
LEASE AGREEMENT

Dated as of March 5, 2002

between

West Valley Leasing Company LLC,

as Lessor

and

PACIFICORP,

as Lessee

WEST VALLEY PROJECT

LEASE AGREEMENT

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LEASE AGREEMENT

This LEASE AGREEMENT, dated as of March 5, 2002, (as amended, supplemented or otherwise modified from time to time and in accordance with the provisions hereof, this "Lease" or Lease Agreement"), between West Valley Leasing Company LLC, an Oregon limited liability company (together with its successors and permitted assigns, the "Lessor"), and PacifiCorp, an Oregon corporation acting in its regulated merchant function (together with its successors and permitted assigns, the "Lessee").

RECITALS

WHEREAS, the Project Site is that certain land located in West Valley City, Salt Lake County, Utah and more particularly described in Exhibit A attached hereto;

WHEREAS, the Project is a proposed nominal 200 MW gas-fired, simple cycle combustion turbine electric generating station to be located on the Project Site and to include the Buildings and Leased Improvements as more particularly described in Exhibits B, C and D attached hereto; and

WHEREAS, pursuant to this Lease Agreement, the Lessor will lease the Project to the Lessee for the Lease Term provided herein.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Article I

Definitions

Section 1.1. Definitions. In addition to the words and terms elsewhere defined in this Lease Agreement, the following words and terms as used in this Lease Agreement shall have the following meanings unless the context or use indicates another or different meaning or intent.

"ADL Agreement" means the Agreement for Disposition of Land for Private Development, between PacifiCorp Power Marketing, Inc. and the Redevelopment Agency of West Valley City, dated March 15, 2001.

"Applicable Law" means all applicable laws, rules, regulations (including Environmental Laws), statutes, treaties, codes, ordinances, permits, certificates, orders and licenses of and interpretations by, any Governmental Authority, and applicable judgments, decrees, injunctions, writs, orders or like action of any court, administrative, judicial or quasi-judicial tribunal or agency of competent jurisdiction (including those pertaining to health, safety or the environment (including wetlands)).

"Buildings" means those certain facilities forming a part of the Project located on the Project Site and not constituting a part of the Leased Improvements, as they may at any time

exist. The Buildings insofar as they will be initially constructed as part of the Project are more fully described in Exhibit C hereto and by this reference made part of this Lease.

"Commencement Date" means midnight on the day following the date on which the latest of the following events shall occur: (a) Unit No. 3 and Unit No. 4 have each been deemed ready to produce test energy prior to Substantial Completion in accordance with Prudent Industry Practices; (b) all Governmental Project Approvals and Filings and all Governmental Lease Approvals and Filings required under Applicable Law for Lessor and Lessee to enter into and commence performance of their respective obligations under this Lease have been made or received; (c) the Lessee has received confirmation from PacifiCorp that the Project will be accepted as a "network generation resource" by PacifiCorp's transmission function without the construction of additional facilities on PacifiCorp's transmission network, and (d) the Lessee has completed such due diligence as it reasonably deems adequate to confirm its assumptions in undertaking to enter into this Lease Agreement, including but not limited to the assumption that the West Valley Project will be capable of meeting the criteria for the non-spinning component of operating reserves pursuant to applicable NERC guidelines.

"Completion Tests" means, with respect to any Unit, each of: (a) a performance test demonstrating such Unit's compliance with the performance levels established under applicable manufacturer guarantees (i.e. at least 95% of the guaranteed output and not greater than 105% of the guaranteed heat rate) and as defined in the Equipment Agreement; (b) all emissions source tests applicable to such Unit under Environmental Laws; (c) a continuous run test of such Unit for eight hours at base load output demonstrating compliance with all emission limits under the Governmental Approvals applicable to such Unit; (d) a four-hour functional test demonstrating the ability of each Unit to operate on the gas pipeline not used for the continuous run test; and (e) a demonstration that the Unit can ramp from standby condition to full load in less than ten (10) minutes, provided that not more than one minute of crank-purge time for purging the Unit's exhaust duct work and stack shall be included in the said ten (10) minutes.

"Equipment Agreement" means the Contract Agreement between GE Packaged Power, Inc., a Delaware corporation, and PacifiCorp Power Marketing, Inc., dated January 11, 2001.

"Environmental Laws" means all Applicable Laws relating to the protection of the environment and in effect in any and all jurisdictions in which the Project is conducting or at any time has conducted business, or where any property of the Project is located, or where any Hazardous Material generated by or disposed of by the Project is located, to the extent applicable to each such business activity, property, generation or disposal.

"Event of Default" means any of the events described in Section 11.1 hereof.

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Lease Approvals and Filings" means all permits, authorizations, registrations, consents, approvals, entitlements, waivers, exceptions, variances, orders, judgments, written interpretations, decrees, licenses, exemptions, publications, filings, notices to

and declarations of or with any Governmental Authority, or required under any Applicable Law, other than the Governmental Project Approvals and Filings.

“Governmental Project Approvals and Filings” means all permits, authorizations, registrations, consents, approvals, entitlements, waivers, exceptions, variances, orders, judgments, written interpretations, decrees, licenses, exemptions, publications, filings, notices to and declarations of or with any Governmental Authority, or required under any Applicable Law (i) for the Project to be constructed and to be operated prior to and immediately after Substantial Completion, and (ii) for PacifiCorp to become the operator of the Project.

“Governmental Authority” means (a) the United States of America, (b) any state, county, municipality, or other governmental subdivision within the United States of America, (c) any court or any governmental department, commission, board, bureau, agency, or other instrumentality of the United States of America or of any state, county, municipality, or other governmental subdivision within the United States of America, and (d) any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Hazardous Material” means (a) any “hazardous substance,” as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, and (b) any “hazardous waste,” as defined by the Resource Conservation and Recovery Act, and (c) any pollutant or contaminant or hazardous, dangerous or toxic chemical, material waste or substance within the meaning of any applicable Environmental Law.

“Lease” or “Lease Agreement” means this Lease Agreement as it now exists and as it may hereafter be amended in accordance with its terms.

“Lease Term” means the duration of the leasehold interest created by this Lease as specified in Section 5.1 hereof.

“Leased Improvements” means those items of machinery, equipment and related property required herein to be acquired and/or installed in the Buildings or on the Project Site and any item of machinery, equipment and related property acquired and installed in the Buildings or on the Project Site in substitution therefor and renewals and replacements thereof pursuant to Section 8.1 hereof, less such machinery, equipment and related property as may be released from this Lease pursuant to Section 7.2 hereof or taken by the exercise of power of eminent domain, but not including the Lessee’s own machinery, equipment and related property installed under the provisions of Section 7.1(b) hereof. The Leased Improvements insofar as they will be initially installed as a part of the Project are more fully described in Exhibit B attached hereto and by this reference made a part of this Lease.

“Lessee” shall have the meaning given in the first paragraph hereof.

“Lessor” shall have the meaning given in the first paragraph hereof.

“Liens” means any lien, security interest, charge, claim, mortgage, deed of trust, option, warrant, purchase right, lease, or other encumbrance.

"Material Adverse Effect" means any material adverse effect on (a) the business, operations, condition (financial or otherwise) or prospects of the Project, or (b) the ability of the Person in question to perform its obligations under this Lease Agreement; provided, however, that any effect resulting from any change in economic, industry, or market conditions (whether general or regional in nature or limited to any area where any assets of the Project are located) or from any change in Applicable Law or regulatory policy will not be considered a Material Adverse Effect.

"Permitted Liens" means, with respect to any Person, any one or more of the following:

(a) liens for taxes, assessments or other governmental charges or levies either not yet delinquent or which are being contested in good faith by appropriate proceedings diligently prosecuted and as to which adequate reserves shall have been set aside in conformity with GAAP;

(b) deposits or pledges to secure the payment of workers' compensation, unemployment insurance, social security benefits or obligations arising under similar legislation, or to secure the performance of public or statutory obligations, surety or appeal bonds, and other obligations of a like nature incurred in the ordinary course of business;

(c) materialmen's, mechanics', workmen's, repairmen's, employees', landlord's, lessor's or other like Liens arising in the ordinary course of business to secure obligations not more than 30 days past due or being contested in good faith and as to which adequate reserves shall have been set aside in conformity with GAAP or as to which adequate bonds shall have been obtained;

(d) zoning restrictions, easements, rights-of-way, restrictions, servitudes, permits, reservations, encroachments, exceptions, conditions, covenants, and any other restrictions on the use of real property none of which materially impairs the use of such property by the owner of such property in the operation of its business;

(e) any obligations or duties affecting any of the property of such Person to any municipality or public authority with respect to any franchise, grant, license or permit which do not materially impair the use of such property for the purposes for which it is held;

(f) defects, irregularities and deficiencies in title to any property of such Person which in the aggregate do not materially impair the use of such property for the purposes for which such property is held by such Person, and defects, irregularities and deficiencies in title to any property of such Person which defects, irregularities or deficiencies have been cured by possession under applicable statutes of limitation;

(g) other minor Liens none of which interferes materially with the use of the property affected in the ordinary conduct of the Project and which individually or in the aggregate do not have a Material Adverse Effect;

(h) utility easements, building restrictions and such other encumbrances or charges against real property which are of a nature generally existing with respect to properties

of a similar character and which do not materially affect the marketability of the same or interfere with the use thereof in the business of such Person;

- (i) any Lien for remaining obligations under the ADL Agreement; and
- (j) any Lien arising under the terms of this Lease Agreement.

