery unit. The required telemetry equipment should be installed as soon as possible, but need not be installed before the Operation Date specified in the Energy Sales Agreement. If the necessary telemetry equipment is not installed by the Operation Date, then Idaho Power delivery unit will rely on information from the existing revenue meter.

Project's producing at or near the design electrical output, efficiency and plant factor for a period of \_\_\_\_\_ years.

9. That Engineer recognizes that Idaho Power, in accordance with paragraph 5.2 of the Agreement, is relying on Engineer's representations and opinions contained in this Statement.

10. That Engineer certifies that the above statements are complete, true and accurate to the best of his knowledge and therefore sets his hand and seal below.

By \_\_\_\_\_

(P.E. Stamp)

Date \_\_\_\_\_

APPENDIX C

ENGINEER'S CERTIFICATION  
OF  
OPERATIONS & MAINTENANCE POLICY

The undersigned \_\_\_\_\_, on behalf of himself and \_\_\_\_\_, hereinafter collectively referred to as "Engineer," hereby states and certifies to the Seller as follows:

1. That Engineer is a Licensed Professional Engineer in good standing in the State of Oregon.
2. That Engineer has reviewed the Energy Sales Agreement, hereinafter "Agreement," between Idaho Power as Buyer, and \_\_\_\_\_ as Seller, dated \_\_\_\_\_.
3. That the cogeneration or small power production project which is the subject of the Agreement and this Statement is identified as IPCo Facility No. \_\_\_\_\_ and is hereinafter referred to as the "Project."
4. That the Project, which is commonly known as the \_\_\_\_\_, is located in Section \_\_\_\_\_, Township \_\_\_\_\_, Range \_\_\_\_\_, \_\_\_\_\_ County, \_\_\_\_\_.
5. That Engineer recognizes that the Agreement provides for the Project to furnish electrical energy to Idaho Power for period of \_\_\_\_\_ years.
6. That Engineer has substantial experience in the design, construction and operation of electric power plants of the same type as this Project.
7. That Engineer has no economic relationship to the Design Engineer of this Project.
8. That Engineer has reviewed and/or supervised the review of the Policy for Operation and Maintenance ("O&M") for this Project and it is his professional opinion that, provided said Project has been designed and built to appropriate standards, adherence to said O&M Policy will result in the

APPENDIX C

ENGINEER'S CERTIFICATION

OF

ONGOING OPERATIONS AND MAINTENANCE

The undersigned \_\_\_\_\_, on behalf of himself and \_\_\_\_\_ hereinafter collectively referred to as "Engineer," hereby states and certifies to the Seller as follows:

1. That Engineer is a Licensed Professional Engineer in good standing in the State of Oregon.
2. That Engineer has reviewed the Energy Sales Agreement, hereinafter "Agreement," between Idaho Power as Buyer, and \_\_\_\_\_ as Seller, dated \_\_\_\_\_.
3. That the cogeneration or small power production project which is the subject of the Agreement and this Statement is identified as IPCo Facility No. \_\_\_\_\_ and hereinafter referred to as the "Project".
4. That the Project, which is commonly known as the \_\_\_\_\_, is located at \_\_\_\_\_.
5. That Engineer recognizes that the Agreement provides for the Project to furnish electrical energy to Idaho Power for a period of \_\_\_\_\_ years.
6. That Engineer has substantial experience in the design, construction and operation of electric power plants of the same type as this Project.
7. That Engineer has no economic relationship to the Design Engineer of this Project.
8. That Engineer has made a physical inspection of said Project, its operations and maintenance records since the last previous certified inspection. It is Engineer's professional opinion, based on the Project's appearance, that its ongoing O&M has been substantially in accordance with said O&M Policy; that it is in reasonably good operating condition; and that if adherence to said O&M Policy continues, the Project will continue producing at or near its design electrical output, efficiency and plant factor for the remaining \_\_\_\_\_ years of the Agreement.

9. That Engineer recognizes that Idaho Power, in accordance with paragraph 5.2 of the Agreement, is relying on Engineer's representations and opinions contained in this Statement.

10. That Engineer certifies that the above statements are complete, true and accurate to the best of his knowledge and therefore sets his hand and seal below.

