

includes over 25 years pricing, structuring and negotiating large and small purchase and sale transactions in the Pacific NW and Western US wholesale natural gas and power markets. I have also had significant involvement in power project development activity and purchase and sale transactions for power generation assets. My experience includes working for utilities and for energy merchant firms as well as power project developers. I have held positions at Avista Corporation, Avista Energy, Inc., EES Consulting (consulting for utilities), Williams Energy Marketing and Trading, Inland Energy Consulting (consulting for energy merchants), and National Fuel Marketing Company.

2. Cedar Creek Wind, LLC (“Cedar Creek” or “CCW”) is a wind power project development company. Cedar Creek has executed wind project leases for over 5000 acres of land in Bingham County Idaho. Cedar Creek Wind LLC was formed in 2008. The majority owner of Cedar Creek is Western Energy Group, LLC (a Utah LLC) of Salt Lake City, Utah. The minority owner of Cedar Creek is Summit Cedar Creek Holdings, LLC (a Delaware LLC) which is a wholly owned affiliate of the Summit Power Group, Inc, of Bainbridge Island, WA. Since 2008 Cedar Creek has crafted a number of different wind project proposals utilizing the lands controlled by Cedar Creek. Proposals have been made since this time to a number of Pacific NW and California utilities, including PacifiCorp.

3. In 2008 Cedar Creek proposed in the PacifiCorp 2008R-1 RFP a single 151.8 MW wind project. This CCW proposal was initially short-listed in that RFP, contrary to statements made by PacifiCorp in the five Applications for Approval of PPAs between RMP and CCW¹ filed by PacifiCorp on January 10, 2011. The original bid in

¹ IPUC Cases: (i) PAC-E-11-01, (ii) PAC-E-11-02, (iii) PAC-E-11-03, (iv) PAC-E-11-04, and (v) PAC-E-11-5..

that RFP process was submitted by CCW to PacifiCorp in December 2008. In May of 2009 CCW was asked by PacifiCorp to prepare "best and final" pricing in conjunction with that bid. Recognizing the inherent bias PacifiCorp had exhibited in the past – and which continues today - against power purchase agreements and in favor of utility asset ownership, CCW proposed as its final offer an asset purchase and sale agreement wherein PacifiCorp would pay CCW \$325.6 million or \$2145/installed kW of nameplate wind capacity. The net capacity factor of the project proposed was 31.6%, based on approx. 419,800 MWh/year of energy production. The proposed commercial operation date was September 2010. The 2008 bid by CCW was ultimately not selected by PacifiCorp in that RFP. The 2008 project configuration included 66 units of Siemens WTG 2.3-93. Each 2.3 MW unit had 93 meter rotors and 80 meter hub height towers in this case.

4. Cedar Creek Wind also participated in PacifiCorp's 2009R-1 renewable RFP, submitting a bid for the same Bingham County site but with a different project configuration and terms from its 2008 proposal. For the 2009 RFP, CCW's proposal was for a two phase wind project with phase I at 98.9 MW and phase II at 52.9 MW; for a total of 151.8 MW. In this proposal CCW offered Siemens 2.3MW - 101 meter swept diameter wind turbines on 100 meter towers, which is another distinct difference between the 2008 and 2009 RFP responses. This second proposal included both an asset purchase and sale agreement which included PacifiCorp paying \$222 million for the 98.9 MW phase I or \$2245/installed kW of nameplate wind capacity, and a long term PPA with a starting price of \$72.50/MWh escalating at 1.25%. The proposed commercial operation date was September, 2010. The PPA price in that second bid proposal in 2009 was below the then existing first year non-levelized avoided cost rate of PacifiCorp in Idaho of

\$75.83/MWh for a project starting in 2010. The net capacity factor of the project proposed was 31.8%. Neither of these two proposals was short-listed by PacifiCorp in the 2009 RFP.