“Person” means any Governmental Authority or any individual, firm, partnership, corporation, limited liability company, joint venture, trust, unincorporated organization, or other entity or organization.

“Project” means the Project Site, the Buildings and the Leased Improvements, as each may at any time exist.

“Project Site” means the real estate and interests in real estate described in Exhibit A attached hereto and by this reference made a part hereof, decreased by any real estate and interests in real estate as may be released from this Lease pursuant to Sections 9.4 and 9.5 hereof, or taken by the exercise of the power of eminent domain.

“Project Summary” means the project summary as the same may be amended from time to time in accordance with the provisions of this Lease. The Project Summary is attached as Exhibit D hereto and by this reference made a part of this Lease.

“Prudent Industry Practices” means those practices, methods and equipment, as changed from time-to-time, that (a) when engaged in are commonly used in prudent electrical engineering and operations to operate electrical equipment lawfully and with safety, reliability, efficiency, and expedition; or (b) in the exercise of reasonable judgment considering the facts known when engaged in, could have been expected to achieve the desired result consistent with applicable law, safety, reliability, efficiency, and expedition. Prudent Industry Practices are not limited to optimum practice, method, selection of equipment, or act, but rather are a range of acceptable practices, methods, selections of equipment, or acts.

“Substantial Completion” means, with respect to any Unit, that such Unit: (a) has received, or Lessor has made, all applicable Governmental Project Approvals and Filings, and (b) has successfully passed all Completion Tests.

“Unit” means any one of the five General Electric Company LM-6000 generating units to be installed at the Project, each with a nominal rating of 40 MW. Individual units are identified as Unit No. 1 through Unit No. 5.

“Unit Fired Hour” means, with respect to any Unit, a sixty (60) minutes of gas-fired operation of such Unit, whether or not continuous and without regard to the generation level.

Section 1.2. Rules of Construction. Unless the context clearly indicates to the contrary:

(a) "Herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter" and other equivalent words refer to this Lease in its entirety and not solely to the particular portion thereof in which any such word is used;

(b) Words in the singular shall include the plural and vice versa where appropriate, and any pronoun used herein shall cover the neuter and all genders.

(c) All references herein to particular Articles or Sections are references to Articles or Sections of this Lease.

(d) Any certificate or statement required to be delivered under the provisions of this Lease shall, in the absence of manifest error, be deemed to be conclusive evidence of the truth, correctness and accuracy of the matters covered in such certificate or statement.

Article II

Representations and Warranties

Section 2.1. Representations and Warranties By Lessor. The Lessor makes the following representations and warranties:

(a) The Lessor (i) is a limited liability company duly organized and validly existing under the laws of the State of Oregon and (ii) is duly qualified to do business as a limited liability company in each jurisdiction in which its ownership or lease of property or the conduct of its business requires such qualification, and has all power and authority necessary to own, lease or hold its property and to conduct the business in which it is now engaged or proposed to be engaged, except where the failure to so qualify or have such power or authority would not, singularly or in the aggregate, have a Material Adverse Effect on the Lessor or the rights granted to Lessee by Lessor hereunder.

(b) The Lessor has full limited liability company right, power and authority to execute and deliver this Lease Agreement and to perform its obligations hereunder; and all limited liability company action required to be taken for the due and proper authorization, execution and delivery of this Lease Agreement and the consummation of the transactions contemplated hereby have been duly and validly taken.

(c) This Lease Agreement has been duly authorized, executed and delivered by the Lessor, and constitutes a valid and legally binding obligation of the Lessor enforceable against it in accordance with the terms hereof, except to the extent limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws affecting creditors' rights generally, and by general equitable principles (whether considered in a proceeding in equity or at law).

(d) The execution, delivery and performance by the Lessor of this Lease Agreement and the consummation of the transactions contemplated hereby will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than Permitted Liens) upon any property or assets of the Lessor pursuant to, any material indenture, mortgage, deed of trust, loan

agreement or other material agreement or instrument to which the Lessor is a party or by which the Lessor is bound or to which any of the property or assets of the Lessor is subject, (ii) result in any violation of the provisions of the ADL Agreement or of memorandum of organization or other organizational documents, as amended, of the Lessor, or (iii) result in any violation of any statute or any judgment, order, decree, rule or regulation of any court or arbitrator or governmental agency or body having jurisdiction over the Lessor or any of its properties or assets.

(e) There are no legal or governmental proceedings pending to which the Lessor is a party or of which any property or assets of the Lessor are the subject which, singularly or in the aggregate, could reasonably be expected to have a Material Adverse Effect on the Lessor or on the rights granted under the Lease; and to the best of the Lessor's knowledge, no such proceedings are threatened by governmental authorities or others.

(f) The Lessor is not (i) in violation of its memorandum of organization or other organizational documents, (ii) in default, and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained herein.

(g) PacifiCorp Power Marketing, Inc. or its permitted assignee under the ADL Agreement (including without limitation Lessor, if assigned to Lessor) is, and during the term hereof will be, in compliance with its obligations to the Redevelopment Agency of the City of West Valley thereunder.

Section 2.2. Representations and Warranties By Lessee. The Lessee makes the following representations and warranties:

(a) The Lessee (i) is a corporation duly organized and validly existing under the laws of the State of Oregon and (ii) is duly qualified to do business as a corporation in each jurisdiction in which its ownership or lease of property or the conduct of its business requires such qualification, and has all power and authority necessary to own, lease or hold its property and to conduct the business in which it is now engaged or proposed to be engaged, except where the failure to so qualify or have such power or authority would not, singularly or in the aggregate, have a Material Adverse Effect on the Lessee or the rights granted to Lessor by Lessee hereunder.

(b) The Lessee has full corporate right, power and authority to execute and deliver this Lease Agreement and to perform its obligations hereunder; and all corporate action required to be taken for the due and proper authorization, execution and delivery of this Lease Agreement and the consummation of the transactions contemplated hereby have been duly and validly taken.

(c) This Lease Agreement has been duly authorized, executed and delivered by the Lessee, and constitutes a valid and legally binding obligation of the Lessee enforceable against it in accordance with the terms hereof, except to the extent limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws

affecting creditors' rights generally, and by general equitable principles (whether considered in a proceeding in equity or at law).

(d) The execution, delivery and performance by the Lessee of this Lease Agreement and the consummation of the transactions contemplated hereby will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than Permitted Liens) upon any property or assets of the Lessee pursuant to, any material indenture, mortgage, deed of trust, loan agreement or other material agreement or instrument to which the Lessee is a party or by which the Lessee is bound or to which any of the property or assets of the Lessee is subject, (ii) result in any violation of the provisions of the articles of incorporation or bylaws, as amended, of the Lessee, or (iii) result in any violation of any statute or any judgment, order, decree, rule or regulation of any court or arbitrator or governmental agency or body having jurisdiction over the Lessee or any of its properties or assets.

(e) There are no legal or governmental proceedings pending to which the Lessee is a party or of which any property or assets of the Lessee are the subject which, singularly or in the aggregate, could reasonably be expected to have a Material Adverse Effect on the Lessee or on the rights granted under the Lease; and to the best of the Lessee's knowledge, no such proceedings are threatened by governmental authorities or others.

(f) The Lessee is not (i) in violation of its articles of incorporation or other organizational documents, (ii) in default, and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained herein.

Section 2.3. Representations and Warranties Required as of the Commencement Date and as of each date of Substantial Completion: The Lessor and the Lessee shall make the following representations and warranties, prior to and as a condition of occurrence of the Commencement Date and of Substantial Completion, as applicable:

(a) The Lessor shall represent and warrant that (i) all Governmental Project Approvals and Filings that are required, as of the Commencement Date or upon Substantial Completion of any Unit, as the case may be, have been duly obtained or made and are in full force and effect, in each case, as of such time and (ii) the Lessor is in compliance with the requirements of all such Governmental Project Approvals and Filings, except to the extent that noncompliance could not reasonably be expected to result in a Material Adverse Effect on the Lessor or on the rights granted under the Lease; and (iii) as of the time of Substantial Completion, the Project complies with, and as designed complies with, any noise limitation provided under then Applicable Law with all Units that have as of such time achieved Substantial Completion in operation.

(b) The Lessee shall represent and warrant that (i) all Governmental Lease Approvals and Filings that are required, as of the Commencement Date have been duly obtained or made and are in full force and effect as of such time; (ii) the Lessee is in compliance with the requirements of all such Governmental Lease Approvals and Filings, except to the extent that

noncompliance could not reasonably be expected to result in a Material Adverse Effect on the Lessee or on the rights granted under the Lease.

Article III

Leasing Clauses

Section 3.1. Lease of the Project. The Lessor hereby leases to the Lessee, and the Lessee hereby leases from the Lessor, subject to Permitted Liens, the Project at the rental set forth in Section 5.3 hereof and in accordance with the provisions of this Lease.

