

May 11, 2010

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, WA 98504-7250

Attention: David W. Danner
Executive Director and Secretary

RE: Affiliated Interest Filing for PacifiCorp

Dear Mr. Danner:

Pursuant to the provisions of RCW 80.16.020 and WAC 480-100-245, PacifiCorp, d.b.a. Pacific Power (PacifiCorp or Company), files one verified copy each of the following contracts: 1) Non-exclusive Pipeline Easement Agreement (Easement) to be executed between PacifiCorp and Huntington Cleveland Irrigation Company (HCIC), a copy of which is included as Attachment A; 2) Letter of Understanding between PacifiCorp, United States Bureau of Reclamation, Emery Water Conservancy District and Huntington Cleveland Irrigation Company dated February 8, 1985 (Letter of Understanding), a copy of which is included as Attachment B; 3) Joint Participation Agreement Between PacifiCorp and Huntington Cleveland Irrigation Company dated July 14, 2005 (Joint Participation Agreement), a copy of which is included as Attachment C; and 4) Final Project Construction Funding Agreement by and between Huntington Cleveland Irrigation Company and PacifiCorp dated May 15, 2007 (Final Project Construction Agreement), a copy of which is included as Attachment D. These contracts may be collectively referred to as "Contracts."

HCIC is a non-profit company that holds water rights in the Huntington Creek drainage, located in Utah, and its tributaries. The Company currently owns approximately one-third of the shares of HCIC. Additionally, HCIC manages access to certain water supplies on behalf of PacifiCorp. RCW 80.16.010 includes in its definition of "affiliated interest," "every corporation or person with which the public service company has a management or service contract." Therefore, PacifiCorp's ownership interest in HCIC creates an affiliated interest.

The Company uses the water obtained through HCIC as part of the supply to its Huntington Plant and Hunter Plant located in Emery County, Utah. While the Company has owned a certain percentage of shares in HCIC since 1962, a recent review of the ownership structure led to the conclusion that PacifiCorp's relationship with HCIC creates an affiliated interest. The water obtained through HCIC is used in generation

plants that are not included in the West Control Area allocation methodology and therefore not included in Washington rates. Notwithstanding, the Company is providing this notice out of an abundance of caution to ensure consistent treatment of affiliate contracts under the requirements of RCW 80.16.

Non-Exclusive Pipeline Easement Agreement

HCIC, along with PacifiCorp, the Bureau of Reclamation, the Utah Department of Food and Agriculture, and the Natural Resources Conservation Service are jointly funding and constructing a federally-sponsored salinity control project in the Colorado River basin. The Company intends to grant an easement over certain Company property in Emery County, Utah, to HCIC so that HCIC may access certain irrigation pipelines and related facilities for the purpose of constructing, operating, maintaining, repairing, inspecting and replacing them as part of the salinity control project.

The Non-Exclusive Pipeline Easement Agreement is in the public interest because the salinity control project will improve the salt levels in the Colorado River and will improve efficiency in water delivery to the Company's plants.

Letter of Understanding

The Letter of Understanding is an agreement between all shareholders of HCIC that sets forth the rights and responsibilities of each shareholder regarding the use of the water rights held by HCIC. Under the Letter of Understanding, the Company may divert certain amounts of water for industrial use, either directly or for storage in certain reservoirs. The Company spends approximately \$95,000 per year for costs associated with its use of its HCIC water rights.

This Letter of Understanding is in the public interest because it provides low-cost access to water supplies for certain generation plants.

Joint Participation Agreement

PacifiCorp entered into the Joint Participation Agreement with HCIC to determine each party's responsibilities regarding the salinity control project discussed above, and to address certain operational issues. Under the Joint Participation Agreement, the Company agreed to fund a certain amount of the salinity control project under certain conditions. Additionally, the Joint Participation Agreement gives PacifiCorp a seat on HCIC's Board of Directors.

Final Project Construction Funding Agreement

PacifiCorp entered into the Final Project Construction Funding Agreement with HCIC after the construction plans for the salinity control project were finalized. The Company agreed to provide approximately \$20 million in funding for the project for the purpose of obtaining matching federal funds. The Final Project Construction Funding Agreement incorporates the Joint Participation Agreement.

Washington Utilities & Transportation Commission

May 11, 2010

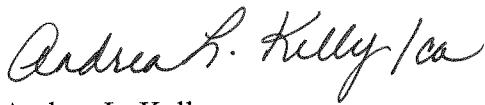
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The Final Project Construction Funding Agreement, which incorporates the Joint Participation Agreement, is in the public interest because the salinity control project will improve the salt levels in the Colorado River and will improve efficiency in water delivery to the Company's plants.

Also included with this filing is a notarized verification from Natalie Hocken, Vice President and General Counsel, Pacific Power, regarding the Contracts.

Please do not hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Andrea L. Kelly /ca".

Andrea L. Kelly
Vice President, Regulation
Pacific Power

Enclosures

WASHINGTON AFFILIATED INTEREST FILING

NON-EXCLUSIVE PIPELINE EASEMENT AGREEMENT

WHEN RECORDED, RETURN TO:
PacifiCorp Energy
Property Management Department
1407 West North Temple, Suite 110
Salt Lake City, Utah 84116

NON-EXCLUSIVE PIPELINE EASEMENT AGREEMENT

PacifiCorp, an Oregon Corporation, dba PacifiCorp Energy an Oregon corporation, whose address is 1407 West North Temple, Salt Lake City, Utah 84116, (“Grantor”) for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, hereby grants to Huntington Cleveland Irrigation Company, a non-profit mutual irrigation company organized under the laws of the State of Utah (“Grantee”) a perpetual non-exclusive easement and right of way (“Easement”) over and across certain parcels of real property owned by Grantor (“Grantor’s Land”) located in Emery County, Utah, more particularly described in Exhibit “A” hereto, for the sole purpose of constructing, operating, maintaining, repairing, inspecting and replacing a single pressurized irrigation pipeline and related facilities (the “Pipeline”) subject to the terms and conditions set forth below, over and through Grantor’s Land, said easement lying within a strip thirty (30) feet wide and extending fifteen (15) feet on each side of and lying parallel and adjacent to the lines of reference and projections thereof described more particularly in **Exhibit “B”**, hereto.