5. In early January, 2010, CCW informed Bruce Griswold of its desire to negotiate two PURPA contracts for wind projects of approximately 78.5 MW. On January 20, 2010 CCW provided Bruce Griswold of PacifiCorp with hourly generation profiles, by month, for the two 78 MW projects and asked Mr. Griswold to perform the required integrated resource (IR) model analysis that calculated the avoided cost rates applicable to these two 78 MW wind projects. *See Attachment No 1.* That email to Bruce also noted that, in conjunction with this wind data being provided and the relatively mature state of the CCW interconnection request, that CCW was in compliance with PacifiCorp's Utah PSC checklist of requirements for PURPA projects (UPSC Schedule 38), with the exception of (i) site location, and (ii) PURPA self certification evidence. PacifiCorp had previously informed CCW that CCW needed to comply with the "Procedures" portion of this schedule, in order to perfect its rights to a PPA with pricing provisions. A copy of P.S.C.U No 47, RMP Electric Service Schedule No. 38 is attached as *Attachment No. 2.*

Bruce estimated it would take between two and four weeks to produce a modeled avoided cost rate for the two projects.

6. At this point in time, unrelated to any PURPA activity and as a matter of due course in the development process, CCW was also substantially complete in compliance with interconnection and transmission system upgrade requirements. PacifiCorp had provided interconnection study results to CCW and there were no

anticipated fatal flaws or reliability concerns pertaining to the interconnection of the Project identified in the study results provided. By the time CCW and PAC were in discussion about the PURPA agreements in question, CCW had taken the following actions related to transmission interconnection and also relating to establishing a firm transmission path from the Goshen Substation point of interconnection to the PAC load center at Salt Lake City:

- a. CCW paid PacifiCorp significant funds for interconnection studies and to facilitate generator interconnection pursuant to PacifiCorp's OATT:
 - i. The Project's Transmission Interconnection request was submitted on December 19, 2008, for interconnection of 151.8 MW at the Goshen Substation at 115/138 kV; a \$10,000 payment accompanied the request. On January 27, 2009, CCW signed the SIS agreement and funded PacifiCorp \$50,000 (total interconnection costs spent to date \$60,000). On April 21, 2009, Cedar Creek Wind submitted a request to change the requested interconnect voltage to 345kV.
 - ii. The Large Generator System Impact Study Report was issued by PacifiCorp on July 22, 2009. On August 21, 2009, Cedar Creek executed the Facilities Study Agreement and funded the study with a deposit of \$100,000 (total interconnection costs spent to date = \$160,000). PacifiCorp issued the Final Facilities Study Report on March 18, 2010, for interconnection of 151.8 MW at the Goshen Substation at 345kV. No serious reliability or network upgrade

issues were identified for mitigation as a result of the studies performed.

- iii. Cedar Creek executed an interconnect Engineering and Procurement (E&P) Agreement on September 15, 2009 and provided a \$100,000 deposit with the RMP E&P Agreement (total interconnection costs spent to date = \$260,000). PacifiCorp provided Cedar Creek with a draft LGIA on April 15, 2010.
- iv. PacifiCorp advised CCW late in 2010 that a QF version of the LGIA would be required for the QF generation project interconnection, rather than PAC's standard LGIA. Cedar Creek and PacifiCorp are currently negotiating a Qualifying Facility Large Generator Interconnection Agreement (QFLGIA). PacifiCorp delivered a draft QFLGIA documents to Cedar Creek on January 13, 2011. Again there are no major reliability or network upgrade issues identified for mitigation as a result of the QFLGIA.

b. Relating to firm transmission from Goshen to Mona (Salt Lake City) CCW paid PacifiCorp over \$215,000 to establish long term firm point to point transmission service.

- i. Cedar Creek submitted an OASIS request on January 11, 2010, for 99 MW of long term firm point-to-point transmission from Goshen to PacifiCorp's Mona substation. A one month's security deposit in the amount of \$200,475 for the transmission service request was

provided to PacifiCorp on January 19, 2010. In order to grant this service to CCW, PacifiCorp collected an additional \$15,000 PTP SIS study deposit. (Total PTP costs spent to date \$215,475)

- ii. The Long Term Point to Point Transmission Service agreement was granted by PAC and signed by Cedar Creek on May 12, 2010 and by PacifiCorp on May 24, 2010.
- c. In total, Cedar Creek has been engaged with PacifiCorp on transmission and interconnection issues since 2008 and has paid PacifiCorp in excess of \$475,000 for interconnection and transmission studies. As a result, CCW has been advised by PAC that the generator interconnection service as well as the requested firm PTP service will be provided by PAC without major reliability problems or significant network upgrades to the PacifiCorp system.