Section 3.2. Quiet Enjoyment. So long as no Event of Default has occurred and is continuing, the Lessee's quiet enjoyment of the Project will not be disturbed by the Lessor or any party acting by, through or under the Lessor.

Section 3.3. Agreement of Lessor to Execute Amendment to Lease. The Lessor and the Lessee understand and agree that (a) certain items of personal property may be acquired by the Lessee and conveyed to the Lessor or may be acquired directly by the Lessor from time to time hereafter, (b) items that are part of the Leased Improvements and/or portions of the Project Site may be removed or released from this Lease in accordance with the provisions of Sections 7.2 and 9.5 hereof, and (c) easements, restrictive covenants and certain other rights of way across the Project Site may be granted by the Lessee in accordance with Section 9.4 hereof. The Lessor agrees, at the request of the Lessee, to execute an Amendment to Lease Agreement in such form as shall be reasonably acceptable to the Lessor and the Lessee, and the equipment or property added or released thereby shall become subject to or be released from this Lease.

Article IV

Commencement and Completion of the Project

Section 4.1. Agreement to Construct and Install the Project.

(i) Not later than the Commencement Date, the Lessor will have acquired good and valid title in and to the Project Site, subject only to Permitted Liens, and the Lessor agrees that it will cause the acquisition, construction and installation of the Buildings to be made in accordance with Exhibit C and the Project Summary, and will cause to be acquired and installed in the Buildings or on the Project Site, the Leased Improvements, to consist of machinery, equipment and related property described in the list attached hereto as Exhibit B.

(ii) The Lessor shall assure the completion of the acquisition, construction and installation of the Project in accordance with the Project Summary as promptly as practicable after the date of the execution and delivery of this Lease, to continue said construction with all reasonable dispatch and to use commercially reasonable efforts to cause (a) Unit No. 3 and Unit No. 4 to achieve Substantial Completion no later than May 1, 2002, (b) Unit No. 1 and Unit No. 2 to achieve Substantial Completion no later than June 1, 2002, and (c) Unit No. 5 to achieve Substantial Completion no later than August 1, 2002, but if said acquisition, construction and installation is not completed within the time herein contemplated there shall be no resulting

liability on the part of the Lessor and no diminution in or postponement of the rents required in Section 5.3 hereof to be paid by the Lessee except as provided therein.

(iii) The Lessor also agrees, at its own expense, to (a) interconnect the Project with two natural gas suppliers prior to the Substantial Completion of any Unit, (b) obtain all emission credits and Governmental Approvals necessary for production of energy by the Project as contemplated by this Lease Agreement, (c) enter into or obtain a valid assignment to it of an interconnection agreement with PacifiCorp acting in its transmission function with respect to the Project, and (d) construct all facilities at the Project necessary for the completion of the foregoing. During the Lease Term, the Lessee shall have access to all documentation, project files, engineering drawings and other information relating to the Project that are in the possession of the Lessor. The Lessor shall assure that each Unit complies at the time of Substantial Completion with all requirements of the above-referenced interconnection agreements and of all Governmental Project Approvals and Filings applicable to such Unit. The Lessee shall be responsible, at its own expense, (x) for complying with all requirements of the above referenced interconnection agreement and (y) for maintaining and renewing all Governmental Project Approvals and Filings, except those applicable to a Unit that has not achieved Substantial Completion.

Section 4.2. Certificates of Commencement Date. As of the Commencement Date, the Lessor shall have delivered to the Lessee, in accordance with Section 14.1 hereof, a certificate containing (i) certifications and representations to the effect that the events specified in part (a) of the definition of "Commencement Date" have occurred, (ii) certifications and representations to the effect that all Governmental Project Approvals and Filings required as of the Commencement Date have been granted or made and (iii) the Lessor's applicable representations and warranties specified in Section 2.3 hereof. As of the Commencement Date, the Lessee shall have delivered to the Lessor, in accordance with Section 14.1 hereof, a certificate containing (i) certifications and representations to the effect that the events specified in parts (c) and (d) of the definition of "Commencement Date" has occurred, (ii) certifications and representations to the effect that all Governmental Lease approvals and Filings required as of the Commencement Date have been granted or made and (iii) the Lessee's representations and warranties specified in Section 2.3 hereof.

Section 4.3. Establishment of Substantial Completion. Upon Substantial Completion of a Unit, the Lessor shall deliver a certificate to the Lessee containing (i) a representation that such Unit has achieved Substantial Completion and (ii) the Lessor's applicable representations and warranties specified in Section 2.3(a) hereof.

Section 4.4. Lessor's Completion Obligations. Substantial Completion may be achieved for any Unit notwithstanding a need to complete work with respect the Unit, so long as the failure to complete the applicable items does not materially impair the Lessee's ability to operate the Unit subsequent to Substantial Completion. Promptly after Substantial Completion of each Unit, the Lessor and the Lessee shall, in accordance with Prudent Industry Practices, make a joint inspection of the Unit scheduled by the Lessee and agree to a list of items remaining to be completed. After Substantial Completion of the final Unit provided hereunder, the Lessor's and the Lessee's joint inspection and list of items shall include any Project items

remaining to be completed but not related to a specific Unit. The Lessor shall assure that the items so identified are completed promptly, at the Lessor's expense.

Section 4.5. Remedies Against Suppliers, Contractors and Subcontractors and Their Sureties.

(a) To the extent permitted under the applicable agreements, the Lessor shall cause to be assigned to the Lessee as of Substantial Completion of each Unit, all warranties or guarantees with respect to such Unit's materials, workmanship or performance, such that the Lessee may enforce such warranties directly. If such assignment may be made only with the consent of the counterparty to the applicable agreement, Lessor shall make reasonable efforts to obtain such consent.

(b) In the event of any default or breach with respect to any material, workmanship or performance warranty or guarantee that the Lessor is not able to assign to the Lessee, the Lessor shall promptly notify the Lessee in advance and proceed, at the Lessee's expense, to exhaust the remedies of the Lessor against any defaulting supplier, contractor or subcontractor and against any surety therefor, with respect to such warranty or guarantee. The Lessor shall advise the Lessee of the steps it intends to take in connection with any such default, and shall not undertake such remedies, file a lawsuit or arbitration proceeding with respect thereto, or consent to any settlement agreement without the prior written consent of the Lessee.

(c) Notwithstanding the provisions of Section 4.5(b) hereof, if within thirty days of receipt of the notice from Lessor to Lessee given pursuant to Section 4.5(b), the Lessee shall so notify the Lessor in writing, the Lessee may, in its own name or in the name of the Lessor, prosecute or defend any action or proceeding or take any other action involving any such supplier, contractor, subcontractor or surety which the Lessee deems reasonably necessary, and in such event the Lessor shall cooperate fully with the Lessee and take all action necessary to effect the substitution of the Lessee for the Lessor in any such action or proceeding.

Article V

**Effective Date of Lease;
Duration of Lease Term; Rental Provisions**

Section 5.1. Effective Date of Lease; Duration of Lease Term. This Lease Agreement shall become effective upon its delivery; provided, however, that if the Commencement Date shall not have occurred on or before July 1, 2002, this Lease Agreement shall terminate at midnight on June 30, 2002 and neither party shall have any liability or further obligation to the other. The leasehold interest created by this Lease Agreement shall begin on the Commencement Date, and, subject to the other provisions of this Lease Agreement, shall expire at midnight, on December 31, 2017.

Section 5.2. Delivery and Acceptance of Possession. The Lessor agrees to deliver to the Lessee sole and exclusive possession of the Project (subject to the right of the Lessor to enter thereon for inspection and other purposes as set forth in Sections 4.1, 4.4 and 9.2 hereof) as of the Commencement Date and the Lessee agrees to accept possession of the Project upon such

delivery. The parties acknowledge and agree that, as of the Commencement Date and thereafter for the Lease Term, the Lessee shall have operating control of the Project and shall be responsible for all operations at the Project, including, without limitation, all activities relating to the operation, staffing, maintenance, fueling, dispatching and interconnection of the Project. During the period from the Commencement Date through the date of Substantial Completion of each Unit, the Lessee shall cooperate with the Lessor by operating a Unit only as needed to allow the Lessor to achieve Substantial Completion in a timely manner, to perform, subject to Prudent Industry Practices and without interfering with the dispatch of Units that have achieved Substantial Completion, all Completion Tests and to complete all items the Lessor is required to complete pursuant to Section 4.4 hereof. The Lessee shall be entitled to all electric output of the Project on and after the Commencement Date and continuing throughout the Lease Term, including all Project test energy.

Section 5.3. Rents.

(a) Subject to clause (d) of this Section 5.3, on or before the later of (i) fifteen (15) days after provision of the applicable invoice, pursuant to Section 14.1 hereof, or (ii) January 15, April 15, July 15 and October 15 in each year, commencing April 15, 2002, the Lessee shall pay or cause to be paid to the Lessor as rents for the Project a sum equal to \$749,150 for each Unit that has, as of the end of the immediately preceding calendar quarter, achieved Substantial Completion; provided, however, that, as to any Unit that achieved Substantial Completion during such calendar quarter, such payment amount shall be prorated based on the number of days in such quarter that such Unit had achieved Substantial Completion.