1. Grantee’s Use.

a. Grantee shall have a non-exclusive right to install, operate, inspect repair, replace, and maintain the Pipeline. During construction periods, not to exceed three (3) years from the date of this Easement, Grantee and its agents may use thirty-five (35) additional feet of Grantor’s property along and adjacent to said Easement in connection with the construction of said facilities.

b. Grantee will not store materials or refuel vehicles or equipment on Grantor’s Land. The use of hazardous materials is prohibited on Grantor’s Land.

c. Grantee acknowledges that Grantor’s existing or future power lines are or may be located within the Easement boundaries and agrees to conduct its activities in strict compliance with all applicable laws, codes, rules, regulations, and standards regarding such power lines. Grantee’s use of Grantor’s Land shall comply in all respects with National Electric Safety Code, and OSHA clearance standards. Grantee shall not make or allow any use of Grantor’s Land that is inconsistent with or that may interfere with Grantor’s operation, maintenance, repair, or upgrade of its existing power line facilities and installations or any additional power line facilities or installations that may be constructed hereafter.

d. At no time shall Grantee place, use or permit to be used on said Easement construction cranes or other equipment having a boom or similar attachment which may come in contact with Grantor's overhead electric lines. At no time shall Grantee place any equipment or material of any kind that exceeds fifteen (15) feet in height, or that creates a material risk of endangering Grantor's facilities, or that may pose a risk to human safety. Grantee shall maintain a minimum distance of twenty (20) feet between equipment and transmission line conductors (wires).

e. Grantee will not excavate within fifty (50) feet of Grantor's existing transmission structures. Grantee shall maintain a minimum distance of fifty (50) feet between the Pipeline and Grantor's structure(s) and transmission line conductors (wires). Grantee shall maintain a minimum distance of thirty-five (35) feet from finished grade to conductors. Grantee shall maintain a minimum distance of fifty (50) feet between approved facilities and the point where the transmission line (steel/wood pole/guy anchor/steel pole) enters the earth.

f. Grantee shall, at its own expense, promptly repair any damage to the Easement area or adjacent lands to Grantor's satisfaction caused by, or in any way arising out of, Grantee's use of the Easement, including replacing topsoil to the original surface contour or elevation. Grantee agrees to repair any surface damages due to erosion or settling that may occur due to natural precipitation events within the easement area. This commitment shall be for a period of ten (10) years or until native vegetation is established through natural processes. If Grantee fails to do so within a reasonable amount of time, Grantor may perform the restoration work at Grantee's expense.

g. This Easement is limited to the construction of the identified Pipeline along the route described herein. Grantee may not install laterals, taps, or subfeeds from the Pipeline without a separate grant of easement from Grantor.

h. Grantee shall be solely responsible for the cost of any cathodic or other protection of the Pipeline necessitated by its proximity to Grantor's existing or future electric power lines.

i. Grantor's maintenance and future construction of additional power lines and other facilities require the use and operation of equipment weighing twenty thousand (20,000) pounds per axle (including wire pullers and similar equipment weighing in excess of one hundred thousand (100,000) pounds and cranes weighing one hundred thirty thousand (130,000) pounds above and over the Pipeline. Grantee shall bury the Pipeline to a depth that is sufficient to protect the Pipeline from Grantor's use of equipment with weights identified above. Grantee shall be solely responsible for any damage to Grantor's facilities caused any failure to meet this standard.

j. Grantee shall fully restore and level the surface of Grantor's Land, as nearly as can reasonably be done, from any damage caused by construction, inspection, maintenance, repairs or removal of the Pipeline. If Grantee fails to do so within a reasonable amount of time, Grantor may perform the restoration work at Grantee's expense.

2. Right of Access. Grantee shall have the right of reasonable ingress and egress to and from said Easement over and across Grantor's Land at such locations as Grantor shall, from time to time designate, provided that such access does not interfere with Grantor's utility operations.

3. Grantor's Use. Grantor expressly reserves the right to use the Easement for any purpose that is not inconsistent with the purposes for which this Easement is granted, including the right to cross and re-cross the Easement with equipment, personnel, overhead or underground power lines, and access roads at any location or locations, and to grant or convey additional uses of the Easement to others for any purpose not inconsistent with the rights granted hereunder. Grantee will provide adequate protection for the Pipeline for such uses.

4. Use of Grantor's Remaining Property. This Easement shall impose no restrictions upon Grantor's use of Grantor's Land outside the Easement ("Grantor's Remaining Property.") Any uses of Grantor's Remaining Property, including but not limited to uses for electricity generation, transmission or other utility purposes, shall not be deemed to interfere with Grantee's uses under this Easement. Any use by Grantee of Grantor's Remaining Property shall be strictly limited to access as provided in this Easement. This Easement confers no secondary rights upon Grantee with respect to Grantor's Remaining Property.

5. Relocation. In the event the Pipeline interferes with Grantor's use of the Easement or Grantor's Land, Grantee shall relocate the pipeline to a location mutually agreeable to Grantor and Grantee, all at Grantee's sole cost and expense. Such relocation shall be completed within a reasonable time after notice by Grantor.

