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IDAHO PUBLIC
UTILITIES COMMISSION

BARTON L. KLINE
Lead Counsel

October 24, 2008

VIA HAND DELIVERY

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-08-21
*IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR
APPROVAL OF A SPECIAL CONTRACT TO SUPPLY POWER TO HOKU
MATERIALS, INC.*

Dear Ms. Jewell:

Enclosed please find for filing an original and seven (7) copies of Idaho Power's Application in the above matter.

In addition, enclosed are an original and eight (8) copies of the testimony of John R. Gale which is being submitted in support of Idaho Power's enclosed filing. One copy of Mr. Gale's testimony has been designated as the "Reporter's Copy." In addition, a disk containing a Word version of the above testimony has been provided for the Reporter and has been marked accordingly.

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

Very truly yours,

Barton L. Kline

BLK:csb
Enclosures

BARTON L. KLINE, ISB #1526
LISA D. NORDSTROM, ISB #5733
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707
Telephone: 208-388-2682
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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Idaho Power Company

Street Address for Express Mail:
1221 West Idaho Street
Boise, Idaho 83702

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION FOR) CASE NO. IPC-E-08-21
APPROVAL OF A SPECIAL CONTRACT)
TO SUPPLY POWER TO HOKU) APPLICATION
MATERIALS, INC.)
_____)

COMES NOW, Idaho Power Company ("Idaho Power" or "Company") and, in accordance with RP 052, hereby requests that the Idaho Public Utilities Commission ("Commission") issue its Order approving a special contract for electric service between Idaho Power and Hoku Materials, Inc. ("Hoku"). Idaho Power and Hoku are hereinafter referred to singly as "Party" and collectively as "Parties." This Application is based on the following:

1. Background.

Hoku is currently constructing a polysilicon production facility ("Hoku Facility") in Pocatello, Idaho. The electrical demand at the Hoku Facility will exceed 25,000 kW. Idaho Power's rate Schedule 19, Large Power Service, provides that customers whose electrical demand exceeds 25,000 kW must make special contract arrangements with the Company. Idaho Power and Hoku have negotiated an energy sales agreement which complies with the requirements of a special contract under Idaho Power's Commission approved Tariff No. 101. A copy of the Hoku energy sales agreement ("ESA") and Rate Schedule 32, which contains the proposed rates for Hoku's service under the ESA, are enclosed with this Application as Attachment No. 1.

2. In conjunction with the ESA, Idaho Power and Hoku have also entered into an agreement under which Hoku has agreed to fund and Idaho Power has agreed to construct the interconnection facilities necessary to provide service to the Hoku Facility ("Construction Agreement"). Because the Construction Agreement is not a special contract under Idaho Power's rate schedules, the Company is not seeking approval of the Construction Agreement. However, for the Commission's convenience in reviewing the ESA, a copy of the Construction Agreement is enclosed as Attachment No. 2.

3. In conjunction with this Application, Idaho Power has filed the direct testimony of John R. Gale. Mr. Gale's testimony provides additional detail regarding the rates and terms of the ESA and presents evidence to support the Company's position that Commission approval of the ESA would be in the public interest.

4. Contract Provisions.

For the most part, the ESA is similar to other special contracts Idaho Power has signed with large customers. The material provisions of the ESA which are unique to the ESA are summarized here and addressed in greater detail in Mr. Gale's testimony in support of the ESA.

(a) Term.

The term of the ESA commences on June 1, 2009, and concludes on May 31, 2013. After June 1, 2013, either Party can terminate the ESA on one-year's prior written notice. If the effective date of a termination occurs before a replacement special contract between the Parties can be negotiated and placed into effect, then Hoku's energy and demand rates will be the Schedule 19-T rates until a replacement contract is approved.

(b) Contract Demand.

To accommodate Hoku's schedule for gradually increasing its production at the Hoku Facility and to allow Idaho Power adequate time to secure new resources, the Parties have agreed that Hoku's scheduled demand will vary by season. Section 6.1.1 of the ESA sets out the scheduled contract demands during the summer and non-summer periods during the term of the ESA. The maximum demand during the four-year term of the ESA is 82 MW.

Section 6.1.1 also contains an acknowledgment by Hoku that Idaho Power is in the process of expanding its system capacity and the Company's obligation to serve Hoku's scheduled contract demand during the summer load period of 2012 is contingent on the timely completion of major transmission and generation projects.

(c) Rate Blocks.

Hoku's contract demand and energy is broken into two blocks for pricing purposes. The first block demand charge is priced to be reflective of system access costs – firm transmission and ancillary services. The first block of energy is priced at a level equivalent to Idaho Power's current Commission-approved avoided cost rates.

Charges for the second block (25 MW) are based on the Company's approved Schedule 19-T rate.

Under this two-block pricing arrangement, energy is sold to Hoku at a rate that contains both embedded and marginal cost components, thereby reducing upward rate pressure on existing customers due to the addition of the ESA. Mr. Gale's testimony, filed with this Application, further explains the rationale underlying the two-block rate structure.

Both the demand components and the first block of energy impose take-or-pay requirements on Hoku. However, Idaho Power has agreed that Hoku may request a release of all or part of its first block energy purchase commitment. If Hoku makes such a request, Idaho Power will make a commercially reasonable effort to absorb or resell the released energy and provide a credit to Hoku. The amount of the credit will depend on the period of time for which it has notice of Hoku's request and the Company's ability to manage any supply commitments to serve Hoku's load.

