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Please Reply To:

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October 18, 2005

Idaho Public Utilities Commission
Office of the Secretary
RECEIVED

OCT 18 2005

Boise, Idaho

ELECTRONIC & OVERNIGHT MAIL

Idaho Public Utilities Commission
472 West Washington
Boise, ID 83702-5983

Re: Case No. PAC-E-05-9
Filing of Conforming Schwendiman Purchase Power Agreement

Dear Commissioners:

In Order No. 29880 issued in the above referenced case, the Commission permitted PacifiCorp and Schwendiman Wind LLC to file an amended and conforming purchase power agreement within 14 days of its October 4th Order. Schwendiman has declined to enter into an agreement that includes the performance band. At the suggestion of Commission Staff and request of Schwendiman, PacifiCorp is preparing indicative pricing and terms for a non-standard QF contract using the Commission-approved IRP methodology for QF projects greater than 10 aMW. The Company expects to supply pricing and terms to Schwendiman by the end of October.

The Company believes that, with modifications to address the Commission's three concerns identified in Order No. 29880, the Mechanical Availability Guarantee (MAG) provision would provide a comparable level of predictability and performance to the 90/110 performance band. PacifiCorp supported the 90/110 performance band in the consolidated Cases IPC-E-04-8 and IPC-E-04-10 for the purpose of the QF meeting its monthly contractual delivery obligation, and the Company continues to believe that under certain circumstances such a methodology is merited. However, PacifiCorp is concerned that the performance band could create additional costs to the Company and its ratepayers due to new accounting rules for Company debt (e.g., the application of Emerging Issues Task Force 01-8, *Determining Whether an Arrangement Contains a Lease*). While these costs may be taken into account in a competitive procurement, Idaho's published avoided cost rates for standard QF power purchase agreements do not reflect

such costs. PacifiCorp will continue to actively participate in Case No. IPC-E-05-22's intermittent QF proceedings to address the implication and impact of these costs as well as the wind integration and avoided cost issues in that Docket.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lisa Nordstrom".

Lisa Nordstrom
Legal Counsel

Enclosures

PROOF OF SERVICE

I hereby certify that on this 18th day of October 2005 I caused to be served, via electronic, overnight, and/or U.S. mail, a true and correct copy of the foregoing Advisory Letter in Case No. PAC-E-05-9 to the following parties as shown:

Jean Jewell
Commission Secretary
Idaho Public Utilities Commission
472 West Washington
Boise, ID 83702

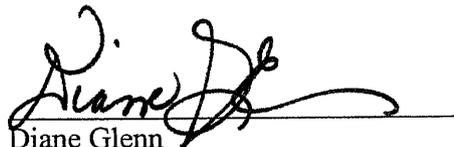
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Diane Glenn
Legal Secretary