(b) The Lessee shall pay or cause to be paid to the Lessor as additional rent, an amount equal to all real property taxes paid by the Lessor with respect to its ownership of the Project. Such payment shall be for the amount of such real property taxes prior to the effect of any abatements, credits or reductions provided to the Lessor or to any third party by Governmental Authorities, which abatements, credits or reductions shall be for the benefit of the Lessor or such third party. Such payments shall be due on the date such tax payment is paid by Lessor to the applicable Governmental Authority.

(c) If the Lessee should fail to make any of the payments required in this Section, the item or installment so in default shall continue as an obligation of the Lessee until the same shall have been fully paid. Any amounts not timely paid shall bear interest at the JP Morgan Chase Bank (or its successor entity) prime interest rate as in effect from time to time plus two percent (2%) per annum (or such lower rate as is the maximum rate permitted by Applicable Law) from the date that such amount was due to the date such amount was paid. If within fifteen (15) days after the Lessee has provided the Lessor with a notice demanding payment, the Lessor shall fail to pay or discharge any Lien that could have a Material Adverse Effect on the Project or the Lessee's continued quiet possession thereof, Lessee may pay or discharge the same and shall be entitled to a credit for the same amount paid by Lessee on its next payment due to Lessor hereunder, with interest at the rate set forth in this Section.

(d) The Lessee shall not be obligated to pay rents for the first 90 days after Substantial Completion of (i) Unit No. 1 if such Unit has not achieved Substantial Completion on or before July 1, 2002, (ii) Unit No. 2 if such Unit has not achieved Substantial Completion on or

before July 1, 2002, and (iii) Unit No. 5 if such Unit has not achieved Substantial Completion on or before September 1, 2002.

Section 5.4. Place of Rental Payments. The rents provided for in Section 5.3 hereof shall be paid in immediately available funds not later than 10:30 a.m. (Pacific Time) on the due date to the Lessor at its account at Bank One (ABANo. 071000013 Account No. 5547520, Attention Pam Simonsen, or such other place as Lessor shall notify the Lessee in writing.

Article VI

Return of Project

Section 6.1. Return. Upon expiration or termination of this Lease Agreement (other than a termination pursuant to the first sentence of Section 5.1 hereof or if the Project is being transferred to the Lessee pursuant to Section 12.2 hereof), the Lessee, at its own expense, shall return the Project to the Lessor or any permitted transferee or assignee of the Lessor by surrendering the Project into the possession of the Lessor or such transferee or assignee at the location of the Project on the Project Site. In connection with such return, the Lessee shall (a) assign or otherwise make available, to the extent permitted by Applicable Law and not already assigned or otherwise transferred to the Lessor or to the Lessor's permitted transferee or assignee, the Lessee's interest in all material Governmental Project Approvals and Filings and licenses, permits approvals and consents of any Governmental Authorities or other Persons that are then in effect and that are utilized by the Lessee specifically for the operation or maintenance of the Project pursuant to this Lease, to the extent that such items may be assigned or transferred; (b), cooperate, at no expense to Lessee, with all reasonable requests of the Lessor or a permitted transferee or assignee of the Lessor for purposes of obtaining or making, or enabling the Lessor or such transferee or assignee to obtain or make, any and all material Governmental Project Approvals and Filings and licenses, permits, approvals and consents of any Governmental Authorities or other Persons that are or will be required to be obtained by the Lessor or such transferee or assignee in connection with the use, operation or maintenance of the Project on or after such return in compliance with Applicable Law; and (c) provide the Lessor or a permitted transferee or assignee of the Lessor copies of all documents, instruments, plans, maps, specifications, manuals, drawings and other documentary materials relating to the installation, maintenance, operation, construction, design, modification and repair of the Project, as shall be in the Lessee's possession and shall be reasonably appropriate or necessary for the continued operation of the Project. Upon such return, the right to use the Project granted hereunder for the benefit of the Lessee shall cease and terminate.

Section 6.2. Condition Upon Return. At the time of a return of the Project by the Lessee pursuant to Section 6.1 hereof, the following conditions shall be complied with, all at the Lessee's sole cost and expense:

(a) the Project will be in at least as good condition as if it had been maintained, repaired and operated during the Lease Term in compliance with the provisions of this Lease (including, without limitation, the provisions of Section 7.1 hereof), ordinary wear and tear excepted, and there shall be no deferred maintenance in respect of the Project;

(b) the Project shall be free and clear of all Liens other than Permitted Liens (except Permitted Liens set forth in clause (i) of the definition thereof);

(c) the Project shall have at least the capability and functional ability, as certified by an independent professional engineer to generate electricity, on a continuous basis in normal commercial operating conditions, substantially at the ratings for which it was designed (normal degradation between major maintenance overhauls excepted);

(d) to the extent that the Project has been modified in accordance with the Lease, or other improvements have been made by the Lessee to the Project Site, either: (i) the Lessee either shall remove such modifications and restore the Project and the Project Site to its original configuration and condition, or (ii) the Project as modified and the Project Site improvements shall upon return of the Project become the property of the Lessor;

(e) the Project shall be in material compliance with all requirements of manufacturers required for the maintenance in full force and effect of any material warranty then in effect with respect to the Project; and

(f) the tanks located on the Project Site containing calibration gas, lubricating oils, water, chemical storage tanks, aqueous ammonia, and other liquids shall be full.

Article VII

Maintenance and Modifications, Taxes and Insurance

Section 7.1. Maintenance and Modifications of Project By Lessee. On and after the Commencement Date:

(a) The Lessee, at its own cost and expense, shall cause the Project to be operated and maintained in good condition, repair and working order, ordinary wear and tear excepted, and in any event, in all material respects (i) in accordance with Prudent Industry Practices, (ii) in compliance with all Applicable Law, including without limitation all Environmental Laws and safety laws, unless such noncompliance could not reasonably be expected to result in a Material Adverse Effect on the Project, and (iii) in accordance with the terms of any insurance policies maintained pursuant to Section 7.4 hereof. In connection with the Lessee's purchase of periodic water and sewage service required for operation of the Project, the Lessee will pay any assessment made pursuant to Section 3.2 of the Kearns Improvement District Development Agreement between PacifiCorp Power Marketing, Inc. and Kearns Improvement District, dated August 29, 2001, as a result of discharge by the Lessee of substances specified in such Section 3.2.

(b) The Lessee may from time to time, in its sole discretion, at its own expense, make any additions, modifications or improvements to the Project, including installation of additional machinery, equipment and related property in the Buildings or on the Project Site, which it may deem desirable for its business purposes. All such machinery, equipment and other related property may be modified or removed at any time.

(c) For the Lease Term, the Lessee shall accept an assignment of the obligations of the Lessor under the Operation and Maintenance Agreement between PacifiCorp and Lessor to make payments to PacifiCorp's transmission function for the operation and maintenance of any transmission substation or other transmission facilities allocated directly to the Project.

(d) In exercising its rights hereunder, the Lessee shall not take any actions that would cause PacifiCorp Power Marketing, Inc. or the Lessor to be in violation of the covenants of the ADL Agreement.

Section 7.2. Removal of Leased Improvements. Subject to the provisions of Section 6.2 hereof: (i) the Lessor shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable, inappropriate or unnecessary Leased Improvements. (ii) In any instance where the Lessee, in its sole discretion, determines that any such items have become inadequate, obsolete, worn out, unsuitable, undesirable, inappropriate or unnecessary for their purposes at such time, the Lessee may remove such items of Leased Improvements and (on behalf of the Lessor) sell, trade in, exchange or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Lessor therefor. (iii) The removal from the Project of any portion of the Leased Improvements pursuant to the provisions of this Section shall not entitle the Lessee to any abatement or diminution in amount of the rents payable under Section 5.3 hereof.

Section 7.3. Taxes, Other Governmental Charges and Utility Charges. The Lessor, at the request and expense of the Lessee shall contest any Project taxes, assessments and other charges, provided that Lessor can advance such contest in good faith. Nothing herein shall relieve the Lessee of its rent payment obligations under Section 5.3(b) hereof with respect to such contested taxes, subject to a right to receive, in the form of a return of applicable rents, the benefit of such refund to the Lessor of the contested taxes (including refund interest) as the Lessor may receive.

Section 7.4. Insurance Required. As of the Commencement Date and thereafter throughout the Lease Term, the Lessee will maintain (or cause to be maintained) all risk property insurance customarily carried by prudent operators of gas-fired electric generating facilities of comparable size and risk of the Project, and against loss or damage from such causes as are customarily insured under Prudent Industry Practices. The Lessor shall be named as an additional insured under any such insurance policy or policies, as its interests may appear. The parties acknowledge and agree that the Lessee may self-insure the Project if to do so is not inconsistent with the Lessee's self-insurance of similar generation projects it owns.

Section 7.5. Accrued Maintenance. In lieu of a deposit for maintenance and repair, upon termination or expiration of the Lease and return of the Project to Lessor after the Commencement Date (other than termination in conjunction with the exercise by Lessee of its purchase option under Section 12.2 hereof), the Lessee shall pay or cause to be paid to the Lessor, within 15 days after the date of such termination, accrued major maintenance costs, calculated as a dollar amount for each Unit equal to the sum of: (a) \$63.40 per Unit Fired Hour since the last performed hot section repair or major overhaul, whichever is later, and (b) \$25.30 per Unit Fired Hour since the last performed major overhaul. If no such repairs have been

performed with respect to a particular Unit before the date of termination, the Unit Fired Hours for such Unit since last hot section repair or since last major overhaul shall each be equal to the total Unit Fired Hours of such Unit on and after the Commencement Date, and the payment would be equal to the sum of the following calculations: (total Unit Fired Hours x \$63.40) and (total Unit Fired Hours x \$25.30). Such payment shall be in addition to any accrued rents and other amounts payable by the Lessee hereunder.