5. Procurement of Additional Power.

As previously noted, Idaho Power may not be able to provide all of the power Hoku would like to take during the summer period. If Hoku desires to take additional power during the summer, paragraph 5.6 of the ESA obligates Idaho Power to make

commercially reasonable efforts to obtain proposals to supply Hoku's additional energy request. If power is available, any additional purchases and delivery are subject to Idaho Power's ability to deliver the power to Hoku and Hoku's acceptance of the price and terms of the proposals. Hoku is responsible for the full cost of these purchases and any associated transmission and ancillary service expense to transport such purchase to the Hoku Facility. Hoku can expand its first block contract demand up 175,000 kW, but its ability to expand its first block contract demand is dependent on the availability of adequate capacity in Idaho Power's facilities to provide and deliver the additional power.

6. Rate Schedule 32.

Attached to the ESA is a proposed Schedule 32 which sets out the rates and charges under the ESA. These rates and charges are subject to the continuing jurisdiction of the Commission and can be revised by the Commission in an order, supported by substantial evidence, that such a rate change or revision is just, reasonable, sufficient, non-preferential, and non-discriminatory. The proposed effective date of Schedule 32 is June 1, 2009, to coincide with the commencement of the ESA.

7. PCA Treatment of ESA Expenses and Revenues.

For PCA purposes, Idaho Power proposes to treat first block revenues and expenses as if they were wholesale purchases and sales, thereby removing them from PCA treatment. Mr. Gale's testimony explains why this PCA treatment is reasonable and consistent with PCA principles previously approved by the Commission.

8. The ESA will only become effective upon the approval by the Commission of all terms and provisions without change or condition.

9. Communications regarding this Application should be sent to:

Barton L. Kline
Lisa D. Nordstrom
Idaho Power Company
1221 West Idaho Street
P.O. Box 70
Boise, Idaho 83707
bkline@idahopower.com
lnordstrom@idahopower.com

Scott Paul
VP Business Development &
General Counsel
Hoku Scientific, Inc.
1075 Opakapaka Street
Kapolei, Hawaii 96707-1887
spaul@hokusci.com

John R. Gale
Vice President, Regulatory Affairs
Idaho Power Company
1221 West Idaho Street
P.O. Box 70
Boise, Idaho 83707
rgale@idahopower.com

NOW, THEREFORE, Idaho Power hereby requests that the Commission issue its Order: (1) approving the ESA without change or condition; and (2) approving the rates and charges set out in Schedule 32 to be effective on and after June 1, 2009; and (3) approving the PCA treatment of first block revenues and expenses as set out in Mr. Gale's testimony.

DATED this 24th day of October 2008.



Barton L. Kline
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 24th day of October 2008 I served a true and correct copy of the APPLICATION upon the following named parties by the method indicated below, and addressed to the following:

Scott Paul
VP Business Development &
General Counsel
Hoku Scientific, Inc.
1075 Opakapaka Street
Kapolei, Hawaii 96707-1887

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email spaul@hokusci.com



Barton L. Kline

Idaho Public Utilities Commission
Office of the Secretary
RECEIVED

OCT 24 2008

Boise, Idaho

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-08-21

IDAHO POWER COMPANY

ATTACHMENT NO. 1

OCT 24 2008

ELECTRIC SERVICE AGREEMENT
BETWEEN
IDAHO POWER COMPANY
AND
HOKU MATERIALS, INC

Boise, Idaho

THIS AGREEMENT FOR ELECTRIC SERVICE is executed on 9/17/2008 by HOKU MATERIALS, INC, a Delaware Corporation ("Hoku") and IDAHO POWER COMPANY, an Idaho Corporation ("Idaho Power"). In consideration of the mutual covenants hereinafter set forth, the parties hereby agree as follows:

SECTION 1 - SPECIAL CONTRACT

1.1 This Agreement is a Special Contract as described in Idaho Power's Schedule 19.

SECTION 2 - DEFINITIONS

When used in this Agreement:

2.1. "Commission" shall mean the Idaho Public Utilities Commission or its successor agency.

2.2. "Construction Agreement" shall mean that certain Agreement for Construction of Hoku Electric Substation and Associated Facilities dated as of December 28, 2007, by and between Hoku and Idaho Power, as such may be amended from time to time.

2.3. "Contract Load Factor" shall mean 90 percent for purposes of establishing the energy blocks for monthly billing.

2.4. "Embedded Date" shall mean June 1, 2013.

2.5. "Embedded Rate" shall mean the demand and energy rates detailed in the Company's then-effective Schedule 19T.

2.6. "Excess Demand" shall mean the average kilowatts supplied during the coincident 15-consecutive-minute period of maximum use each day, adjusted for Power Factor, which exceeds the Total Contract Demand.

2.7. "Excess Energy" shall mean any kilowatt-hours of energy supplied to the Hoku Facility during the monthly billing period as measured by the metering equipment located at the Points of Delivery that exceeds the sum of the First Block Energy and the Second Block Energy.

2.8. "First Block Contract Demand" shall mean the monthly number of kilowatts Idaho Power has agreed to make available to the Hoku Facility in accordance with the Scheduled Contract Demand in Section 6.

2.9. "First Block Energy" shall mean the kilowatt-hours determined by multiplying the First Block Contract Demand by the number of hours in the billing period multiplied by the Contract Load Factor.

2.10. "Hoku Facility" shall mean the Hoku Polysilicon Production complex located on One Hoku Way, Pocatello, Idaho.

2.11. "Interconnection Facilities" shall mean all facilities which are reasonably required by Prudent Electrical Practices and the National Electric Safety Code to interconnect and deliver electrical power and energy to the Hoku Facility, including, but not limited to, transmission facilities, substation facilities and metering equipment.

2.12. "Minimum Billed Energy" shall mean the number of kilowatt-hours determined by multiplying 50% of the Total Contract Demand for the billing month by the number of hours in the billing month at the Contract Load Factor.