6. Indemnification. Grantee shall protect, indemnify and hold harmless Grantor, its officers, directors, employees, subsidiaries and affiliates (collectively "Indemnitees") from and against any losses, claims, liens, demands and causes of action of every kind, including the amount of any judgment, penalty, interest, court cost or legal fee incurred by the Indemnitees or any of them in the defense of same, arising in favor of any party, including governmental agencies or bodies, on account of taxes, claims, liens, debts, personal injuries, death or damages to property, violations of Environmental Laws and Regulations, and all other claims or demands of every character arising directly or indirectly out of Grantee's use of or activities on or around Grantor's Land, except to the extent such losses, claims, liens, demands and causes of action are directly or indirectly caused by the Indemnitees. For purposes of this agreement, "Environmental Laws and Regulations" shall mean all present and future federal, state and local laws and all rules and regulations promulgated thereunder, relating to pollution or protection of the environment.

6. Damages. In addition to the general indemnification provisions above, Grantee agrees that if Grantee or its activities under this Easement cause any damage to Grantor's utility equipment or facilities, whether above or below ground, Grantee will reimburse Grantor for all costs incurred by Grantor to repair or replace such damaged equipment or facilities and all loss of income suffered by Grantor as a result of such damage. As used in this Easement, any reference to Grantor's equipment or facilities

shall include any equipment or facilities owned by third parties that are lawfully located on the Grantor's Land, whether by easement, license, lease, or otherwise.

7. Abandonment. If Grantee ceases to use the Easement for a period of one year, this Easement shall terminate thirty (30) days thereafter. Upon termination Grantee shall remove its Pipeline and restore the land as near as possible to its condition prior to Grantee's entry thereon; or, with Grantor's prior written permission, leave all or a portion of its Pipeline in place and relinquish all right, title, and interest to the Pipeline to Grantor. In the event Grantee should leave its Pipeline in place, Grantee shall nevertheless continue to indemnify Grantor as provided in paragraph 6.

8. Taxes and Assessments. Grantee shall pay all taxes and assessments of any kind which shall be levied against the Easement by reason of Grantee's use or occupancy thereof, except those being contested in good faith, and shall keep the Easement free from any liens that may attach thereto by reason of Grantee's use or occupancy thereof.

9. Litigation Expense. If any suit or action arising out of or related to this Easement is brought by any party, the prevailing party or parties shall be entitled to recover the costs and fees (including, without limitation, reasonable attorneys' fees, the fees and costs of experts and consultants, copying, courier and telecommunication costs, and deposition costs and all other costs of discovery) incurred by such party or parties in such suit or action, including, without limitation, any post-trial or appellate proceeding, or in the collection or enforcement of any judgment or award entered or made in such suit or action.

IN WITNESS WHEREOF, this Easement shall be dated and effective upon the date of the last signature below:

Grantor:

PacifiCorp Energy, a division of PacifiCorp, an Oregon corporation

BB By: *[Signature]*

Its: Vice President

Dated: 1/14/10

Grantee:

Huntington Cleveland Irrigation Company, an non-profit mutual irrigation company organized under the laws of the State of Utah

By: _____

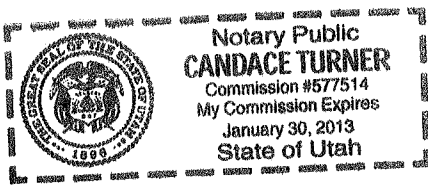
Its: _____

Dated: _____

ACKNOWLEDGMENT

STATE OF UTAH)
) ss.
COUNTY OF SALT LAKE)

On this 14 day of January, 2010, personally appeared before me Joseph F Moore, who being by me duly sworn, did say that he/she is the signer of the within instrument on behalf of PacifiCorp Energy a division of PacifiCorp, an Oregon corporation, and that the within and foregoing Non-Exclusive Pipeline Easement Agreement was signed on behalf of PacifiCorp Energy by actual authority.



Candace Turner
Notary Public

My commission expires:

Residing at Salt Lake City, Utah

January 30, 2013

ACKNOWLEDGMENT

STATE OF UTAH)
) ss.
COUNTY OF _____)

On this _____ day of _____, 2010, personally appeared before me _____, who being by me duly sworn, did say that he/she is the signer of the within instrument on behalf of Huntington Cleveland Irrigation Company, a non-profit mutual irrigation company organized under the laws of the State of Utah, and that the within and foregoing Non-Exclusive Pipeline Easement Agreement was signed on behalf of Huntington Cleveland Irrigation Company by actual authority.

Notary Public

My commission expires:

Residing at _____

Exhibit "A"
HCIC Water Pipeline Easement
Emery County, Utah

The properties on which these easements are located includes a portion of Sections 14, and 25, Township 17 South, Range 8 East, and Section 22, Township 17 South, Range 9 East, and Section 1, Township 18 South, Range 8 East, and Section 18, Township 16 South, Range 10 East, and Section 10, Township 17 South, Range 9 East, Salt Lake Base and Meridian, U.S. Survey.