7. In early February, 2010, CCW inquired of Bruce Griswold as to when he could expect to provide model-based avoided cost pricing. Several weeks later, on February 23, 2010, another request was made as to when modeled avoided cost pricing would be available. In a phone conversation with CCW Bruce Griswold informed CCW that modeled pricing results would be available the first week in March. That conversation was confirmed by email. *See Attachment No. 3*

8. During the first quarter of 2010 CCW was hearing rumors of a pending price change in SAR based avoided cost rates on file at the Commission for projects smaller than 10 aMW in size. In spite of hearing such rumors, CCW elected to stay-the-course in good faith negotiations relating to the two 78 MW project configurations, rather

than switching and rushing to attempt to qualify for the standard avoided cost rate for smaller 10 aMW PURPA projects. CCW made this decision in the mistaken belief that the calculated avoided cost rates would reasonably reflect market rates for wind power development that CCW was observing throughout the west, would be in relative correlation to the published SAR avoided cost, and would be sufficient to justify project development. Meanwhile, on March 16, 2010, the Commission established new, lower avoided cost rates for all utilities, including PacifiCorp, which were significantly below rates the rates in effect prior to that date.

9. By late March CCW still did not have IR calculated rates for its two 78 MW wind projects. On March 24, 2010, my attorney and I met with Bruce Griswold and his attorney, Ken Kaufmann in Portland. First and foremost on our list was to discover why it was eight weeks without calculated rates and why PacifiCorp was taking so long to make the calculation. The only answer given for the delay was the workload of the PacifiCorp employees. In that meeting Bruce Griswold informed us that modeled pricing results would not be available until the first week of April.

10. On April 5, 2010 PacifiCorp finally provided CCW a term sheet that included avoided cost pricing for our two wind projects; almost three months after requesting it. *See Attachment No. 4.* The commercial operation date proposed was January 2012. Pricing proposed by PAC was as follows:

Year	HLH	LLH	Flat²
2012	\$47.78	\$22.74	\$37.05
2013	\$50.91	\$25.26	\$39.92
2014	\$55.42	\$26.56	\$43.05
2015	\$59.22	\$27.06	\$45.44
2016	\$66.07	\$33.69	\$52.19

For the first year of operation, the "flat" price is the direct comparison to the published SAR calculated price of \$63.97/MWh non-levelized rate, before the wind integration discount. In effect, the price proposal by PacifiCorp for the two CCW wind projects was 35% below the published standard rate effective after March 16, 2010, and 50 % below the same rate applicable before March 16, 2010.

11. In the judgment of CCW, and based on CCW's bidding experience with PacifiCorp in earlier wind or renewable RFPs, the rates proposed by PacifiCorp were far below "market" prices for wind generated electricity being built by PacifiCorp, bid to PacifiCorp and/or sold to PacifiCorp. I would also note that rates proposed by PacifiCorp to CCW were also significantly below the IR calculated avoided cost rate contained in the contract between Idaho Power and Ridgeline Energy for the 78 MW Rockland Wind Project.

It was also apparent to me that the reason PacifiCorp had waited so long to provide these rate calculations to CCW was that they did not want to do so before the Commission reduced the standard SAR based rates on March 16, 2010. Consequently, Cedar Creek came to the conclusion the IR calculated avoided cost rate was not desirable and a more reasonable method by which it could successfully build a wind generation facility in Idaho was to configure yet again in a new manner that comprised five 10 aMW

² flat pricing derived by CCW based on PacifiCorp provided LLH and HLH pricing.

PURPA projects with non-levelized avoided cost rates of \$67.97/MWh in 2012, less wind integration charges.

12. In May of 2010 I notified Bruce Griswold of PacifiCorp that CCW wished to negotiate five separate PURPA contracts for wind projects which did not exceed 10 aMW in monthly generation. *See Attachment No. 5.* Bruce Griswold responded to CCW's five requests on May 21, 2010, noting that: "Overall the information [submitted] is sufficient to begin drafts of each [of the 5] PPAs" and stating that he expected to have a prototype PPA drafted and "ready for circulation late next week after internal review here." *See Attachment No. 6.*