2.13. "Points of Delivery" shall mean the locations specified in paragraph 5.2 where the electrical facilities owned by Hoku are interconnected to the electrical facilities owned by Idaho Power and where power and energy are delivered by Idaho Power for the purpose of providing electrical service for the operations of the Hoku Facility.

2.14. "Power Factor" shall mean the percentage obtained by dividing the maximum demand recorded in kW by the corresponding kilovolt-ampere (kVa) demand established by Hoku.

2.15. "Prudent Electrical Practices" shall mean those practices, methods and equipment that are commonly and ordinarily used in electrical engineering and utility operation to operate electrical equipment and deliver electric power and energy with safety, dependability, efficiency and economy.

2.16. "Schedule 19" shall mean the Company's then effective Idaho Retail Tariff Schedule 19T.

2.17. "Schedule 32" shall mean the Hoku tariff schedule of rates and charges or its successor schedules.

2.18. "Scheduled Contract Demand" is defined in Section 6.1.1 below.

2.19. "Second Block Contract Demand" shall mean 25,000 kilowatts.

2.20. "Second Block Energy" shall mean the total kilowatt-hours supplied to the Hoku Facility during the monthly billing period as measured by the metering equipment located at the Points of Delivery less the First Block Energy, but no greater than 25,000 kilowatts multiplied by the number of hours in the billing period multiplied by the Contract Load Factor.

2.21. "Total Contract Demand" shall mean the sum of the First Block Contract Demand and the Second Block Contract Demand as specified in Section 6, and as such may be modified pursuant to Section 6.2 below.

2.22. "Transformer Losses" shall mean energy losses resulting when a transformer changes the voltage level of alternating current electricity. Transformer losses will be accounted for in the initial metering installation.

SECTION 3 - TERM OF AGREEMENT

3.1 This Agreement shall become effective as provided in paragraph 15.1 and remain in effect through the Embedded Date and will be automatically renewed

thereafter until either Hoku or Idaho Power terminates this Agreement as provided in paragraph 4.1.

3.2 It is the intention of the parties that following the Embedded Date, the parties shall enter into a new Special Contract whereby Hoku shall pay energy and demand rates that are equal to the lesser of the then-applicable Schedule 19 rate or the average of the contract rates in Idaho Power's then-effective other "Special Contracts". These Special Contract rates will remain in effect on an interim basis until the next final Commission order in a general rate case proceeding.

3.3 Service under this Agreement will commence June 1, 2009.

SECTION 4 - TERMINATION

4.1 Notice of Termination: After the Embedded Date, either party to this Agreement shall have the right to terminate this Agreement by delivering written notice of termination to the other party. The effective date of termination will be specified in the termination notice, but such effective date cannot be earlier than 12 months after the date of the delivery of the notice of termination. If both parties give notice of termination, the earliest effective date will prevail. If the effective date of a termination occurs before the new Special Contract is effective between the Parties as described in Section 3.1 above, then the applicable energy and demand rates shall be the Embedded Rate.

SECTION 5 - SERVICES TO BE PROVIDED

5.1 Supply Obligation: In accordance with Prudent Electrical Practices and the provisions of this Agreement, Idaho Power will furnish Hoku's total requirements for electric power and energy at the Hoku Facility. Hoku will not resell any portion of the power and energy furnished under this Agreement.

5.2 Points of Delivery: Electric power and energy shall be delivered by Idaho Power at each point generally described as the load side terminals of the substation transformer 13.8 kilovolt disconnect switches at the Hoku Facility.

5.3 Adjustment for Transformer Losses: Metering on the load side of the substation transformers will be adjusted for Transformer Losses.

5.4 Description of Electric Service: Idaho Power shall supply three-phase, 60 hz alternating current at nominal 13,800 volts, with a maximum steady state variation of plus or minus five percent (5%) under normal system conditions. Consistent with Prudent Electrical Practices, Idaho Power will operate within the capability of its existing system to minimize voltage level fluctuations, the normal frequency variation to be within plus or minus 0.05 hz on a 60 hz base.

5.5 Available Capacity: Idaho Power will make power available to Hoku in an amount equal to the kilowatts of Total Contract Demand shown in Section 6.1.1.

5.6 Request for Proposals: During the initial term of the agreement, at Hoku's request, Idaho Power will use commercially reasonable efforts to obtain proposals to supply power to meet Hoku's summer loads not served by Idaho Power. Idaho Power will customize such supply request to match Hoku's requirements. These additional purchases are subject to Idaho Power's ability to deliver the power to Hoku

and Hoku's acceptance of the price and terms of the proposals. Hoku is responsible for the full costs of these purchases and any associated transmission and ancillary service expense to transport such purchases to the Hoku Facility.

5.7 Release of First Block Energy: With adequate notice and the written consent of Idaho Power, Hoku may request a release of all or part of its First Block Energy purchase commitment in return for credit on its First Block Energy Charge. The value of the credit will be determined by mutual agreement and will take into consideration the timing of the notice and Idaho Power's ability to manage any supply commitments made on Hoku's behalf.

SECTION 6 - CONTRACT DEMAND

6.1 Contract Demand Provisions prior to the Embedded Date: The following provisions apply during the period of time from June 1, 2009 to the Embedded Date, while Hoku is changing its load at the Hoku Facility.