Article VIII

Damage, Destruction and Condemnation

Section 8.1. Damage and Destruction. Upon damage or destruction of all or a portion of the Project by fire or other casualty, the Lessee shall be obligated to continue to make the rental payments specified in Section 5.3 hereof and the Project shall be replaced, rebuilt or restored. Any such replacement, repair, rebuilding or restoration shall be made in accordance with the terms and conditions set forth in Article VI hereof. So long as no Event of Default has occurred and is continuing, all insurance proceeds for loss or damage to the Project shall be paid to the Lessee for use by the Lessee in replacing, rebuilding or restoring the Project pursuant to this Section 8.1 or to reimburse the Lessee for such replacement, repair, rebuilding or restoration. If the Project is damaged or destroyed to the extent that it cannot as-is safely generate electricity from at least two Units, Lessee may elect to terminate the Lease with respect to the damaged or destroyed Units upon payment to Lessor of the fair market value of comparable installed Units, in good operating condition, maintained, repaired and operated during the Lease Term in compliance with the Lease (including, without limitation, the provisions of Section 7.1 hereof), ordinary wear and tear excepted and without deferred maintenance, plus the amounts due under Section 7.5 hereof for the damaged or destroyed Units, less the fair market value of the Units in their damaged or destroyed condition, accounting for removal costs, if any.

Section 8.2. Condemnation. Subject to Section 7.5, in the event that during the Lease Term all or a substantial portion of the Project is taken by the exercise of the power of condemnation or eminent domain by any Governmental Authority, either party shall be entitled, but shall not be required, to terminate this Lease. If the Lease is not terminated, the Lessee shall be obligated to continue to make the rental payments specified in Section 5.3 hereof with respect to any Unit not so taken by a Governmental Authority. Unless otherwise agreed by the parties, all condemnation proceeds shall be the property of the Lessor.

Article IX

Special Covenants and Provisions

Section 9.1. No Warranty of Condition or Suitability By Lessor. EXCEPT AS OTHERWISE PROVIDED HEREIN, THE LESSOR MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE CONDITION OF THE PROJECT OR THAT IT WILL BE SUITABLE FOR THE LESSEE'S PURPOSES OR NEEDS. Except as may otherwise be provided herein, the Lessee releases the Lessor from, agrees that the Lessor shall not be liable for and agrees, to the extent permitted by Applicable Law, to hold the Lessor

harmless against, any loss that may be occasioned by the condition of the Project or its suitability for the Lessee's purposes or needs.

Section 9.2. Inspection of Project; Right of Access to the Project By Lessor. The Lessee agrees that the Lessor or its duly authorized agents shall have the right at all reasonable times during business hours, to enter upon, examine and inspect the Project, provided that this does not result in any interference or prejudice to the Lessee's operations. Provided that the Lessee is not in default hereunder, such inspection shall only be made in the presence of an official of the Lessee. The Lessee further agrees that the Lessor and its duly authorized agents shall have such rights of access to the Project as may be reasonably necessary to cause to be completed the acquisition, construction and installation provided for in Section 4.1 hereof. The Lessor shall be afforded a reasonable opportunity to attend all engineering and operating meetings conducted by the Lessee with respect to the Project.

Section 9.3. Qualification in Utah. The Lessor and the Lessee each warrants to the other that on and after the Commencement Date and throughout the Lease Term it will be and continue to be duly qualified to do business in the State of Utah.

Section 9.4. Granting and Release of Easements; Amending or Modifying Easements. The Lessee may at any time or times cause to be granted easements, licenses, rights-of-way (temporary or perpetual and including the dedication of public highways), restrictive covenants (including, without limitation, the restrictive covenants necessary to comply with Governmental Approvals) and other rights or privileges in the nature of easements or restrictive covenants with respect to any property included in the Project and such grant will be free from the lien or security interests created by this Lease, or the Lessee may cause to be amended, modified or released existing easements, licenses, rights-of-way, restrictive covenants and other rights or privileges in the nature of easements or restrictive covenants, held with respect to any property included in the Project with or without consideration, and the Lessor agrees that it shall execute and deliver any instrument necessary or appropriate to confirm and grant, amend, modify or release any such easement, restrictive covenant, license, right-of-way or other right or privilege upon receipt of: (a) a copy of the instrument of grant, covenant, amendment, modification or release, and (b) a written application of the Lessee signed by an officer of the Lessee requesting such instrument and stating that such grant, covenant, amendment, modification or release will not impair the effective use or have a Material Adverse Effect on the value of or materially interfere with the operation of, the Project.

Section 9.5. Release of Certain Land. Notwithstanding any other provision of this Lease, the parties hereto reserve the right at any time and from time to time by mutual agreement to amend this Lease for the purpose of effecting the release and removal from this Lease (a) of any unimproved part of the Project Site (on which neither the Buildings nor any Leased Improvements is located but on which parking, transportation, utility facilities or other support facilities may be located) on which the Lessor proposes to construct improvements for lease under another and different lease or (b) of any part of the Project Site with respect to which the Lessor proposes to convey a fee or other title to a railroad or other public body or quasi-public body or to a public utility in order that transportation facilities or services by rail, water, road or other means or utility services for the Project, for the benefit of the Lessee, may be provided,

increased or improved. No release effected under the provisions hereof shall entitle the Lessee to any abatement or diminution of the rents payable under Section 5.3 hereof.

Section 9.6. Spare Parts. On or before the Commencement Date, in consultation with the Lessee, the Lessor shall acquire, purchase or make available for the Lessee's use in the operation of the Project spare parts and tools with a value of \$2,000,000. Such spare parts shall include, but not be limited to, the operational spare parts recommended by General Electric Company for the Units and plant operational spares for the other auxiliary equipment. The Lessee shall replace any spare parts used by the Lessee prior to any termination or expiration of this Lease and return of the Project to Lessor, such that at the time of such return Lessor will have a spare parts and tools inventory substantially equivalent in content to what was in place as of the Commencement Date. If the Lessee exercises its purchase option under Section 12.2, all such spare parts shall be included in the assets transferred to the Lessee under Section 12.3.

Section 9.7. Liens. During the Lease Term, unless the Lessee is in default hereunder, the Lessor shall not permit any Liens (other than Permitted Liens) to be created by the action or inaction of the Lessor, unless the Lessee in its sole discretion consents in writing to the imposition of such Lien.

Article X

Assignment, Subleasing, Pledging and Selling; Rent Prepayment and Abatement

Section 10.1. Assignment and Subleasing. This Lease may not be assigned, in whole or in part, and the Project may not be subleased, as a whole or in part, by the Lessee without the consent of the Lessor, which consent shall not be unreasonably withheld; provided, however, that this Lease may be assigned in whole or in part, or the Project may be subleased, as a whole or a part, without the consent of the Lessor, to any successor to substantially all of the business of the Lessee. Any such assignment or sublease is further subject to the following conditions:

(a) no assignment or sublease shall relieve the Lessee from primary liability for any of its obligations hereunder, and if any such assignment occurs the Lessee shall continue to remain primarily liable for payment of the rents specified in Section 5.3 hereof and for performance and observance of the other agreements on its part herein provided to be performed and observed by it unless the Lessee shall have obtained the consent of the Lessor; and

(b) the Lessee shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Lessor a true and complete copy of each such assignment or sublease, as the case may be, together with any instrument of assumption.

Section 10.2. Restrictions on Sale of Project by Lessor. The Lessor agrees that it will not mortgage, sell, assign, transfer, convey or otherwise encumber the Project or any portion thereof or allow any Liens (other than Permitted Liens) arising by or through the Lessor to be placed on the Project or any portion thereof during the Lease Term and that it will not take any other action which results in the levy or assessment of ad valorem taxes on the Project or the Lessee's leasehold interest in the Project.