[County Parcel No. U3-0040-0020] [PacifiCorp Parcel No. UTEM-0058]

GRANTOR's property as described as follows in the Emery County land ownership records:

S/N 9-300-55 (232) #8873 XREF 5132 BEG ON THE E BNDRY LINE OF GRANTORS' LAND (BURNSIDE) AT A PT 1303.04 FT W & 846.48 FT N FROM E/4 COR, SEC 14, TWP 17 S, R 8 E; S 38°54'W 505.84 FT TO THE NE'LY R/W LINE OF UTAH STATE HIGHWAY 31; N 59°13'W (HIGHWAY BEARING) 131.32 FT ALONG SAID STATE HIGHWAY R/W; N 38°54'E 685.5 FT TO E BNDRY LINE OF SAID GRANTORS' LAND; S 207.02 FT ALONG SAID E BNDRY LINE TO BEG.° ALSO BEG ON THE S BNDRY LINE OF GRANTORS' LAND (BURNSIDE) AT A PT 1986.07 FT W ALONG 1/4 SEC LINE FROM E/4 COR; N 38°54'E 480.82 FT TO SW'LY R/W LINE OF UTAH STATE HIGHWAY 31; N 59°13'W 131.32 FT ALONG SAID STATE HIGHWAY R/W; S 38°54'W 567.18 FT TO S BNDRY LINE OF SAID GRANTORS' LAND; E 167.04 FT ALONG SAID S BNDRY LINE TO BEG.° ALSO BEG ON THE E BNDRY LINE OF GRANTORS' LAND (CONOVER) AT A PT 2606.1 FT W ALONG 1/4 SEC LINE & 768.42 FT S FROM E/4 COR; S 38°54'W 714.65 FT TO S BNDRY LINE OF SAID GRANTORS' LAND BEING PARALLEL TO & 65 FT PERPENDICULARLY DISTANT SE'LY FROM THE CENTERLINE OF HUNTINGTON-SPANISH FORK 345 KV POWER LINE; E 167.04 FT ALONG SAID S BNDRY LINE; N 38°54'E 448.64 FT TO THE E BNDRY LINE OF SAID GRANTORS' LAND; N 207.02 FT ALONG SAID E BNDRY LINE TO BEG.° ALSO BEG AT THE E BNDRY LINE OF GRANTORS' LAND (CONOVER) AT A PT 2606.1 FT W ALONG 1/4 SEC LINE & 561.4 FT S FROM E/4 COR; S 38°54'W 980.66 FT TO S BNDRY LINE OF SAID GRANTORS' LAND; E 167.04 FT ALONG SAID S BNDRY LINE; N 38°54'E 714.65 FT TO E BNDRY LINE OF SAID GRANTORS' LAND; N 207.02 FT ALONG SAID E BNDRY LINE TO BEG. (7.47 ACRES.)

[County Parcel No. U3-0045-0016] [PacifiCorp Parcel No. UTEM-0056]

GRANTOR's property as described as follows in the Emery County land ownership records:

S/N 9-300-55 (232) #6685 XREF 5132 BEG NW COR, SW/4, SEC 25, TWP 17 S, R 8 E; S 60 RDS; E 40 RDS; N 60 RDS; W 40 RDS TO BEG. Co (15.06 ACRES.)

[County Parcel No. U3-0071-0004] [PacifiCorp Parcel No. UTEM-0042]

GRANTOR's property, as described as follows in the Emery County land ownership records:

S/N 9-300-55 (232) #8560 XREF 5132 N/2 NW/4, SEC 22, TWP 17 S, R 9 E. (80.79 ACRES.)

[County Parcel No. U3-0059-0001] [PacifiCorp Parcel No. UTEM-0032]

GRANTOR's property, as described as follows in the Emery County land ownership records:

S/N 9-300-55 (232) #6402 XREF 5132 BEG 1570 FT N,SW COR,NW/4 SW/4,SEC 10, TWP 17 S,R 9 E;N 458 FT;E 430 FT;S 458 FT;W 430 FT TO BEG. ALSO BEG CENTER,SEC 10;S 1320 FT;W 1320 FT;N 1 °16'47"W 379.74 FT;S 81 °11'15"E 212.58 FT;N 1020.12 FT;S 81 °11'15"E 455.30 FT;S 230 FT;E 660 FT TO BEG.ALSO BEG 708 FT N & 430 FT E,W/4 COR;E 430 FT;S 582.25 FT;N 79°32'19"W 437.27 FT;N 502.85 FT TO BEG.ALSO NW/4 NW/4 & BEG 708 FT N OF NW COR,NW/4 SW/4;E 860 FT;S TO A COUNTY ROAD R/W;E 1120 FT ALONG THE COUNTY ROAD;N TO N LINE OF SE/4 NW/4;W 1980 FT;S 612 FT TO BEG. (132.54 ACRES.)

[County Parcel No. U2-0101-0001] [PacifiCorp Parcel No. UTEM-0011]

GRANTOR's property, as described as follows in the Emery County land ownership records:

S/N 9-300-55 (232) #10174 XREF 5132 NE/4 NE/4; & N21.82 ACRES,SE/4 NE/4,SEC 18, TWP 16 S,R 10 E. (62.69 ACRES.)

Exhibit "B"
HCIC Water Pipeline Easement
Emery County, Utah

The property on which this easement is located includes a portion of Sections 14 and 25, Township 17 South, Range 8 East, Salt Lake Base and Meridian, U.S. Survey.

[County Parcel No. U3-0040-0020] [PacifiCorp Parcel No. UTEM-0058]

Beginning from a point on the Northwesternly line of the GRANTOR's property, said point lying Northeast 112 feet, more or less, from the Southwest corner of said GRANTOR's property; running thence Southeast 103 feet, more or less, to the South line of the GRANTOR's property lying West 39 feet, more or less, from the Southeast corner of said GRANTOR's property. **(0.08 acres)**

[County Parcel No. U3-0045-0016] [PacifiCorp Parcel No. UTEM-0056]

Beginning from a point on the West line of the GRANTOR's property, said point lying South 15 feet, more or less, from the Northwest corner of said GRANTOR's property; running thence East 664 feet, more or less, to the East line of the GRANTOR's property lying South 15 feet, more or less, from the Northeast corner of said GRANTOR's property. **(0.44 acres)**

The property on which this easement is located includes a portion of Section 22, Township 17 South, Range 9 East, Salt Lake Base and Meridian, U.S. Survey.