6.1.1 Scheduled Contract Demand: Hoku agrees to contract for, and Idaho Power agrees to provide power made available to the Hoku Facility in the following amounts expressed in kilowatts (the "Scheduled Contract Demand"):

| Time Period | First Block Contract Demand | Second Block Contract Demand | Total Contract Demand |
|------------------------------|-----------------------------------|------------------------------------|--------------------------|
| 6/1/2009 – 9/15/2009 | 18,000 | 25,000 | 43,000 |
| 9/16/2009 – 12/31/2009 | 57,000 | 25,000 | 82,000 |
| 1/1/2010 – 6/15/2010 | 57,000 | 25,000 | 82,000 |
| 6/16/2010 – 8/15/2010 | 18,000 | 25,000 | 43,000 |
| 8/16/2010 – 9/15/2010 | 42,000 | 25,000 | 67,000 |
| 9/16/2010 – 12/31/2010 | 57,000 | 25,000 | 82,000 |
| 1/1/2011 – 6/15/2011 | 57,000 | 25,000 | 82,000 |
| 6/16/2011 – 8/15/2011 | 18,000 | 25,000 | 43,000 |
| 8/16/2011 – 9/15/2011 | 42,000 | 25,000 | 67,000 |
| 9/16/2011 – 12/31/2011 | 57,000 | 25,000 | 82,000 |
| 1/1/2012 – 6/15/2012 | 57,000 | 25,000 | 82,000 |
| 6/16/2012 – 8/15/2012 | 57,000 | 25,000 | 82,000 |
| 8/16/2012 – 9/15/2012 | 57,000 | 25,000 | 82,000 |
| 9/16/2012 – 12/31/2012 | 57,000 | 25,000 | 82,000 |
| 1/1/2013 – 5/31/2013 | 57,000 | 25,000 | 82,000 |

Hoku acknowledges that Idaho Power is in the process of expanding its system capacity and the Company's ability to provide the amount of power shown above for the summer load period from 6/16/2012 to 9/15/2012 is contingent on the timely completion of major

transmission and generation projects. Hoku agrees that if there are delays in the completions of these projects, the amount of power to be made available to Hoku from 6/16/2012 to 9/15/2012 may be reduced to match the summer load in the previous year.

6.2 Contract Demand Provisions after Initial Expansion: After the Embedded Date, Hoku has the option to increase or decrease its Total Contract Demand level as follows:

6.2.1 Increases to Total Contract Demand: Under the terms of this Agreement, Hoku may increase the Total Contract Demand above 82,000 kilowatts by increasing the First Block Contract Demand in increments of 1,000 to 10,000 kilowatts per year up to a Total Contract Demand of 175,000 kilowatts. Hoku will notify Idaho Power in writing of the additional capacity requirements at least one year in advance. The new Total Contract Demand will be in effect for a minimum of one year. Increases to Total Contract Demand are subject to the availability of adequate capacity in Idaho Power's facilities to provide the requested service.

6.2.2 Decreases to Total Contract Demand: After the Embedded Date, Hoku may decrease the Total Contract Demand by reducing the First Block Contract Demand in decrements of 1,000 kilowatts. Total Contract Demand may not be decreased below 25,000 kilowatts. Hoku will notify Idaho Power in writing of the decrease in capacity requirements at least one year in advance. The new Total Contract Demand will be in effect for a minimum of one year.

6.3 Excess Demand: Prior to the Embedded Date, and subject to Section 6.2.1 above, the availability of power in excess of the Total Contract Demand is not guaranteed, and if the average kilowatts supplied at the Hoku Facility during the 15-consecutive-minute period of maximum use each day, adjusted for power factor, exceeds the Total Contract Demand, Idaho Power may curtail service to the Hoku Facility. Idaho Power reserves the right to install, at any time, at Hoku's expense, any device necessary to protect Idaho Power's system from damage which may be caused by the taking of Excess Demand. Hoku will be responsible for any damages to Idaho Power's system or damages to third parties resulting from the taking of Excess Demand. Hoku agrees to use its best reasonable efforts to monitor its electric loads and to advise Idaho Power as soon as possible of the potential for Excess Demand at the Hoku Facility. Excess Demand will be subject to the Daily Excess Demand Charge and the Monthly Excess Demand Charge specified in Schedule 32.

6.4 Proration: Billings during months that contain a change in the Scheduled Contract Demand will be prorated.

SECTION 7 - FACILITIES FOR DELIVERY TO HOKU FACILITY

7.1 Additional Facilities: The parties acknowledge that they have separately entered into the Construction Agreement, pursuant to which Hoku is paying Idaho Power to construct the Interconnection Facilities necessary to provide the Total Contract Demand under this Agreement. Idaho Power represents and warrants to Hoku that none of the charges set forth in Schedule 32 include any cost reimbursement or adjustment that is already being paid by Hoku pursuant to the Construction Agreement, and that such Interconnection Facilities are sufficient to supply the Scheduled Contract Demand. To the extent that additional transmission and/or substation Interconnection Facilities are required to provide additional service pursuant to Section 6.2.1 above,

special arrangements will be made in a separate Agreement between Hoku and Idaho Power.

7.2 Operation and Maintenance: Idaho Power will operate and maintain Interconnection Facilities necessary to provide service to the Hoku Facility. Such Interconnection Facilities include Interconnection Facilities paid for by Hoku, including those paid for by Hoku pursuant to the Construction Agreement. Idaho Power shall operate and maintain such Interconnection Facilities in accordance with Prudent Electrical Practices.

SECTION 8 - CHARGES TO BE PAID BY HOKU TO IDAHO POWER

8.1 Rates and Charges: The rates and charges for electrical power, energy and other services provided by Idaho Power to the Hoku Facility are identified by component in Schedule 32. The total amount to be paid by Hoku for electric service to the Hoku Facility will be the sum of the components identified on Schedule 32.

8.2 Power Factor: When the Hoku Facility's Power Factor is less than 95 percent during the 15-consecutive-minute period of maximum use for the monthly billing period, Idaho Power will determine the Total Billing Demand by multiplying the metered demand in kilowatts by 0.95 and dividing that product by the Power Factor.

8.3 Billing and Metering Provisions: Idaho Power will install and maintain suitable metering equipment for each Point of Delivery so that coincident demand and energy consumption can be determined for the billing period.