13. In June, July and August Bruce Griswold and I continued a stream of communication, with him asking for additional information and me providing it to him. The information requested involved a high degree of project scrutiny on PacifiCorp's part and at a level of due diligence inquiry that I would describe as more common when a utility is looking to purchase and own a generating asset. Some of the information requested was not relevant to a smaller PURPA project delivering power pursuant to a PPA and the contract "compliance" required by PacifiCorp appeared to me, in part, designed to slow down CCW's progress achieving a signed PPA. The information requested or provided over the course of these months included: (i) interconnection requests, responses, and studies, (ii) site control documentation, (iii) site location and maps, (iv) turbine generator equipment specifications, (v) Bingham County special use permits, (vi) electrical drawings, (iv) wind studies, (vii) monthly power deliveries and (viii) milestone development schedules.

14. On September 30, 2010 I received an email from Bruce Griswold stating: “I have done the preliminary review of the project documents and they look complete.” Bruce continued by saying he would like to schedule a short call later the following week to conduct a final review on interconnection and transmission capacity “and to ensure everything is lined up so that we can finalize the PPA and merchant can request network resource designation for the projects.” *See Attachment No. 7.* PacifiCorp submitted a first draft PPA to CCW with IPUC approved standard pricing provisions on July 21, 2010, approximately two months after it was requested.

15. Starting in August 2010 I and others from the CCW team continued to trade information with Bruce Griswold and his attorney, and to request some changes to contract language. A few changes were acceptable but for the most part, revisions to the agreement were rejected by PacifiCorp. The one issue of contention that remained however was the refusal by PacifiCorp to insert a contract provision, similar to the Idaho Power PURPA contracts, that the renewable energy credits (RECs) would be owned by CCW. Ultimately, we stalemated on this point, agreed that the contract would remain silent as to REC ownership and notified PacifiCorp of this concession. On November 29, 2009 I received an email from Ken Kaufmann, legal counsel to PacifiCorp, transmitting a “proposed final redline” PPA for the Coyote Hill wind project, with the additional notation that when the Coyote Hill PPA is finalized, PacifiCorp will commence preparing the other four PPAs using the same contract prototype. My response the next day made a couple of annotations in the body of this PPA and otherwise noted that “we have nothing further” to add or request. *See Attachment No. 8.*

16. Even though CCW had reached complete agreement with PacifiCorp as of November 29, 2010 as to the terms and conditions of a PPA, multiple reasons for last minute delays in contract execution began to arise. For example, a week later, on Friday December 3, 2010 Bruce Griswold informed me by email that the PacifiCorp PPA “approval process has slowed a bit specific to Coyote Hill” related to PacifiCorp’s “credit approval process.” In response, I proposed that Scott Montgomery, President of CCW come to Portland the following week, work with Bruce to resolve any outstanding issues and stand by ready to execute the PPAs as soon as they were ready, in an effort to “avoid any delay due to execution in counterparts.” PacifiCorp did not accept this offer. *See Attachment No. 9.*

17. Another week had gone by. On Monday December 6, 2010 I placed a call to Bruce Griswold to determine the latest status of PPA approval by PacifiCorp. Bruce did respond to my phone call by email the next day, on Tuesday, December 7, giving me the following encouraging news: “We are pushing through approvals. Credit should have theirs finalized for all projects tomorrow. We expect to have all PPAs and documents ready for your final review and check of volumes, etc, by Wednesday [December 8].” *See Attachment No. 10.* This good news did not last for very long, however.

18. The following day, Thursday December 9, 2010 Bruce Griswold informed me by phone that while the legal and credit reviews of the PPAs were now complete, PacifiCorp management review of the agreements was not finished, and he would not be authorized to sign the PPAs until such review was done. Bruce told me however he expected to have management authorization to sign and would be ready to execute the

PPAs on Monday, December 13. Following this conversation Bruce emailed to me the final, pdf versions of all five contracts. *See Attachment No. 11.*

19. On Monday December 13, 2010, the day before the announced “effective date” by which the Commission determines which PURPA projects, if any, are no longer entitled to published rates for 10 aMW contracts, PacifiCorp refused to sign the five CCW PPAs. Bruce Griswold informed me that the reason for delay was that management had not completed its review of the contracts.