Article XI

Events of Default and Remedies

Section 11.1. Events of Default Defined. The following events shall constitute an "Event of Default" hereunder (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any Governmental Authority):

(a) the Lessee shall fail to make any payment of rent after the same shall have become due and such failure shall have continued for thirty (30) days after notice that the same shall have become due; or

(b) the Lessee shall fail to make any other payment under this Lease Agreement after the same shall have become due and such failure shall have continued unremedied for a period of 30 days after receipt by the Lessee of written notice of such failure from the Lessor; or

(c) the Lessee shall fail to perform or observe any covenant, obligation or agreement to be performed or observed by it under this Lease Agreement (other than any covenant, obligation or agreement referred to in clause (a) or (b) of this Section 11.1) in any material respect, which failure shall continue unremedied for 30 days after receipt by the Lessee of written notice thereof from the Lessor; provided, however, that if such condition cannot be remedied within such 30-day period, then the period within which to remedy such condition shall be extended up to an additional 180 days, so long as the Lessee diligently pursues such remedy and such condition is reasonably capable of being remedied within such additional 180-day period and the continuation of such failure during the period of such extension would not have a Material Adverse Effect on the Project; or

(d) any representation or warranty made by the Lessee in this Lease Agreement proves to have been incorrect in any material respect when made and continues to be material and unremedied for a period of 30 days after receipt by the Lessee of written notice thereof; provided, however, that if such condition cannot be remedied within such 30-day period, then the period within which to remedy such condition shall be extended up to an additional 120 days, so long as the Lessee diligently pursues such remedy and such condition is reasonably capable of being remedied within such additional 120-day period, and the continuation of such condition during the period of such extension would not have a Material Adverse Effect on the Project; or

(e) the Lessee shall (i) commence a voluntary case or other proceeding seeking relief under the Bankruptcy Code or liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, or apply for or consent to the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or (ii) consent to, or fail to controvert in a timely manner, any such relief or the appointment of or taking possession by any such official in any voluntary case or other proceeding commenced against it, or (iii) file

in answer admitting the material allegations of a petition filed against it in any such proceeding, or (iv) make a general assignment for the benefit of creditors; or

(f) an involuntary case or other proceeding shall be commenced against the Lessee seeking (i) liquidation, reorganization or other relief with respect to it or its debts under the Bankruptcy Code or any bankruptcy, insolvency or other similar law now or hereafter in effect, or (ii) the appointment of a trustee, receiver, liquidator, custodian or other similar official with respect to it or any substantial part of its property or (iii) the winding-up or liquidation of the Lessee; and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or

(g) default under any bond, debenture, note or other evidence of indebtedness for money borrowed by the Lessee under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness of the Lessee, whether such indebtedness now exists or shall hereafter be created, which indebtedness is in an aggregate principal amount exceeding \$50,000,000 and which default shall have resulted in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, without such indebtedness having been discharged, or such acceleration having been rescinded or annulled; or

(h) one or more judgments or decrees shall be entered against the Lessee involving in the aggregate a liability (not paid or fully covered by insurance (taking into account any deductibles) of \$50,000,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof.

Section 11.2. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Lessor may take any one or more of the following remedial steps:

(a) re-enter and take possession of the Project without terminating this Lease and without any liability to the Lessee for such entry and repossession, and seek to sublease the Project for the account of the Lessee, holding the Lessee liable for the difference in the rents and other amounts, if any, payable by any sublessee and the rents and other amounts payable by the Lessee hereunder, through the then nearest future date as of which the Lessee would have been entitled to terminate this Lease Agreement pursuant to Section 12.1;

(b) require the Lessee to reinstall any removed Leased Improvements and shall have the right, without notice, demand or legal process, to come upon the Project Site and take possession of all or any of the Leased Improvements in such manner and as and on such terms as it may choose, and otherwise the Lessor may exercise with respect to the Leased Improvements the rights of a secured party under the Uniform Commercial Code;

(c) terminate this Lease, exclude the Lessee from possession of the Project and seek to lease the Project, holding the Lessee liable for the difference in the rents and other amounts, if any, payable by any new lessee and the rents and other amounts payable by the Lessee hereunder, through the then nearest future date as of which the Lessee would have been entitled to terminate this Lease Agreement pursuant to Section 12.1; and

(d) take whatever action at law or in equity may appear necessary or desirable to collect the rents then due, or to enforce performance and observance of any obligation, agreement or covenant of the Lessee under this Lease.

Section 11.3. Remedies Exclusive. The remedies herein conferred upon or reserved to the Lessor are intended to be exclusive of any other available remedy or remedies, notwithstanding every other remedy now or hereafter existing at law or in equity or by statute.

Section 11.4. Agreement to Pay Attorneys' Fees and Expenses. Should an Event of Default occur and the Lessor should employ attorneys or incur other expenses for collection of rents or the enforcement of performance or observance of any obligation or agreement on the part of the Lessee herein contained, the Lessee agrees that it shall on demand therefor pay to the Lessor the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Lessor.

Section 11.5. No Additional Waiver Implied by One Waiver. If any agreement contained in this Lease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 11.6. Waiver of Appraisal, Valuation, Etc. If the Lessee should default under any of the provisions of this Lease, the Lessee agrees to waive, to the extent it may lawfully do so, the benefit of all appraisal, valuation, stay, extension or redemption laws now or hereafter in force, and all right of appraisal and redemption to which it may be entitled.

Article XII

Options in Favor of Lessee

Section 12.1. Options to Terminate Lease Term. Subject to Section 7.5 hereof, the Lessee shall have the following options to terminate the Lease Term or this Lease Agreement:

(a) The Lessee may terminate the Lease Term by giving the Lessor notice in writing of such termination on or before December 1, 2006; provided, however, that (i) if such notice is given on or before June 1, 2004 and not rescinded by notice in writing on or before September 30, 2004, this Lease shall terminate effective May 31, 2005; and (ii) if such notice is given after June 1, 2004 and not rescinded by notice in writing on or before June 30, 2007, this Lease shall terminate effective May 31, 2008;

(b) The Lessee may terminate this Lease Agreement by giving the Lessor notice in writing of such termination and such termination shall become effective on the date specified in such notice (which shall be a date that is not less than 30 nor more than 60 days after the date of such notice) if, as a result of change in Applicable Law, it shall have become illegal for the Lessee to continue this Lease or for the Lessee to make payments under this Lease Agreement, and the transactions contemplated by this Lease Agreement cannot be restructured to comply with such change in law in a manner reasonably acceptable to the Lessee and the Lessor;
or

(c) The Lessee may terminate this Lease Agreement on or before the Commencement Date, by giving the Lessor notice in writing of such termination and such termination shall become effective on the date specified in such notice if Lessee determines in good faith that it is required to account for this Lease as a capital lease in accordance with GAAP applicable to Lessee and the transactions contemplated by this Lease Agreement cannot be restructured so as not to be accounted for as a capital lease in a manner reasonably acceptable to the Lessee and the Lessor.

Section 12.2. Option to Purchase Project. The Lessee shall have and is hereby granted the option to purchase the Project in accordance with terms of this Section 12.2.

(a) In order to exercise such option, the Lessee shall give written notice to the Lessor, on or before December 1, 2006, of its election to purchase the Project; provided, however, that (i) if such notice is given on or before June 1, 2004, the Lessee may rescind such notice by written notice to the Lessor on or before September 30, 2004; and (ii) if such notice is given after June 1, 2004, the Lessee may rescind such notice by written notice to the Lessor on or before June 30, 2007.

(b) If the Lessee delivers to the Lessor, on or before June 1, 2004, a notice exercising its purchase option and does not timely rescind such notice as specified in Section 12.2(a)(i) hereof: (i) this Lease shall terminate effective at midnight on May 31, 2005; (ii) the Lessee shall pay to the Lessor on or before May 31, 2005, \$138,000,000 in immediately available funds; and (iii) the Lessor shall transfer the Project to the Lessee immediately after midnight on May 31, 2005 in accordance with Section 12.3 hereof.

(c) If the Lessee delivers to the Lessor after June 1, 2004 but on or before December 1, 2006, a notice exercising its purchase option and does not timely rescind such notice as specified in Section 12.2(a)(ii) hereof; (i) this Lease shall terminate effective at midnight on May 31, 2008; (ii) the Lessee shall pay to the Lessor on or before May 31, 2008, \$123,000,000 in immediately available funds; and (iii) the Lessor shall transfer the Project to the Lessee immediately after midnight on May 31, 2008 in accordance with Section 12.3 hereof.

(d) Upon the termination of this Lease in accordance with this Section 12.2, the Lessee shall also pay all rents accrued under Section 5.3 hereof through the date of termination and all other amounts payable by the Lessee hereunder, and the Lessee shall cause the Lessor to be released from any obligations under any interconnection agreement applicable to the Project.

Section 12.3. Conveyance on Purchase. At the closing of any purchase pursuant to the exercise of any option to purchase granted herein, the Lessor will upon receipt of the purchase price by it deliver to the Lessee documents satisfactory to the Lessee conveying to the Lessee title in and to the property with respect to which such obligation or option was exercised, including without limitation good and valid title to the Project subject only to Permitted Liens, with warranties of such title or contractual rights as the Lessor prior to conveyance represented to Lessee in writing were held by Lessor, subject to the following: (a) those Liens (if any) disclosed in writing to Lessee prior to conveyance and to which such title in and to said property was subject when conveyed to the Lessor; (b) those Liens created by the Lessee or to the creation

or suffering of which the Lessee consented in writing, (c) those Liens resulting from the failure of the Lessee to perform or observe any of the agreements on its part contained in this Lease; and (d) Permitted Liens other than this Lease. Lessor shall remove any Permitted Liens of the types described in clauses (a), (b) and (c) of the definition of "Permitted Liens" arising by or through the Lessor as soon as practicable after the closing of any purchase pursuant to the exercise of any option to purchase granted herein. In connection with such conveyance, Lessor shall (a) assign or otherwise make available, to the extent permitted by Applicable Law and not already assigned or otherwise transferred to the Lessee or to the Lessee's permitted transferee or assignee, the Lessor's interest in all material Governmental Project Approvals and Filings and licenses, permits approvals and consents of any Governmental Authorities or other Persons that are then in effect and that are utilized by the Lessee specifically for the operation or maintenance of the Project pursuant to this Lease, to the extent that such items may be assigned or transferred; (b), cooperate, at no expense to Lessor, with all reasonable requests of the Lessee or a permitted transferee or assignee of the Lessee for purposes of obtaining or making, or enabling the Lessee or such transferee or assignee to obtain or make; any and all material Governmental Project Approvals and Filings and licenses, permits, approvals and consents of any Governmental Authorities or other Persons that are or will be required to be obtained by the Lessee or such transferee or assignee in connection with the use, operation or maintenance of the Project on or after such return in compliance with Applicable Law; (c) provide the Lessee or a permitted transferee or assignee of the Lessee copies of all documents, instruments, plans, maps, specifications, manuals, drawings and other documentary materials relating to the installation, maintenance, operation, construction, design, modification and repair of the Project, as shall be in the Lessor's possession and shall be reasonably appropriate or necessary for the continued operation of the Project; and (d) convey to Lessee the emission credits referenced in Section 4.1(iii)(b) hereof.