8.4 First Block Contract Demand Charge: The First Block Contract Demand Charge is fixed and is not subject to change through the Embedded Date. After the Embedded Date, the Contract Demand Charge is subject to change and revision by order of the Commission. After the Embedded Date, Idaho Power will advocate for Commission acceptance of the ratemaking treatment for the Special Contract described in Section 3.2 above.

8.5 First Block Energy Charge: The First Block Energy Charge and Excess Energy Charge are fixed and are not subject to change through the Embedded Date. After the Embedded Date, the Energy Charge and Excess Energy Charge are subject to change and revision by order of the Commission. After the Embedded Date, Idaho Power will advocate for Commission acceptance of the ratemaking treatment for the Special Contract described in Section 3.2 above.

8.6 Second Block Charges: The Second Block Contract Demand Charge and the Second Block Energy Charge will increase or decrease uniformly with any base rate change authorized by the Commission that is applicable to Idaho Power's Tariff Schedule 19T through the Embedded Date. After the Embedded Date, the Second Block Contract Demand Charge and the Second Block Energy Charge are subject to change and revision by order of the Commission.

8.7 Power Cost Adjustment: The Power Cost Adjustment (PCA) rate as defined under Idaho Power's Tariff Schedule 55 will be applied to the Second Block Energy only. The PCA rate will not apply to the First Block Energy or to Excess Energy.

8.8 Conservation Program Funding Charge: The Conservation Program Funding Charge as specified in Idaho Power's Tariff Schedule 91 for Schedule 19 will be applied to the sum of the Second Block Charges, Excess Demand Charges, and Excess Energy Charges.

8.9 Minimum Energy Charges: Each month Hoku will be billed for the actual metered kilowatt-hours of energy, but no less than the Minimum Billed Energy amount defined in Section 2.12.

SECTION 9 - PAYMENT OF BILLS/SETTLEMENTS

9.1 Billing Data: Hoku shall pay Idaho Power for all services provided under this Agreement. Invoices for payment for electric services shall be prepared and submitted to Hoku monthly. All invoices or bills shall contain such data as may be reasonably required to substantiate the billing.

9.2 Payment Procedure: All bills or accounts for electric service owed by Hoku to Idaho Power hereunder shall be due and payable within fifteen (15) days following Hoku's receipt of a bill. Payment will be made by electronic transfer of funds. Idaho Power will provide Hoku with current ABA routing numbers and other necessary instructions to facilitate the electronic transfer of funds.

SECTION 10 - ACCESS TO PREMISES

10.1 During the term of this Agreement, and for a reasonable period following termination, Idaho Power shall have access to the Hoku Facility premises at all times for the purposes of reading meters, making installations, repairing and removing Interconnection Facilities and Idaho Power equipment and for other proper purposes hereunder.

SECTION 11 - ASSIGNMENT

11.1 This Agreement shall be binding upon the heirs, legal and personal representatives, successors and assigns of the parties hereto.

SECTION 12 - LIABILITY

12.1 Each party agrees to protect, defend, indemnify and hold harmless the other party, its officers, directors, and employees against and from any and all liability, suits, loss, damage, claims, actions, costs, and expenses of any nature, including court costs and attorney's fees, even if such suits or claims are completely groundless, as a result of injury to or death of any person or destruction, loss or damage to property arising in any way in connection with, or related to, this Agreement, but only to the extent such injury to or death of any person or destruction, loss or damage to property is not due to the negligence or other breach of legal duty of such other party; provided; however, that each party shall be solely responsible for claims of and payment to its employees for injuries occurring in connection with their employment or arising out of any workman's compensation law.

12.2 Limitation of Liability: Neither party shall, in any event, be liable to the other for any special, incidental, exemplary, punitive or consequential damages such as, but not limited to, lost profits, revenue or good will, or interest, whether such loss is based on contract, warranty, negligence, strict liability or otherwise.

SECTION 13 - MODIFICATIONS OF CONTRACT

13.1 This Agreement may not be modified except by writing, duly signed by both parties hereto.

SECTION 14 - COMMISSION JURISDICTION

14.1 This Agreement and the respective rights and obligations of the parties hereunder, shall be subject to (1) Idaho Power's General Rules and Regulations as now or hereafter in effect and on file with the Commission and (2) to the jurisdiction and regulatory authority of the Commission and the laws of the State of Idaho.

14.2 The terms, conditions, and rates set forth in this Agreement and Schedule 32 are subject to the continuing jurisdiction of the Commission. The rates under this Agreement are subject to change and revision by order of the Commission upon a finding, supported by substantial competent evidence, that such rate change or revision is just, fair, reasonable, sufficient, nonpreferential, and nondiscriminatory. It is the parties' intention by such provision that the rate making standards to be used in making any revisions or changes in rates, and the judicial review of any revisions or changes in rates, will be the same standards that are applicable to Idaho intrastate tariff rates.

SECTION 15 - COMMISSION APPROVAL

15.1 This Agreement shall become effective upon the approval by the Commission of all terms and provisions hereof without change or condition.

IDAHO POWER COMPANY

BY [Signature]
ITS Senior Vice President, Delivery

HOKU MATERIALS, INC.

BY _____
ITS _____

IDAHO POWER COMPANY

BY _____

ITS _____

HOKU MATERIALS, INC.

BY  _____

ITS CEO _____

SCHEDULE 32

IDAHO POWER COMPANY
ELECTRIC SERVICE RATE
FOR HOKU MATERIALS, INC.
POCATELLO, IDAHO

ELECTRIC SERVICE AGREEMENT DATED SEPTEMBER 17, 2008

APPLICABILITY

This schedule is applicable to service to Hoku Materials, Inc. (Hoku) served by Idaho Power Company under the terms of an Electric Service Agreement (ESA) dated September 17, 2008.