By \_\_\_\_\_

(P.E. Stamp)

Date \_\_\_\_\_

APPENDIX C  
ENGINEER'S CERTIFICATION  
OF  
DESIGN & CONSTRUCTION ADEQUACY

The undersigned \_\_\_\_\_, on behalf of himself and \_\_\_\_\_, hereinafter collectively referred to as "Engineer", hereby states and certifies to Idaho Power as follows:

1. That Engineer is a Licensed Professional Engineer in good standing in the State of Oregon.
2. That Engineer has reviewed the Energy Sales Agreement, hereinafter "Agreement", between Idaho Power as Buyer, and \_\_\_\_\_ as Seller, dated \_\_\_\_\_.
3. That the cogeneration or small power production project, which is the subject of the Agreement and this Statement, is identified as IPCo Facility No \_\_\_\_\_ and is hereinafter referred to as the "Project".
4. That the Project, which is commonly known as the \_\_\_\_\_ Project, is located in Section \_\_\_\_\_ Township \_\_\_\_\_, Range \_\_\_\_\_, \_\_\_\_\_ County, \_\_\_\_\_.
5. That Engineer recognizes that the Agreement provides for the Project to furnish electrical energy to Idaho Power for a \_\_\_\_\_ (\_\_\_\_) year period.
6. That Engineer has substantial experience in the design, construction and operation of electric power plants of the same type as this Project.
7. That Engineer has no economic relationship to the Design Engineer of this Project and has made the analysis of the plans and specifications independently.
8. That Engineer has reviewed the engineering design and construction of the Project, including the civil work, electrical work, generating equipment, prime mover conveyance system, Seller furnished Interconnection Facilities and other Project facilities and equipment.

9. That the Project has been constructed in accordance with said plans and specifications, all applicable codes and consistent with Prudent Electrical Practices as that term is described in the Agreement.

10. That the design and construction of the Project is such that with reasonable and prudent operation and maintenance practices by Seller, the Project is capable of performing in accordance with the terms of the Agreement and with Prudent Electrical Practices for a \_\_\_\_\_ (\_\_\_\_\_) year period.

11. That Engineer recognizes that Idaho Power, in accordance with paragraph 5.2 of the Agreement, in interconnecting the Project with its system, is relying on Engineer's representations and opinions contained in this Statement.

12. That Engineer certifies that the above statements are complete, true and accurate to the best of his knowledge and therefore sets his hand and seal below.

By \_\_\_\_\_  
(P.E. Stamp)

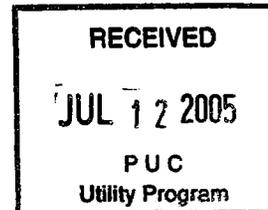
Date \_\_\_\_\_

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**CASE NO. IPC-E-06-02**

**IDAHO POWER COMPANY**

**EXHIBIT 2**



SCHEDULE 85  
COGENERATION AND SMALL POWER  
PRODUCTION STANDARD  
CONTRACT RATES

AVAILABILITY

Service under this schedule is available throughout the Company's service territory within the State of Oregon.

APPLICABILITY

Service under this schedule is applicable to any Seller that:

- 1) Owns or operates a Qualifying Facility with a nameplate capacity rating of 10 MW or less and desires to sell Energy generated by the Qualifying Facility to the Company in compliance with all the terms and conditions of the Standard Contract;
- 2) Meets all applicable requirements of the Company's Generation Interconnection Process.

For Qualifying Facilities with a nameplate capacity rating greater than 10 MW, a negotiated Non-Standard Contract between the Seller and the Company is required.

DEFINITIONS

Energy means the electric energy, expressed in kWh, generated by the Qualifying Facility and delivered by the Seller to the Company in accordance with the conditions of this schedule and the Standard Contract. Energy is measured net of Losses and Station Use.

Generation Interconnection Process is the Company's generation interconnection application and engineering review process developed to ensure a safe and reliable generation interconnection in compliance with all applicable regulatory requirements, Prudent Electrical Practices and national safety standards.

Heat Rate Conversion Factor is 7,100 MMBTU divided by 1000.

Losses are the loss of electric energy occurring as a result of the transformation and transmission of electric energy from the Qualifying Facility to the Point of Delivery.