In response, CCW, on December 13, 2010, signed the five PPAs prepared in final form by PacifiCorp for execution and delivered those signed agreement to Bruce Griswold at PacifiCorp. Bruce Griswold instructed me not fill in the “date of execution” on the first page of the PPA as being December 13, 2010, and said PacifiCorp would instead fill in that date when they signed.

20. PacifiCorp management did not authorize Bruce Griswold to counter execute the five Cedar Creek PPAs until December 21. Bruce Griswold signed them the next day, December 22, 2010. In his email to CCW notifying us of the signature he indicated that although the recital page shows a December 22, 2010 date, that “the filing to the Idaho PUC will establish your LOL date as 12/13/2010 prior to the 12/14/2010 deadline.” *See Attachment No. 12.*

21. The five applications filed by PacifiCorp with the Commission regarding the CCW PPAs³ fail to request the Commission’s approval of the five contracts, fail to make any showing or justification as to CCW’s entitlement to Commission ordered standard avoided costs available on or before December 14, 2010, and implies that the contracts should be rejected by the Commission because they were executed after

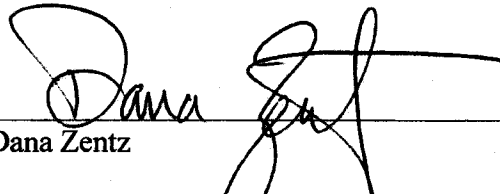
³ See footnote 1.

December 14, 2010. The five applications on page 8 state that “[O]n December 22, 2010 RMP and Cedar Creek entered into a PPA pursuant to the terms and conditions of the various Commission Orders applicable to this PURPA agreement for wind resources.” This statement appears to be a direct contradiction of Bruce Griswold’s previous statement that the “filing to the Idaho PUC will establish your LOL date as 12/13/2010 prior to the 12/14/2010 deadline.”

22. In summary, CCW has been attempting to negotiate a wind contract for approximately 150 MW of Idaho based wind power with PacifiCorp since 2008. We, like almost all others in Idaho, failed in that endeavor. Cedar Creek Wind only turned to the 10 aMW standard rates and contract terms, after exhausting all other avenues of attempted mutual, good faith negotiations. Even then, it took the better part of 2010 to “negotiate” what was essentially a standard form contract with a pre-determined standard tariff rate.

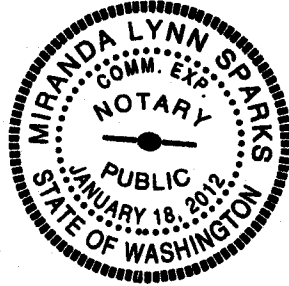
23. CCW worked diligently to comply with and did timely comply with all known rules and requirements necessary to complete the PURPA agreements that were ultimately executed. While PacifiCorp worked with CCW to complete the PURPA agreements, CCW felt compelled to continually monitor PAC’s timeliness in the negotiations as there was a consistent pattern of slow responses. Even so, all material outstanding contract issues between CCW and PacifiCorp were resolved by November 29, 2010 and the parties had, by that date, arrived at a meeting of the minds. CCW was simply forced to wait for three weeks for PacifiCorp credit, legal and management reviews of the contracts, before contract execution by PacifiCorp.

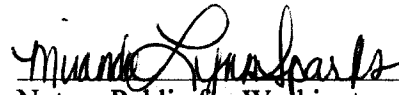
DATED: This 25th day of January 2011.



Dana Zentz

SUBSCRIBED AND SWORN to before me this 25th day of January, 2011.





Notary Public for Washington
Residing at Spokane
My Commission Expires: January 18, 2012

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	Case No. PAC-E-11-01
OF ROCKY MOUNTAIN POWER FOR)	Case No. PAC-E-11-02
APPROVAL OF POWER PURCHASE)	Case No. PAC-E-11-03
AGREEMENTS BETWEEN RMP AND)	Case No. PAC-E-11-04
CEDAR CREEK WIND LLC)	Case No. PAC-E-11-05
)	
)	
)	
)	

**ATTACHMENT 1
TO
AFFIDAVIT OF DANA ZENTZ**

From: Ronald Williams
Sent: Wednesday, January 20, 2010 2:43 PM
To: 'Griswold, Bruce {Mkt Function}'
Cc: 'Steven Montgomery'; Scott Montgomery; Tom Cameron; Robert Gavahan; Wade Riser; Dana Zentz
Subject: FW: PAC QF compliance

Bruce,

Attached are the hourly generation profiles, by month, for the two Cedar Creek Wind Farms in Eastern Idaho. Each wind farm (CC1 and CC2) will be approximately 78.2 MW and have the same generation profiles as shown on the attachment.