MONTHLY CHARGE

The Monthly Charge is the sum of the following charges and may also include applicable charges for Schedule 55 (Power Cost Adjustment), Schedule 91 (Energy Efficiency Rider), and Schedule 95 (Adjustment for Municipal Franchise Fees).

FIRST BLOCK MONTHLY CHARGES

First Block Contract Demand Charge

\$2.35 per kW times the First Block Contract Demand

First Block Energy Charge

6.166 cents per kWh times the First Block Energy (subject to the Minimum Billed Energy amount specified in the ESA)

SECOND BLOCK MONTHLY CHARGES

Second Block Contract Demand Charge

\$3.77 per kW times the Second Block Contract Demand

Second Block Energy Charge

2.3769 cents per kWh times the Second Block Energy (subject to Minimum Billed Energy amount specified in the ESA)

EXCESS DEMAND CHARGES

Daily Excess Demand Charge

\$0.50 per each kW of Excess Demand per day

Monthly Excess Demand Charge

\$5.00 per kW for the highest Excess Demand recorded during the billing period

EXCESS ENERGY CHARGE

7.708 cents per kWh of Excess Energy

OCT 24 2008

Boise, Idaho

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-08-21

IDAHO POWER COMPANY

ATTACHMENT NO. 2

OCT 24 2008

**AMENDED & RESTATED AGREEMENT
FOR CONSTRUCTION OF HOKU ELECTRIC SUBSTATION
AND ASSOCIATED FACILITIES**

Boise, Idaho

THIS AMENDED & RESTATED AGREEMENT for the construction of Hoku electric substation and associated facilities (the "Agreement") is entered into as of the 17th day of September, 2008 by and between HOKU MATERIALS, INC., One Hoku Way, Pocatello, Idaho 83204 ("Hoku") and IDAHO POWER COMPANY, P.O. Box 70, Boise, Idaho 83707 ("Idaho Power" or "IPCO"). Hoku and IPCO may also be referred to hereinafter individually as "Party" or collectively as the "Parties".

RECITALS

A. Hoku is developing a manufacturing plant to produce polysilicon, a key material used in the production of solar cells and integrated circuits. The construction of an electric substation and associated transmission facilities is required to allow IPCO to supply electric capacity and energy to Hoku's manufacturing complex located at One Hoku Way in Pocatello, Idaho ("Hoku Facility"). Hoku has requested that the substation and associated facilities be sized to allow IPCO to provide electric service to the Hoku Facility in an amount up to 82 Megawatts ("MW") of demand.

B. Hoku and IPCO are parties to that certain Agreement for Construction of Hoku Electric Substation and Associated Facilities dated December 28, 2007 (the "Prior Agreement"). This Agreement shall amend and restate in its entirety, the Prior Agreement.

C. Because the Hoku Facility will be located in an area where Idaho Power does not have existing facilities of adequate capacity, delivery of power to the Hoku

Facility site will require the construction of (1) approximately six (6) miles of 138,000 volt overhead transmission line to interconnect with Idaho Power's existing transmission system, (2) a new 138,000-13,800 volt electric substation at the Hoku Facility to supply up to 82 MWs with two 67 MVA transformers, and (3) additional equipment and facilities at IPCO's existing substations. These facilities are sometimes hereinafter collectively referred to as the "Requested Facilities" and are described in greater detail in Exhibit 1 to this Agreement. This Agreement is not subject to or governed by Rule H, Idaho Power's tariff governing line installations, including any revisions to that rule, or any successor rules or schedules.

D. Idaho Power will construct the Requested Facilities in accordance with the terms and provisions of this Agreement.

E. Pursuant to the Prior Agreement, HOKU has paid Idaho Power the sum of \$7,402,000, the receipt of which is hereby acknowledged by Idaho Power. An outstanding balance of \$3,701,000 is presently owed under the prior Agreement and is hereby acknowledged by Hoku. This outstanding amount is included in the payments listed in Section 2.1 below.

NOW, THEREFORE, in consideration of the mutual obligations and undertakings set forth herein, and other good and valuable consideration, the sufficiency of which is hereby acknowledged, Hoku and Idaho Power agree as follows:

AGREEMENTS

1. Construction of Requested Facilities Without duplicating any of the work performed pursuant to the Prior Agreement, and in furtherance thereof:

1.1 Idaho Power will construct the Requested Facilities to provide for the delivery of power (capacity) at a point generally described as the load side terminals

of the substation transformer 13.8 kilovolt ("kV") disconnect switches at the Hoku Facility (the "Delivery Point").

1.2 Idaho Power will use commercially reasonable efforts to provide up to 20 MW of transmission service from the Alameda Substation by May 18, 2009. Requested facilities, including the second transmission line from the Don Substation, will be constructed and ready to serve up to 43 MW of demand by July 19, 2009. Idaho Power will use commercially reasonable efforts to complete final construction of the Requested Facilities by August 19, 2009. However, Hoku recognizes that Idaho Power's ability to complete the Requested Facilities on or before that date is subject to the receipt of the payments and performance under the contract from Hoku as described herein, Idaho Power's ability to obtain required labor, materials and equipment, timely receipt of satisfactory easements and rights of way, and timely receipt of governmental regulatory authorizations.

1.3 If Idaho Power fails to meet the completion deadline described above, and such failure is not excused as provided in Section 1.2, the Parties agree that Hoku may submit the matter to the Idaho Public Utilities Commission ("Commission") for appropriate relief, and pending final resolution, Hoku's obligation to make further payments pursuant to the terms of this Agreement shall be suspended.