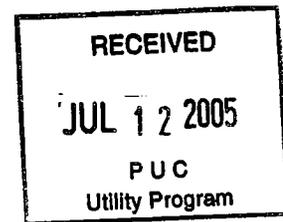
Issued By IDAHO POWER COMPANY  
By John R. Gale, Vice President, Regulatory Affairs  
1221 West Idaho Street, Boise, Idaho

Advice No. 05-06

OREGON  
Issued: July 12, 2005  
Effective with service rendered on and after:

~~August 12, 2005~~

SCHEDULE 85  
COGENERATION AND SMALL POWER  
PRODUCTION STANDARD  
CONTRACT RATES  
 (Continued)



DEFINITIONS (Continued)

Non-Standard Contract is a negotiated contract between any Seller that owns or operates a Qualifying Facility with a nameplate capacity rating greater than 10 MW and desires to sell Energy generated by the Qualifying Facility to the Company. The starting point for negotiation of price is the Avoided Cost Components established in this schedule and may be modified to address specific factors mandated by federal and state law, including

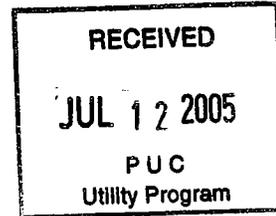
- 1) The utility's system cost data;
- 2) The availability of capacity or energy from a Qualifying Facility during the system daily and seasonal peak periods, including:
  - a. The ability of the utility to dispatch the qualifying facility;
  - b. The expected or demonstrated reliability of the qualifying facility;
  - c. The terms of any contract or other legally enforceable obligation, including the duration of the obligation, termination notice requirement and sanctions for non-compliance;
  - d. The extent to which scheduled outages of the qualifying facility can be usefully coordinated with scheduled outages of the utility's facilities;
  - e. The usefulness of energy and capacity supplied from a qualifying facility during system emergencies, including its ability to separate its load from its generation;
  - f. The individual and aggregate value of energy and capacity from qualifying facilities on the electric utility's system; and
  - g. The smaller capacity increments and the shorter lead times available with additions of capacity from qualifying facilities; and
- 3) The relationship of the availability of energy or capacity from the Qualifying Facility to the ability of the electric utility to avoid costs, including the deferral of capacity additions and the reduction of fossil fuel use; and
- 4) The costs or savings resulting from variations in line losses from those that would have existed in the absence of purchases from a Qualifying Facility, if the purchasing electric utility generated an equivalent amount of energy itself or purchased an equivalent amount of electric energy or capacity.

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 By John R. Gale, Vice President, Regulatory Affairs  
 1221 West Idaho Street, Boise, Idaho

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SCHEDULE 85  
COGENERATION AND SMALL POWER  
PRODUCTION STANDARD  
CONTRACT RATES  
(Continued)



DEFINITIONS (Continued)

Point of Delivery is the location where the Company's and the Seller's electrical facilities are interconnected.

Prudent Electrical Practices are 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.

PURPA means the Public Utility Regulatory Policies Act of 1978.

Qualifying Facility is a cogeneration facility or a small power production facility which meets the PURPA criteria for qualification set forth in Subpart B of Part 292, Subchapter K, Chapter I, Title 18, of the Code of Federal Regulations.

Seasonality Factor is the factor used in determining the seasonal purchase price of energy. The applicable factors are:

- 73.50% for Season 1 (March, April, May);
- 120.00% for Season 2 (July, August, November, December);
- 100.00% for Season 3 (June, September, October, January, February).

Seller is any entity that owns or operates a Qualifying Facility and desires to sell Energy to the Company.

Standard Contract is the Company's Energy Sales Agreement (10 MW or less) filed with the Public Utility Commission of Oregon.

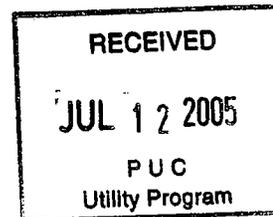
Station Use is electric energy used to operate the Qualifying Facility which is auxiliary to or directly related to the generation of electricity and which, but for the generation of electricity, would not be consumed by the Seller.

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QUALIFYING FACILITY INFORMATION INQUIRY PROCESS

There are two separate processes required for a Seller to deliver and sell energy from a Qualifying Facility to the Company. These processes may be completed separately or simultaneously.