[County Parcel No. U3-0071-0004] [PacifiCorp Parcel No. UTEM-0042]

Beginning from a point on the East line of the GRANTOR's property, said point lying South 15 feet, more or less, from the Northeast corner of said GRANTOR's property; running thence West 2,665 feet, more or less, to the West line of the GRANTOR's property lying South 15 feet, more or less, from the Northwest corner of said GRANTOR's property. **(1.91 acres)**

The property on which this easement is located includes a portion of Section 10 and 18, Township 16 South, Range 9 East, and Section 18, Township 16 South, Range 10 East, Salt Lake Base and Meridian, U.S. Survey.

[County Parcel No. U3-0059-0001] [PacifiCorp Parcel No. UTEM-0032]

Beginning from a point on the South line of the GRANTOR's property, said point lying East 36 feet more or less from the Southwest corner of said GRANTOR's property; running thence Northeasterly 81 feet; thence running Northeast 1616 feet; running thence along a tangent curve to the Right 140 feet with an approximate radius of 200 feet to the East line of the GRANTOR's property lying more or less South 29 feet from the Northeast corner of said GRANTOR's property. **(1.26 acres)**

[County Parcel No. U2-0101-0001] [PacifiCorp Parcel No. UTEM-0011]

Beginning from a point on the West line of the GRANTOR's property, said point lying North 683 feet more or less from the Southwest corner of said GRANTOR's property; running thence along a tangent curve to the Left 48 feet with an approximate radius of 75 feet; running thence North 1323 feet to the North line of the GRANTOR's property lying more or less East 15 feet from the Northwest corner of said GRANTOR's property. **(0.95 acres)**

WASHINGTON AFFILIATED INTEREST FILING

LETTER OF UNDERSTANDING

LETTER OF UNDERSTANDING

TO WHOM IT MAY CONCERN:

This is a joint Letter of Understanding, dated 2/8/85, among UTAH POWER & LIGHT COMPANY, hereinafter referred to as "Power Company", UNITED STATES BUREAU OF RECLAMATION, hereinafter referred to as "Reclamation", EMERY WATER CONSERVANCY DISTRICT, hereinafter referred to as "District", and HUNTINGTON-CLEVELAND IRRIGATION COMPANY, hereinafter referred to as "Huntington-Cleveland".

The Huntington-Cleveland has approved water right change applications a-7941 (93-219) and a-7940 (93-928) changing the point of diversion and place, nature and period of use of water represented by Class "A" Primary Water Stock. Said approved change applications are made a part of this Letter of Understanding. The Power Company contemplates the use of said Class A primary water acquired by it for industrial and other uses at its steam-electric generating plant located in Huntington Canyon, known as the Huntington Plant and the Hunter Plant located near Castle Dale, Emery County, Utah, by exchange applications which will be filed from time to time with the Utah State Engineer. The parties wish to continue to cooperate and not interfere with their respective rights to

the use of the water, and it appears that any conflicts may be clarified by the agreement and intention as set forth in this Letter of Understanding.

The intention and understanding of the parties hereto is expressed as follows:

1. Each share of Primary Class A stock in Huntington-Cleveland represents 1/157000 of the annual supply available to Huntington--Cleveland under its rights to the flow of Huntington Creek and its tributaries. Water represented by the Primary Class A stock owned in Huntington-Cleveland by the Power Company will supplement other water owned by the Power Company, and will be used in accordance with the Operating Criteria dated 10-2-84, the provisions of which are attached hereto and made part of this agreement, to supply the Power Company's needs at its steam-electric power plants. In order to correlate the annual anticipated industrial use with other uses of the water represented by primary Class A shares of Huntington-Cleveland stock, the Power Company shall report in writing to the Huntington River Commissioner, Reclamation and the District by April 1 of each year the number of shares of primary Class "A" Stock owned by the Power Company and the anticipated demand for water for that calendar year. All uses of primary water for power purposes shall be coordinated

through and delivered by the Huntington River Commissioner, who is appointed by the State Engineer.

2. Under future operation and within the limits of the decreed, perfected and pending water rights of Huntington-Cleveland in Huntington Creek, the parties hereto recognize the provisions contained in Contract Number 14-06-400-2523, dated June 27, 1962, relating to exchange and adjustment of water rights, and by reference herein, the provisions of such contract are made a part of this agreement.

3. In said contract No. 14-06-400-2523 relating to exchange and adjustment of water rights referred to in paragraph 2 herein, the period of use is defined as being from March 1 to October 31 of each year. As it relates to Primary Class A water stock owned by Power Company, the period of use will be changed, provided the total water available to other users, including Reclamation and District, is not adversely affected in keeping with the conditions defined in said contract No. 14-06-400-2523. Reclamation and District hereby grant Power Company the right to use water that would normally accrue to the Emery County Project to the extent Power Company water of comparable quality and equal quantity to that so used will be available for replacement thereof. If Power Company diverts for storage or direct use for industrial purposes

any water to which they are not entitled, a credit will accrue to the Emery County Project in Electric Lake or in Miller Flat Reservoir to the party who is the owner by right to said water.