2. Project Cost

2.1 Excluding amounts previously paid for design and engineering expenses, and including the amounts paid pursuant to the Prior Agreement, the total cost for the construction of the Requested Facilities is estimated to be \$16,542,000. Hoku's payments to IPCO constitute a Contribution In Aid of Construction ("CIAC") and

include a tax gross-up of thirty-one percent (31%) to cover IPCO's resulting income tax liability. Hoku shall pay IPCO in the amounts and at the times specified below:

| | |
|--------------------|-------------|
| September 30, 2008 | \$3,000,000 |
| October 15, 2008 | \$2,000,000 |
| November 15, 2008 | \$2,000,000 |
| December 15, 2008 | \$2,140,000 |

At the completion of the project, Idaho Power will provide a true-up of the actual work order costs to the \$16,542,000 estimate. Idaho Power will provide Hoku a report that will reflect actual dollars charged to the project by labor, materials, purchased services, overheads, and other expenses. Idaho Power will refund to Hoku any over collected amounts; any amounts under collected will be invoiced to Hoku with the refund or payment to be made to Idaho Power within 30 days from the true-up date. In the event of significant scheduling changes, the payment milestones will be delayed or accelerated accordingly. The total estimated cost of the Requested Facilities does not include costs associated with use of any temporary substations, transmission or distribution facilities that may be necessary to provide Hoku with temporary demonstration power prior to the expected August 19, 2009, completion date. The cost of such temporary facilities will be invoiced to and paid by Hoku separately from this Agreement and has no impact on the performance of either party under this Agreement.

2.2 If Hoku fails to pay an amount due on or before the payment milestone date specified in Section 2.1, any obligation of Idaho Power to further perform under this Agreement will be suspended pending receipt of such payment. If, after Idaho Power's delivery to Hoku of notice that such payment has not been received, Hoku fails to make such payment within ten (10) days of Idaho Power sending such

notice, Idaho Power may, in its sole discretion, terminate this Agreement. Hoku acknowledges that any delay in payment is likely to result in a schedule delay pursuant to Section 1.2 of this Agreement. If this Agreement is terminated by Idaho Power pursuant to this Section 2.2, Idaho Power shall refund to Hoku any portion of Hoku's previous payments that Idaho Power has not encumbered, including any amounts that may be refunded to Idaho Power upon cancellation by Idaho Power of its third party contracts, for work orders for design, labor, materials and supplies, permitting costs and other expenditures for the Requested Facilities, and IPCO shall use reasonable efforts to avoid or mitigate such costs.

2.3 Hoku's payments under this Agreement shall not provide or give Hoku any ownership rights or interest in the Requested Facilities. Ownership of the Requested Facilities and new Hoku Substation shall remain with IPCO.

3. Capacity Entitlement

3.1 Once construction of the Requested Facilities is complete, Idaho Power will have installed facilities and equipment sufficient to provide Hoku with 82 MW of electrical capacity measured at the Delivery Point to serve loads at the Hoku Facility. For five (5) years following the completion of construction, Idaho Power agrees not to serve additional customers from the two (2) substation transformers installed or utilize the two (2) vacant transformer spaces pursuant to this Agreement without the prior written consent of Hoku. However, if at the conclusion of the five (5)-year period following the completion of construction, total loads at the Hoku Facility are less than 82 MW, Hoku's entitlement to capacity at the Delivery Point will be limited to the amount of contract demand established in the Electric Service Agreement referenced in Section 6 that is currently being negotiated between the Parties. Relinquishment of any portion of

Hoku's capacity entitlement, as discussed above, does not entitle Hoku to any refund of the CIAC or any other payments specified in Section 2.1. Idaho Power will send a letter to Hoku specifying the date when construction of the Requested Facilities has been completed and notifying Hoku that the five (5)-year time period described above has commenced.

4. Ownership Operation and Maintenance

4.1 Idaho Power will own, operate and maintain the Requested Facilities constructed pursuant to this Agreement. Hoku recognizes that the Requested Facilities will become part of Idaho Power's integrated electrical transmission and distribution system and will be used by Idaho Power to provide electric service to other existing, and future, customers.

5. Rights of Way and/or Easements

5.1 Hoku and IPCO agree to work in good faith to acquire the rights to access and use the real property determined by IPCO to be reasonably required for locating, constructing, operating and maintaining the Requested Facilities. Idaho Power recognizes that Hoku does not own the land on which the Hoku facility will be located (the "Land"), but holds a long-term ground lease under which the City of Pocatello is the lessor. In the event IPCO purchases or otherwise acquires additional real property rights it deems necessary consistent with prudent utility practices to access and use the Requested Facilities, Hoku shall fully reimburse IPCO for amounts spent by IPCO to purchase or otherwise acquire such necessary real property interest. All such easements and rights of way will be in a form reasonably acceptable to Idaho Power. Idaho Power will be responsible for obtaining any and all other permits, rights-of-way, and/or regulatory approvals required by public agencies for performance of this

Agreement and for payment of any and all permit fees and/or taxes required for or associated with such permits, rights-of-way, and regulatory approvals.

5.2 IPCO will make a good faith effort to coordinate construction, operation and maintenance schedules with Hoku so that such activities will not unreasonably interfere with Hoku's access, ingress and egress to the Hoku manufacturing complex.

6. Refunds.

6.1 The Parties are concurrently negotiating an ELECTRIC SERVICE AGREEMENT ("ESA") to govern the rates and terms of IPCO's provision of electric service to Hoku. The ESA shall be subject to the approval of the Commission and the respective rights and obligations of the Parties hereunder shall be subject to the continuing jurisdiction and regulatory authority of said Commission. In the event an ESA cannot be reached that is satisfactory to the Parties and receives regulatory approval from the Commission, or if Hoku notifies IPCO that it no longer wishes to proceed with the construction of the Requested Facilities for any other reason, IPCO will refund only the amounts received that exceed the cost of constructing the Requested Facilities then completed or committed to date as described in Section 2.2, and IPCO shall use reasonable efforts to avoid or mitigate such costs.