1) Generation Interconnection Process

All generation projects physically interconnecting to the Company's electrical system, regardless of size, location or ownership, must successfully complete the Generation Interconnection Process prior to the project delivering energy to the Company. A complete description, application and Company contact information is maintained on the Idaho Power website at www.idahopower.com, or Seller may contact the Company's Customer Service Center at 1-800-488-6151 for further information.

2) Energy Sales Agreement

To begin the process of completing a Standard Contract or negotiating a Non-Standard Contract, for a proposed project, the Seller must submit in written form to the Company a request for an Energy Sales Agreement. This request, at the minimum, should contain:

- a. Date of request
- b. Description of the proposed project
- c. Type of project (wind, hydro, geothermal etc)
- d. Nameplate capacity of the proposed project
- e. Estimated monthly generation (kWh)
- f. Estimated on-line date of the proposed project
- g. Location of the proposed project
- h. Company / Organization that will be the contracting party
- i. Contact information including name, address and telephone number

All requests will be processed in the order of receipt by the Company. The request should be submitted to:

Idaho Power Company  
Cogeneration and Small Power Production  
P O Box 70  
Boise, Idaho 83707

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AVOIDED COST COMPONENTS

The Avoided Cost Components are calculated based upon the Surrogate Avoided Resource methodology (SAR) for determining the Company's standard avoided costs.

<u>Year</u>	<u>Capacity Cost</u> (mills/kWh)	<u>Fuel Cost</u> (mills/kWh)
2005	23.96	43.67
2006	24.52	43.45
2007	25.08	42.67
2008	25.66	41.46
2009	26.25	40.33
2010	26.86	39.19
2011	27.50	39.90
2012	28.13	40.54
2013	28.77	41.25
2014	29.44	41.96
2015	30.13	42.67
2016	30.83	44.02
2017	31.55	45.44
2018	32.27	47.00
2019	33.03	48.49
2020	33.78	50.06
2021	34.58	51.69
2022	35.39	53.32
2023	36.20	55.17
2024	37.05	56.94
2025	37.91	58.72
2026	38.79	60.63
2027	39.69	62.62
2028	40.61	64.61
2029	41.57	66.74
2030	42.54	68.87

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NET ENERGY PURCHASE PRICE

The Company will pay the Seller monthly, for each kWh of Energy delivered and accepted at the Point of Delivery during the preceding calendar month, in accordance with the Standard Contract, an amount determined by the Seller's choice of one of the following options:

Option 1 - Fixed Price Method

Net Energy Purchase Price =

On-peak = (Fuel Cost + Capacity Cost) X Seasonality Factor

Off-peak = Fuel Cost X Seasonality Factor

where

Fuel Cost and Capacity Cost are the Avoided Cost Components established in this schedule for the applicable calendar year of the actual Net Energy deliveries to the Company.

Option 2 - Dead Band Method

Net Energy Purchase Price =

On-peak = (AGPU + Capacity Cost) X Seasonality Factor

Off-peak = AGPU X Seasonality Factor

Actual Gas Price Used (AGPU) =

90% of Fuel Cost if

Indexed Fuel Cost is less than 90% Fuel Cost; else

110% of Fuel Cost if

Indexed Fuel Cost is greater than 110% Fuel Cost; else

Indexed Fuel Cost

where

Fuel Cost and Capacity Cost are the Avoided Cost Components established in this schedule for the applicable calendar year of the actual Net Energy deliveries to the Company, and

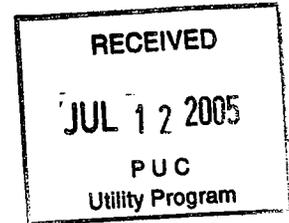
Indexed Fuel Cost is the applicable weighted monthly average index price of natural gas at Sumas multiplied by the Heat Rate Conversion Factor.

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NET ENERGY PURCHASE PRICE (Continued)

Option 3 – Gas Market Method

Net Energy Purchase Price =

On-peak = (AGPU + Capacity Cost) X Seasonality Factor  
Off-peak = AGPU X Seasonality Factor

Actual Gas Price Used (AGPU) = Indexed Fuel Cost

where

Capacity Cost is the Avoided Cost Component established in this schedule for the applicable calendar year of the actual Net Energy deliveries to the Company, and

Indexed Fuel Cost is the applicable weighted monthly average index price of natural gas at Sumas multiplied by the Heat Rate Conversion Factor.

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