The water so held for credit in said reservoirs shall continue to be held subject to call until October 31 of each year. For example, if Power Company diverts water for industrial use during the period from March 1 to October 31 which by reason of right or contract belongs to Reclamation and District for storage in Huntington North or Joes Valley Reservoirs; then a credit for like amount will accrue in Electric Lake or other facilities to which the company has a right to store water, and will be subject to call as Emery County Project water. The credit could also be replaced by an equal reduction in Power Company's allocation of Emery County Project water from Joes Valley or Huntington North Reservoirs.

4. Power Company hereby agrees that any exchange of water will not interfere with presently existing requirements for recreation and fish and wildlife provisions under the Emery County Project.

5. Power Company agrees to render Reclamation, the District and Huntington-Cleveland, harmless from liability that may result from claims by downstream water users as a result of the Power Company converting the uses of this water from irrigation to

industrial purposes and also to indemnify the United States, the District and Huntington-Cleveland for any claims filed against it resulting from Power Company's operation set out in this agreement.

6. Power Company hereby agrees that all purchases of Class A primary water stock will be subject to this agreement.

7. The parties hereto agree to operate in accordance with the attached operating criteria which may be supplemented or amended from time to time by an exchange of letters from all concerned parties.

UTAH POWER & LIGHT COMPANY

By A. Hill *JW*
Title Executive Vice President

10-2-84

Date

UNITED STATES DEPARTMENT OF THE
INTERIOR, BUREAU OF RECLAMATION

By A. Hirsch *W.H. Cook*
Title Asst. Regional Director

2/8/85

Date

EMERY WATER CONSERVANCY DISTRICT

By Paul E. Johnson
Title President

10/2/84

Date

HUNTINGTON-CLEVELAND IRRIGATION
COMPANY

By A. Hill
Title President

October 2-1984

Date

OPERATING CRITERIA
EMERY COUNTY PROJECT
HUNTINGTON CREEK

DEFINITIONS

"Project" means the Emery County Project.

"Project Water" means all water made available by the development of the Emery County Project.

"District" means the Emery Water Conservancy District.

"Power Company" means the Utah Power & Light Company.

"Huntington Cleveland" means the Huntington-Cleveland Irrigation Company.

"Power Company Plants" means the Utah Power & Light Company Huntington Plant located in Huntington Canyon and the Hunter plant located near Castle Dale, Utah.

"Project Irrigation Water" is that portion of the Project Water allotted to the Cottonwood Creek Consolidated Irrigation Company and the Huntington-Cleveland Irrigation Company for irrigation of Project lands. This amounts to 22,100/28,100ths, or 78.65%, of the annual Project Water supply declared available by the Emery Water Conservancy District by reason of Project Water rights and Project construction, also called Class B water.

"Project Power Water" is the allotment of the Project municipal and industrial water acquired by the Power Company from the District. This amounts to 6,000/28,100ths, or 21.35%, of the annual Project supply declared available by the District.

"Power Pool" means that portion of the unused reservoir capacity which may be used by the Power Company to carry over Project Power Water from one year to the next and said portion amounts to 6,000/28,100ths, or 21.35%, of the unused reservoir capacity to a maximum of 11,730 acre-feet in Joe's Valley and 830 acre-feet in Huntington North Reservoir.

"Irrigation Pool" means that portion of the unused reservoir capacity which may be used to carry over Project Irrigation Water from one year to the next. Said portion amounts to 22,100/28,100ths, or 78.65%, of the unused reservoir capacity up to a maximum of 43,190 acre-feet in Joe's Valley Reservoir and 3,050 acre-feet in Huntington North Reservoir.

"Non-Project Primary Water" means all water made available for use by the stockholders of Huntington-Cleveland from water rights owned by Huntington-Cleveland, also referred to as Class A Water.

"Non-Project Power Primary Water" is water acquired by the Power Company by virtue of stock purchases from the stockholders of Huntington-Cleveland, also referred to as Class A Water.

"Non-Project Irrigation Primary Water" is water held by stockholders of Huntington-Cleveland used for irrigation purposes, also referred to as Class A Water.

"River Commissioner" means an individual appointed by the Utah State Engineer to administer the waters of Huntington Creek.

OPERATIONS

1. It is assumed that Power Company requirements for water will be satisfied from available water sources in the following order:
 - a. Power Company privately-owned direct flow water rights, represented by Application 39151 (93-1115), Certificate #12310.
 - b. Non-Project Power Primary Water from Cottonwood and Huntington Creeks.
 - c. Project Power Water.
 - d. Power Company privately-owned storage rights in Electric Lake represented by Application 39152 (93-1116), Certificate #12215.

However, this assumption will not bind the Power Company to that pattern of use per consultation and agreement with the River Commissioner.

2. Project Power Water stored in Project reservoirs will be released as requested by the Power Company. Water will be delivered within the operating capability of the Project and in accordance with management criteria established by the District. Project Power Water released from Joe's Valley Reservoir will be charged conveyance and operation losses in Cottonwood Creek and the Cottonwood Creek-Huntington Canal as determined by the District. Such losses for Project Power Water will be equal to Project Irrigation losses. Conveyance and operation losses for Project Power Water acquired from the Cleveland Canal, Huntington Canal and North Ditch will be determined by the River Commissioner and will be equal to conveyance losses charged against Project Irrigation Water delivered through the said three canals. Each remaining Project Irrigation user will be delivered Project Irrigation Water on the same basis as was delivered prior to acquisition of Project Water by the Power Company.
3. Non-Project Power Primary Water from Cottonwood Creek will be delivered as requested by the Power Company if such delivery is not adverse to Project operation and is not in excess of the Power Company's proportionate share of the stream flow, based on stock ownership. This Non-Project Power Primary Water, if diverted and carried in the Cottonwood Creek-Huntington Canal, will also be charged conveyance and operation losses as determined by the District, and will be equal to losses charged against Project Irrigation Water delivered through the Cottonwood Creek-Huntington Canal. Diversion of Non-Project Power Primary Water from Cottonwood Creek through the Cottonwood Creek-Huntington Canal may be

made only upon specific authorization of the Board of Directors of the Cottonwood Creek Consolidated Irrigation Company.