7. Additional Provisions

7.1 Liability. Each Party will indemnify and hold harmless the other Party from and against loss, damage or liability, exclusive of costs and attorney's fees, resulting from claims asserted by third persons against either or both Parties to this Agreement on account of injury or death to persons or damage or destruction of property occurring on such (indemnifying) Party's side of the aforesaid Delivery Point,

unless such injury or damage shall have resulted from the sole negligence of the other Party; provided, however, that each Party shall be solely responsible for claims of and payment to its employees for injuries occurring in connection with their employment or arising out of any worker's compensation laws.

7.2 Limitation on Liability. NEITHER PARTY SHALL, IN ANY EVENT, BE LIABLE TO THE OTHER FOR ANY SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES SUCH AS, BUT NOT LIMITED TO, LOST PROFITS, REVENUE OR GOOD WILL, OR INTEREST, WHETHER SUCH LOSS IS BASED ON CONTRACT, WARRANTY, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE.

7.3 Waivers. Any waiver at any time by either Party of any right with respect to any matter arising under this Agreement, or any failure to give notice provided hereunder, shall not be deemed to be a waiver with respect to any subsequent matter, nor as the establishment of or consent to any practice under this Agreement or an interpretation of any term or provision hereof.

7.4 Regulatory Authority. This Agreement is subject to valid laws and to the regulatory authority and orders, rules and regulations of the Commission and such other administrative bodies having jurisdiction, as well as Idaho Power Company's Rules and Regulations as now or may be hereafter modified and approved by the Commission.

7.5 Choice of Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Idaho, and venue for any court proceeding arising out of this Agreement shall be in Boise, Idaho.

7.6 Dispute Resolution. Prior to commencement of any suit, claim or other cause of action in any court proceeding, Hoku and IPCO agree to undertake good faith efforts to resolve such differences through negotiations between senior business representatives of each company. In the event of a dispute arising under this Agreement that cannot be resolved through negotiation, the prevailing party shall be entitled to reimbursement from the non-prevailing party for all reasonable costs and expenses, including reasonable attorney's fees incurred by the prevailing party in the formal resolution of the dispute.

7.7 Modifications and Counterparts. This Agreement sets forth the entire understanding and agreement of Hoku and IPCO with regard to the construction of the Requested Facilities. This Agreement may only be amended or modified by a writing signed by the duly authorized representatives of both parties. This Agreement may be executed in counterparts, each of which, taken together, shall constitute one and the same Agreement.

7.8 Notices. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be given to the intended recipient at the address specified below:

If to IPCO, to: Dan Minor
Senior Vice President, Delivery
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707

With a copy to: Thomas Saldin
General Counsel
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707

and

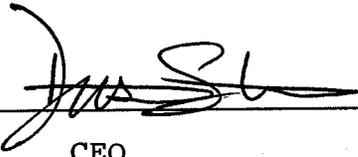
If to Hoku, to: Karl Taft
CTO
Hoku Materials, Inc.
One Hoku Way
Pocatello, Idaho 83204

With a copy to: Dustin Shindo
CEO
Hoku Scientific, Inc.
1075 Opakapaka Street
Kapolei, Hawaii 96707-1887

8. Commission Approval. This Agreement and the respective rights and obligations of the Parties hereunder shall be subject to the continuing jurisdiction and regulatory authority of the Commission.

IN WITNESS WHEREOF, the Parties have entered into this Agreement effective as of the day and year first above written.

HOKU MATERIALS, INC.

By: 
Title: CEO

IDAHO POWER COMPANY

By: _____
Title: _____

If to Hoku, to: Karl Taft
CTO
Hoku Materials, Inc.
One Hoku Way
Pocatello, Idaho 83204

With a copy to: Dustin Shindo
CEO
Hoku Scientific, Inc.
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HOKU MATERIALS, INC.

By: _____

Title: _____

IDAHO POWER COMPANY

By: David B. Hagan

Title: Senior Vice President, Delivery

EXHIBIT 1

HOKU REQUESTED FACILITIES

New 138-13.8 kV Substation to be located at Hoku Facility

- 2 - 138kV Line Terminals with relay protection
- 2 – 36/67MVA, 138-13.8kV, LTC substation power transformers
- 4 – 138kV circuit breakers and diagonal ring bus configuration rated for service up to 150 MWs and space for two additional transformers
- 2 – 13.8kV 3000 amp metered bus points of delivery
- Control enclosure for equipment protective relays and station battery
- Approx 1+ acre yard size (site and access provided by Hoku)

Don Substation

- Install 1 new 138kV Transmission Line Terminal with circuit breaker and protective relays with 1272 bus conductor for the transmission line to the new substation located at the Hoku Facility.

Alameda Substation

- Install 1 new 138kV Transmission Line Terminal with protective relays with 795 bus conductor for the transmission line to the new substation located at the Hoku Facility.
- Add 1 – 138kV circuit breaker and line relay protection to existing Alameda Tap Transmission Line.

Transmission Lines

- Construct approx 3-mile 138kV single pole transmission line with 1272 aluminum conductor from Don Substation to new substation located at the Hoku Facility.
- Construct approx 3-mile 138kV single pole transmission line with 795 aluminum conductor from Alameda Substation to new substation located at the Hoku Facility.

Kinport Substation

- Install protective relay for redundant Kinport-Alameda-Hoku 138kV transmission source.

Terry Substation

- Install protective relay for redundant Terry-Alameda-Hoku 138kV transmission source.

Pocatello Service Building

- Install protective relay communications equipment for redundant Kinport-Alameda-Terry 138kV transmission source.

EXHIBIT 1