With this information, could you please start the avoided cost modeling runs for these two projects? Also, will you have to run the model twice, or will one run suffice for both projects of nearly identical size and wind profiles?

You also referenced that we should be following RMP electric service schedule No. 38; a Utah Public Service Commission Schedule. Is this schedule also applicable for PURPA contracts in Idaho?

The attached information is that requested by item B.2.c.of UPSC Schedule 38.

With this attached information and in conjunction with the Cedar Creek Interconnection request to PAC and accompanying materials, it appears that the applicable information requested by section B.2 of Schedule 38 has been provided, with the following exceptions:

- Subsection 2.d): while you have general site location information and point of interconnection for CC1 and CC2, we will give you a more detailed map of the two wind projects and confirm that permitting has been completed.
- Subsection 2.f): demonstration of ability to obtain QF status, and
- Subsection 2.j): proposed contract term and pricing.

You will be working on this last point (2.j). Would you please send to me a working draft of a contract you would start with, for Idaho wind power.

We will provide you the QF status information referenced in 2.f.

Regards,

Ron Williams
Williams Bradbury, P.C
1015 W. Hays St, Boise ID 83702
208.344.6633

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	Case No. PAC-E-11-01
OF ROCKY MOUNTAIN POWER FOR)	Case No. PAC-E-11-02
APPROVAL OF POWER PURCHASE)	Case No. PAC-E-11-03
AGREEMENTS BETWEEN RMP AND)	Case No. PAC-E-11-04
CEDAR CREEK WIND LLC)	Case No. PAC-E-11-05
)	
)	
)	
)	
)	

**ATTACHMENT 2
TO
AFFIDAVIT OF DANA ZENTZ**



ROCKY MOUNTAIN POWER
ELECTRIC SERVICE SCHEDULE NO. 38

STATE OF UTAH

Qualifying Facility Procedures

AVAILABILITY: To owners of Qualifying Facilities (QFs) in all territory served by the Company in the state of Utah.

APPLICATION: To owners of existing or proposed QFs with a design capacity greater than 1,000 kW for a Cogeneration Facility or greater than 3,000 kW for a Small Power Production facility who desire to make sales to the Company. Such owners will be required to enter into written power purchase and interconnection agreements with the Company pursuant to the procedures set forth below. Additional or different requirements may apply to Utah QFs seeking to make sales to third-parties, or out-of-system QFs seeking to wheel power to Utah for sale to the Company.

I. Process For Negotiating Power Purchase Agreements

A. Communications

Unless otherwise directed by the Company, all communications to the Company regarding QF power purchase agreements should be directed in writing as follows:

Rocky Mountain Power
Manager - QF Contracts
825 NE Multnomah St, Suite 600
Portland, Oregon 97232

The Company will respond to all such communications in a timely manner. If the Company is unable to respond on the basis of incomplete or missing information from the QF owner, the Company shall indicate what additional information is required. Thereafter, the Company will respond in a timely manner following receipt of all required information.

(continued)

ELECTRIC SERVICE SCHEDULE NO. 38 - Continued

B. Procedures

1. The Company's proposed generic power purchase agreement may be obtained from the Company's website at www.pacificorp.com, or if the owner is unable to obtain it from the website, the Company will send a copy within seven days of a written request."
2. To obtain an indicative pricing proposal with respect to a proposed project, the owner must provide in writing to the Company, general project information reasonably required for the development of indicative pricing, including, but not limited to:
 - a) generation technology and other related technology applicable to the site
 - b) design capacity (MW), station service requirements, and net amount of power to be delivered to the Company's electric system
 - c) quantity and timing of monthly power deliveries (including project ability to respond to dispatch orders from the Company)
 - d) proposed site location and electrical interconnection point
 - e) proposed on-line date and outstanding permitting requirements
 - f) demonstration of ability to obtain QF status
 - g) fuel type (s) and source (s)
 - h) plans for fuel and transportation agreements
 - i) proposed contract term and pricing provisions (i.e., fixed, escalating, indexed)
 - j) status of interconnection arrangements
3. The Company shall not be obligated to provide an indicative pricing proposal until all information described in Paragraph 2 has been received in writing from the QF owner. Within 30 days following receipt of all information required in Paragraph 2, the Company will provide the owner with an indicative pricing proposal, which may