4. Non-Project Power Primary Water from Huntington Creek may be diverted directly to Electric Lake, to the Power Company's Huntington Plant or for exchanges. Allocations per share of Non-Project Power Primary Water will be on the same basis as allocations of Non-Project Primary Water. Such water will be delivered by the River Commissioner.
5. To obtain an average annual yield of 28,100 acre-feet of Project Water, both Project reservoirs' capacity is needed. In the event there is unused space in the Irrigation Pools of the Project reservoirs, Project Power Water may utilize such unused space until needed for Project Irrigation Water storage. Conversely, if there is unused space in the Power Pools, Project Irrigation Water may utilize such unused space until needed for storage of Project Power Water. As the Project reservoirs fill, space allocated to Project Irrigation Water in the Power Pools and space allocated to Project Power Water in the Irrigation Pools will be diminished so that Project Irrigation Water can use its space allocated in the Irrigation Pools and Project Power Water can use its space allocated in the Power Pools. When spills occur, or when releases are made in anticipation of spills, all credits for Project Irrigation Water in the Power Pools and for Project Power Water in the Irrigation Pools will be cancelled.
6. Project Power Water may be held over from year to year in the Power Pools and in the Irrigation Pools except as limited in Paragraph No. 5 above. Conversely, Project Irrigation Water may be held over in the Irrigation Pools and in the Power Pools under the same limitations covered by Paragraph No. 5.
7. Evaporation and seepage losses in the Project Reservoirs will be assessed monthly and proportionately between Project Irrigation Water and Project Power Water stored in the reservoirs by the District.
8. All deliveries of Non-Project Primary Power Water and Project Power Water, including exchanges, will be coordinated by the District and the River Commissioner.
9. The Power Company will be responsible for the construction and maintenance of any diversion structure, including measuring devices, to divert and utilize its Project Water from Project facilities and may require approval of the State Engineer. Prior approval by the Bureau of Reclamation and the District is required of any design specifications for structures to be constructed on or altering Project facilities or property.
10. During the nonirrigation season (November 1 to March 1) when the Project facilities are being used solely for the Power Company, all operational costs and all conveyance and operational water losses will be charged to the Power Company.
11. When the Power Company's water storage in Electric Lake is surplus to meeting Huntington Plant needs, the Power Company and Huntington-

Cleveland may enter into an annual letter agreement providing that the Power Company will release on demand up to 5,000 acre-feet of storage water from Electric Lake to Huntington-Cleveland Project Water users during the current irrigation season. For each acre-foot of Electric Lake storage water released for Huntington-Cleveland Project users, the Power Company will receive a credit for one acre-foot in Joe's Valley Reservoir for such Project Water which was not released to Huntington-Cleveland Project water users due to Electric Lake releases. Power Company will have the right to use such credited water at the Hunter Plant during the period of November 1 to March 1 following the season in which the Electric Lake release was made.

12. It is understood that the amount of lease-back of Non-Project Power Primary Water available to lands from which water was acquired by the Power Company as described in Paragraph 19 herein, will not be diminished due to exchange of Electric Lake water for Project Water under Paragraph No. 11 above. Such lease-back will be issued on a pro-rata basis according to the amount of shares acquired from that ground under such policy as Huntington-Cleveland may adopt.
13. If the River Commissioner determines that the Power Company's water storage in Electric Lake or diversion to the Huntington Plant reduces the ability of the Cleveland Canal to exchange Cleveland Canal Project Water for Huntington Canal and North Ditch Non-Project Primary Water, the Power Company will, at its option, provide water to the Cleveland Canal by the following methods:
 - a. Release the amount of the deficiency as determined by the River Commissioner from Electric Lake at dates and times specified by the River Commissioner.
 - b. Release the amount of the deficiency from the Power Company's share of storage in Huntington's Left Fork Reservoirs, if available, and as specified by the River Commissioner.
 - c. Pay for all costs associated with pumping Cleveland Canal Project Water from the North Ditch pumping station to the Cleveland Canal. Power Company agrees to maintain pump station in operating condition.
14. The River Commissioner shall deliver water to users for irrigation, power, mining, industrial, municipal, domestic, stockwatering or other uses which are entitled to water from the Huntington Creek drainage in accordance with water rights recognized by the State Engineer. The River Commissioner will maintain records of river flows, storage releases from reservoirs, diversion losses, return flows, evaporation losses from storage reservoirs, and other records pertinent to the administration of water from the Huntington Creek drainage. Water users will cooperate with the River Commissioner by providing records of flows, diversions and quantities of water stored. Water users will request the River Commissioner to make deliveries of water from the Huntington Creek drainage. Power Company will request water deliveries on the same basis and at the same times as other water users on the Huntington Creek system. Water deliveries to the Huntington Plant as well as Power Company storage and

releases from Electric Lake and the Left Fork Reservoirs will be under the direction of the River Commissioner. Irrigation, industrial and municipal and other water users will be delivered an equal amount of water per share each year as determined by the Huntington-Cleveland Board of Directors.