Section 12.4. Adjacent Land. The parties acknowledge that the Lessor or PacifiCorp Power Marketing, Inc. holds an option to purchase the adjoining "Phase 2 Site" pursuant to the ADL Agreement, and that the Lessor or its affiliate may exercise such option for its own benefit and develop an electric generating facility or facilities thereon.

Article XIII

Governmental Lease Approvals and Governmental Project Approvals

Section 13.1. Cooperation to Obtain Approvals. The Lessee shall use all commercially reasonable efforts to timely obtain or make, at its expense, all needed Governmental Lease Approvals and Filings. The Lessor shall use all commercially reasonable efforts to timely obtain or make, at its expense, all needed Governmental Project Approvals and Filings. Each of the parties shall cooperate with the other by providing, at the providing party's expense, such commercially reasonable assistance as is sought by the other to facilitate the efforts hereunder by the other party.

Section 13.2. Conditions Impairing this Agreement. If any of the Governmental Lease Approvals and Filings or any of the Governmental Project Approvals and Filings contains provisions or conditions that require a modification to the rights and obligations as set out in this Lease Agreement, the parties shall negotiate in good faith to modify this Lease Agreement to

comply with such provisions or conditions without changing the overall balance of benefits and burdens provided hereunder. If the parties are unable to agree to such modifications within thirty (30) days of notice to the parties of such provisions or conditions, or within such extended period as agreed upon in writing by the parties, either party by written notice to the other may terminate this Agreement.

Article XIV

Miscellaneous

Section 14.1. Notices. Unless otherwise stated herein, all notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by first class mail or by delivery to physical address, return receipt requested, postage prepaid, addressed as follows or by facsimile with receipt confirmed:

If to the Lessor:

West Valley Leasing Company LLC
c/o PacifiCorp Power Marketing, Inc.
650 NE Holiday, Suite 700
Portland, OR 97232
Telephone No.: 1-503-813-6262
Facsimile No.: 1-503-813-7278
Attention: Vice President, Business Development & Origination

If to the Lessee:

PacifiCorp
Vice President, Commercial & Trading
825 NE Multnomah, Suite 600
Portland, OR 97232-2315
Telephone No.: 1-503-813-5475
Facsimile No.: 1-503-813-6260

with a copy to:

PacifiCorp
Director of Contract Administration
825 N.E. Multnomah, Suite 600
Portland, Oregon 97232-2315
Telephone No: 1-503-813-5952
Facsimile No: 1-503-813-6291

The Lessor and the Lessee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 14.2. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Lessor, the Lessee and their respective successors and assigns.

Section 14.3. Severability. If any provision of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 14.4. Amendments, Changes and Modifications. This Lease may only be amended, changed, modified, altered or terminated by the written agreement of the Lessor and the Lessee.

Section 14.5. Execution Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which taken together shall constitute one and the same original instrument.

Section 14.6. Captions. The captions and headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions of this Lease.

Section 14.7. Law Governing Construction of Lease. This Lease Agreement shall be in all respects governed by and construed in accordance with the laws of the State of Oregon, including all matters of construction, validity and performance (without giving effect to the conflicts of laws provisions thereof), except to the extent the laws of the State of Utah are mandatorily applicable under the laws of the State of Utah.

Section 14.8. True Lease. This Lease Agreement shall constitute an agreement of lease and nothing herein shall be construed as conveying to the Lessee any right, title or interest in or to the Project except as lessee only.

Section 14.9. Memorandum of Lease. Prior to the Commencement Date, the parties shall record in the real property records of Salt Lake County, Utah: (i) a memorandum of lease with respect to this Agreement, (ii) a fixture filing on form UCC-1 naming Lessee as secured party and Lessor as Debtor, (iii) and with the Secretary of State of Utah, as appropriate, a financing statement on form UCC-1 naming Lessee as Secured Party and Lessor as Debtor; all in form approved by the parties.

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this Lease to be executed in their respective names by their duly authorized officers, all as of the date first above written.

WEST VALLEY LEASING COMPANY LLC

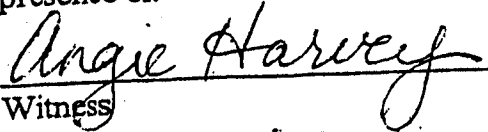
By: Peter C. van Alderwerelt
Name: Peter C. van Alderwerelt
Title: Vice President

Attest:

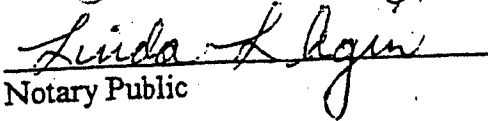


Secretary

As to the Lessor, signed
sealed and delivered in the
presence of:

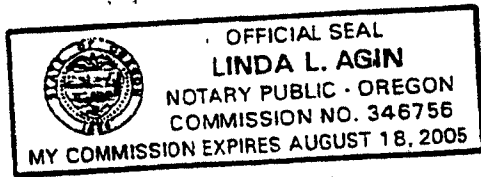


Witness



Notary Public

My commission expires: 8-18-05
(Notarial Seal)



PacifiCorp, an Oregon corporation

By: Robert A. Klein
Name: Robert A. Klein
Title: Senior Vice President

As to the Lessee, signed and sealed in the presence of:

[Signature]
Witness

Margaret F. Sokol
Notary Public

My commission expires:
(Notarial Seal)



Exhibit A

PROJECT SITE

The Project Site includes all of Lots 4 and 11 of the Amended Plat of West Ridge Commerce Park Phase 2, according to the Official Plat thereof, on file and of record in the Office of the Salt Lake County Recorder, located in the Hercules Hills Parcel-A Neighborhood Development Project Area in West Valley City, Salt Lake County, Utah and described in accordance with a survey prepared by Horrocks Engineers dated March 16, 2001, as revised, and more particularly bounded and described as follows:

Description Lot 4

Lot 4, West Ridge Commerce Park Phase 2 Amended Plat, a subdivision situate in the NE1/4 of Section 11, T.2S., R.2W., SLB&M. The boundaries of said Lot 4 are described as follows: Beginning at the intersection of the southerly right of way line of 4700 South Street and the westerly line of the UP&L corridor, which point is 1595.80 feet S. 89°51'11" W. along the section line and 33.00 feet south from the northeast corner of said Section 11; thence S. 00°04'37" W. 439.99 feet along said westerly line of the UP&L corridor; thence S. 89°51'11" W. 350.00 feet; thence S. 00°00'49" W. 306.52 feet; thence N. 89°59'11" W. 323.34 feet to the easterly right of way line of West Ridge Boulevard (5950 West); thence along said easterly right of way line the following three (3) courses and distances: (1) N. 00°00'49" E. 256.03 feet; (2) thence N. 89°59'35" E. 7.00 feet; (3) thence N. 00°00'49" E. 450.00 feet; thence N. 46°16'21" E. 60.34 feet to the southerly right of way line of said 4700 South Street; thence N. 89°51'11" E. 623.24 feet along said southerly right of way line to the point of beginning. The above described Lot 4 contains 8.991 acres.

Description Lot 11

Lot 11, West Ridge Commerce Park Phase 2, Lot 5 Amended Plat, a subdivision situate in the NE1/4 of section 11, T.2S, R.2W., SLB&M. The boundaries of said Lot 11 are described as follows: Beginning at a point in the southerly right of way line of 4700 South Street, which point is 1195.80 feet S. 89°51'11" W. along the section line and 33.00 feet south from the northeast corner of said Section 11; thence S. 00°04'37" W. 440.00 feet; thence S. 89°51'11" W. 240.00 feet to the easterly line of the UP&L corridor; thence N. 00°04'37" E. 440.00 feet along said easterly line to said southerly right of way line; thence N. 89°51'11" E. 240.00 feet along said southerly right of way line to the point of beginning. The above described Lot 11 contains 2.424 acres.

Narrative

1. Mountain States Telephone and Telegraph Co. Right of Way and Easement over the N1/2 of the NE1/4 of Section 11, T.2S., R.2W., SBL&M. (Entry No. 1470294, Book 1284, Page 215. (Blanket statement covering the area stated above).