(continued)

ELECTRIC SERVICE SCHEDULE NO. 38 - Continued

B. Procedures (continued)

include other indicative terms and conditions, tailored to the individual characteristics of the proposed project. Such proposal may be used by the owner to make determinations regarding project planning, financing and feasibility. However, such prices are merely indicative and are not final and binding. Prices and other terms and conditions are only final and binding to the extent contained in a power purchase agreement executed by both parties and approved by the Commission. The Company will provide with the indicative prices a description of the methodology used to develop the prices.

4. If the owner desires to proceed forward with the project after reviewing the Company's indicative proposal, it may request in writing that the Company prepare a draft power purchase agreement to serve as the basis for negotiations between the parties. In connection with such request, the owner must provide the Company with any additional project information that the Company reasonably determines

to be necessary for the preparation of a draft power purchase agreement, which may include, but shall not be limited to:

- a) updated information of the categories described in Paragraph B.2,
- b) evidence of adequate control of proposed site
- c) identification of, and timelines for obtaining any necessary governmental permits, approvals or authorizations

(continued)

ELECTRIC SERVICE SCHEDULE NO. 38 - Continued

B. Procedures (continued)

- d) assurance of fuel supply or motive force
 - e) anticipated timelines for completion of key project milestones
 - f) evidence that any necessary interconnection studies have been completed and assurance that the necessary interconnection arrangements are being made in accordance with Part II.
5. The company shall not be obligated to provide the owner with a draft power purchase agreement until all information required pursuant to Paragraph 4 has been received by the Company in writing. Within 30 days following receipt of all information required pursuant to paragraph 4, the Company shall provide the owner with a draft power purchase agreement containing a comprehensive set of proposed terms and conditions, including a specific pricing proposal for purchases from the project. Such draft shall serve as the basis for subsequent negotiations between the parties and, unless clearly indicated, shall not be construed as a binding proposal by the Company
6. After reviewing the draft power purchase agreement, the owner may prepare an initial set of written comments and proposals regarding the draft power purchase agreement and forward such comments and proposals to the Company. The Company shall not be obligated to commence negotiations with a QF owner until The Company has received an initial set of written comments and proposals from the QF owner. Following the Company's receipt of such comments and proposals, the owner may contact the Company to schedule contract negotiations at such times and places as are mutually agreeable to the parties. In connection with such negotiations, the Company:
- a) will not unreasonably delay negotiations and will respond in good faith to any additions, deletions or modifications to the draft power purchase agreement that are proposed by the owner

(continued)

ELECTRIC SERVICE SCHEDULE NO. 38 - Continued

B. Procedures (continued)

- b) may request to visit the site of the proposed project if such a visit has not previously occurred
 - c) will update its pricing proposals at appropriate intervals to accommodate any changes to the Company's avoided-cost calculations, the proposed project or proposed terms of the draft power purchase agreement
 - d) may request any additional information from the owner necessary to finalize the terms of the power purchase agreement and satisfy the Company's due diligence with respect to the Project.
7. When both parties are in full agreement as to all terms and conditions of the draft power purchase agreement, the Company will prepare and forward to the owner a final, executable version of the agreement. The Company reserves the right to condition execution of the power purchase agreement upon simultaneous execution of an interconnection agreement between the owner and the Company's power delivery function, as discussed in Part II. Prices and other terms and conditions in the power purchase agreement will not be final and binding until the power purchase agreement has been executed by both parties and approved by the Commission.

II. Process for Negotiating Interconnection Agreements

In addition to negotiating a power purchase agreement, QFs intending to make sales to the Company are also required to enter into an interconnection agreement that governs the physical interconnection of the project to the Company's transmission or distribution system. The Company's obligation to make purchases from a QF is conditioned upon all necessary interconnection arrangements being consummated.

It is recommended that the owner initiate its request for interconnection as early in the planning process as possible, to ensure that necessary interconnection arrangements proceed in a timely manner on a parallel track with negotiation of the power purchase agreement.

(continued)