2. Notice, Salt Lake County Code of Ordinances Section 15.14.010, 1986, real property located in the greater over pressure area, subject to construction standards and glass requirements (Entry No. 4528677, Book 5965, Page 1175).
3. Conditions and Restrictions (Entry 4606167, Book 6018, Page 1992).
4. Ordinance, Hercules Hill Parcel A Neighborhood Development Plan (Entry No. 5015959, Book 6284, Page 2925).
5. Declaration of Protective Covenants and Restrictions for West Ridge Commerce Park Subdivision Phase 2 (Entry No. 5882076, Book 6967, Page 1138).
6. Easements, Restriction and Rights of Way, as shown or evidenced by the official survey map of West Ridge Commerce Park Phase 2 Amended (Entry No. 6530458).
7. Easements, Restriction and Rights of Way, as shown or evidenced by the official survey map of West Ridge Commerce Park Phase 2, Lot 5 Amended (not recorded at the time of survey).
8. Kearns Improvement District Sanitary Sewer and Water Easement on the north portion of Lot 4 and Lot 5 (Entry No. 7436696, Book 8300, Page 7420 - 7427 and Entry No. 7435597, Book 8300, Page 7428). (Hatched area northerly portion of said Lots 4 and 11).
9. Appears to be a fence line encroachment in the southeast corner of Lot 4, and the southerly boundary line of Lot 11.

Basis of Bearing

The bearing of S. 89°51'11" W. between the northeast corner and the north quarter corner of Section 11, T.2S., R.2W. SLB&M is used as the basis of bearing for all lines shown on this plat.

Exhibit B

LEASED IMPROVEMENTS

The Leased Improvements include:

- (1) Five General Electric LM6000 Gas Turbine Turbine (Serial Nos. 191-292, 191-291, 191-300, 191-298 and the gas turbine for Unit 5) Generators (Serial Nos. 904098.010, 904097.010, 904089.010, 904088.010 and the generator for Unit 5) and Auxiliaries, including, without limitation, (a) all associated generator excitation controls; (b) all associated catalytic reduction systems with stacks, catalyst and oxidant purchased under purchase order WVC-63 and 63A; (c) all generator step up transformers (serial numbers G794-04, -05, -06, and -07 and the transformer to be purchased for Unit 5); (d) all breakers, (e) all lube oil coolers, and (d) and all other components thereof;
- (2) The fire protection equipment, including, without limitation, fire protection devices and sprinklers;
- (3) The ammonia storage and transfer system equipment, including, without limitation, (a) the 18,000 gallon storage tanks, (b) the transfer pumps, and (c) the vaporizer skids;
- (4) The demineralized water storage and transfer system equipment, including, without limitation, (a) the reverse osmosis water treatment system equipment, (b) the 350,000 gallon storage tank, and (c) the transfer pumps;
- (5) The plant air system equipment, including, without limitation, the Atlas Copco air compressors;
- (6) The plant water system equipment, including, without limitation, the interconnect with Kearns Improvement District and the raw water supply and distribution piping;
- (7) The fuel gas system equipment, including, without limitation, the Questar and Williams interconnects and the natural gas compressors (KCI Serial numbers 1009A and 1009B) and associated Toshiba 3100 HP electric motor drives);
- (8) The plant drain equipment, including, without limitation, (a) the waste water interconnect with Kearns Improvement District, (b) the oil water separator, and (c) the waste and drain piping system;
- (9) The integrated controls system equipment, including, without limitation, (a) the logic controller, (b) the remote racks, (c) the computer consoles, and (d) the plant local area network;

(10) The continuous emissions monitoring system equipment, including, without limitation, the gas analyzers and data acquisition systems purchased from Monitor Labs under Purchase Order WVC-85 for Units 1-4 and the fifth system purchase for Unit 5;

(11) The 480 V load centers and motor control centers;

(12) The 120 VAC uninterruptible power system;

(13) The 125 VDC system;

and the following items to support the Leased Improvements:

(1) The spare parts specified in Section 9.6 hereof;

(2) The Ford 2002 F-250 pickup truck;

(3) The office furniture and equipment, personal computers, printers, storage bins and racks located in the administration building on the Project Site;

(4) Initial fills of tanks located on the Project Site containing calibration gas, lubricating oils, water, chemical storage tanks, aqueous ammonia, and other liquids; and

(5) Any remaining training programs as are available from Project contractors to PacifiCorp employees in connection with the equipment and system purchases

Exhibit C

BUILDINGS

The Buildings include the following structures on the Project Site:

- (1) Auxiliary Buildings A and B and any Auxiliary Building for Unit No. 5;
- (2) All CEMS Shelters;
- (3) All Gas Compressor Buildings;
- (4) The Administration and Water Treatment Building; and
- (5) Landscaping, fencing and lighting fixtures.

Exhibit D

PROJECT SUMMARY

The West Valley project is a simple cycle gas-fired generation facility using five General Electric LM6000 turbines with a nominal rating of up to 40 MW each. Each of the five turbines is equipped with selective catalytic reduction systems to minimize plant emissions. The West Valley project will be interconnected to PacifiCorp's 138 kV Terminal-Oquirrh transmission line, Williams' Kern River natural gas line, and Questar's local natural gas distribution system.

The status of the Units as of February 2002 is as follows:

Units 1 and 2. In order for Unit No. 1 and Unit No. 2 to be ready for commercial operation (a) construction must be completed, including mechanical piping, electrical raceway and wiring and controls installation, (b) system check-out and testing must be completed, and (c) start-up and commissioning must be completed.

Units 3 and 4. Construction of Unit No. 3 and Unit No. 4 is nearly complete, and these Units can be brought into commercial operation upon short notice.

Unit 5. In order for Unit No. 5 to be ready for commercial operation (a) engineering must be completed, including layout and design, (b) procurement of the balance of plant equipment must be completed (the turbine, selective catalytic reduction system and the step up transformer have been purchased), (c) construction must be completed, (d) permitting must be completed (the air permitting process has begun), (e) system check-out and testing must be completed, and (f) start-up and commissioning must be completed.

Exhibit 2

PacifiCorp

Certified Copy of Resolutions

I, Andrew P. Haller, the duly elected and acting Corporate Secretary of PacifiCorp, an Oregon corporation (hereinafter referred to as the "Company"), HEREBY CERTIFY that the following is a full and true copy of certain resolutions which were duly adopted by the Board of Directors of the Company at a meeting thereof duly held on the 4th day of March 2002, and that said resolutions are in full force and effect on the date hereof, namely:

Lease of West Valley Project

WHEREAS, the officers of PacifiCorp, an Oregon corporation (the "Company"), have recommended that the Company enter into an operating lease transaction with a subsidiary of PacifiCorp Power Marketing, Inc., an affiliate of the Company, with respect to the proposed West Valley, Utah, generation project (the "West Valley Lease Transaction"); and

WHEREAS, the officers of the Company have negotiated the terms of the West Valley Lease Transaction, as reflected in the Agreement to Lease Electric Generation Facilities (the "Agreement") described to the directors; now, therefore, be it

RESOLVED, that the acts of the officers of the Company in negotiating, executing and delivering the Agreement are hereby approved, ratified and confirmed; and further

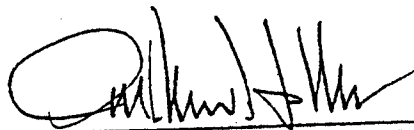
RESOLVED, that the West Valley Lease Transaction is hereby approved, the Company is hereby authorized to enter into the lease contemplated by the Agreement (the "Lease"), and the form of the Lease described to the directors is hereby approved; and further

RESOLVED, that each of the Chairman of the Board, the President and Chief Executive Officer, any Executive or Senior Vice President, and the Treasurer of the Company is hereby authorized, in the name and on behalf of the Company, to execute and deliver the Lease in said form or substantially in said form,

with such changes as the officer or officers executing the Lease shall approve, his, her or their execution thereof to be conclusive evidence of such approval; and further

RESOLVED, that the officers of the Company are hereby authorized, in the Company's name and on its behalf, to negotiate, execute and deliver such other agreements, instruments and documents, and to do and perform all such further acts and things, including, without limitation, regulatory filings, as in the judgment of such officer or officers may be desirable or appropriate in order to fully carry out the intent and accomplish the purposes of the foregoing resolutions.

WITNESS my hand this 6th day of MARCH, 2002.



Andrew P. Haller, Corporate Secretary

CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing APPLICATION OF PACIFICORP on the following named person(s) on the date indicated below by

mailing with postage prepaid

hand delivery

facsimile transmission

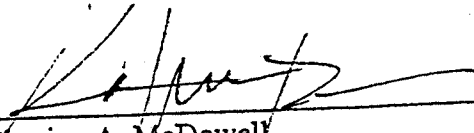
overnight delivery

to said person(s) a true copy thereof, contained in a sealed envelope, addressed to said person(s) at their last-known address(es) indicated below.

Jason Eisdorfer
Citizen's Utility Board of Oregon
921 SW Morrison #511
Portland OR 97205

Melinda Davison
Davison Van Cleve
1000 SW Broadway, Suite 2460
Portland, OR 97205

DATED: March 6, 2002


Katherine A. McDowell
Of Attorneys for PacifiCorp