15. If the State Engineer and River Commissioner determine that water users below the North Ditch diversion are deprived of their entitled water due to diversions and/or storage by the Power Company, appropriate releases will be made by the Power Company, as directed by the River Commissioner up to the amount of the deficiency incurred.
16. It is understood that Power Company will be accountable for its share of canal losses in the Huntington-Cleveland system based on the amount of water acquired from the Cleveland Canal, Huntington Canal, North Ditch and Huntington Creek. The amount of loss will be determined by the River Commissioner and an amount of water to compensate for such losses will be released from Electric Lake and/or Power Company's share of Left Fork Reservoir storage and delivered to said three canals and Huntington Creek at dates and times specified by the Commissioner.
17. At certain times during spring runoff periods, Huntington-Cleveland will have the opportunity to store the Power Company's water in the Left Fork Reservoirs; likewise, at certain times the Power Company will have the opportunity to store Huntington-Cleveland water in Electric Lake. When such storage occurs, the River Commissioner shall determine the amount of water so stored and shall exchange Power Company water in Left Fork Reservoirs for Huntington-Cleveland water in Electric Lake. Each party shall have the right to release and/or exchange its water so stored, after written notice to the other, provided the rights of the other are not impaired.
18. During the non-irrigation season (November 1 to March 1) it is understood that an average flow of 17 CFS for domestic and stockwatering use and 15 CFS for storage in Huntington North Reservoir, totaling 32 CFS of natural flow is required, if available at a point in Huntington Creek immediately below Power Company's Huntington Plant diversion. It is also understood that Power Company is not obligated to furnish from its own storage supplies any of the 32 CFS required for downstream uses. Natural flows in excess of 32 CFS will be available for diversion into Power Company's Huntington Plant under Power Company's application 39151 (93-1115), Certificate 12310, described in Paragraph 1a. Flows and demands may be adjusted by the River Commissioner. The maximum beneficial use of winter flows for all users will be the basis for adjusting flows by the River Commissioner.

During the nonirrigation season, if Huntington North Reservoir does not fill due to the Power Company diversions at the Huntington Plant or storage in Electric Lake, the deficient amount shall be determined by the River Commissioner and District, and after deducting from the deficiency the amount for Electric Lake winter storage release, a credit shall accrue in Electric Lake for the storage deficiency in Huntington North Reservoir.

19. Each year, the Power Company shall lease back that portion of its Non-Project Primary Power Water which is surplus to the Power Company's needs, for the use on the lands from which the water was acquired by the Power Company under such policy as Huntington-Cleveland may adopt. The amount of lease-back water will be determined by the Power Company and will be dependent upon water supply outlook, reservoir storage, power plant demands, or other pertinent factors. The Power Company will notify Huntington-Cleveland in writing on or before March 15 of each year of the amount of water available for lease; provided that the Power Company shall, from time to time after March 15, review the water outlook and notify Huntington-Cleveland of any additional water available for lease.
20. The provisions of the Repayment Contract, as amended, between the United States and the District, the water right and adjustment contracts between the United States, Huntington-Cleveland, and the Cottonwood Creek Consolidated Irrigation Company ("Cottonwood"), and the various Project water sales agreements between the District and the Power Company and Huntington-Cleveland and Cottonwood which relate to Project operation are controlling in the event the foregoing operating criteria are inconsistent therewith.
21. These criteria shall remain effective until modified after consultation with the United States, District, Huntington-Cleveland and the Power Company. After such consultation, changes in the criteria may be made by the District, Huntington-Cleveland and the Power Company with approval of the United States.
22. Project water operation reports prepared by the District will be submitted annually to Huntington-Cleveland, the Power Company, the United States, and the State Engineer.

Dated this Second day of October, 1984.

WASHINGTON AFFILIATED INTEREST FILING

**JOINT PARTICIPATION AGREEMENT BETWEEN PACIFICORP AND
HUNTINGTON CLEVELAND IRRIGATION COMPANY**

**Joint Participation Agreement
Between
PacifiCorp
and
Huntington Cleveland Irrigation Company**

This Joint Participation Agreement ("Agreement") is entered into this 14 day of July, 2005, by and between Huntington Cleveland Irrigation Company (Huntington-Cleveland), a Utah nonprofit irrigation company and PacifiCorp, an Oregon corporation.

Purpose

The purpose of this Agreement between Huntington-Cleveland and one of its shareholders PacifiCorp is to set forth:

1) the participation of PacifiCorp with Huntington-Cleveland in planning, designing and building a federally sponsored salinity control project (the "Project") to convert the canal and ditch water delivery system of Huntington-Cleveland to a closed pipeline water delivery system pursuant to the Colorado River Basin Salinity Control Act as set forth in 43 U.S.C. 1501 et seq.; and

2) other activities and agreements between PacifiCorp and Huntington-Cleveland associated with the Project and the delivery and storage of water¹.

The terms set forth herein have been approved by PacifiCorp's internal investment review committees and Huntington-Cleveland shareholders, other than PacifiCorp which voluntarily chose not to vote. The parties intend to use this Agreement as an outline for the purpose of creating a final agreement (the "Final Project Construction Agreement") that will govern the construction, operation, funding participation, and other aspects of the Project as well as agreements pertaining to water storage and deliveries among the parties.

The parties' willingness to enter into the Final Project Construction Agreement is based upon certain assumptions as to the mutual benefits derived from the Project and the agreements set forth in this Agreement. Consideration and the expected benefits to be derived from the project are as follows.

Consideration

Huntington-Cleveland, is a non-profit mutual irrigation company that is eligible to obtain federal funding made available through the Natural Resources Conservation Service (NRCS) and the U.S. Bureau of Reclamation (BOR). Such funds are referred to herein as "Federal Funds." These Federal Funds will be used to vastly improve Huntington-Cleveland's water delivery system resulting in increased crop yields and irrigation

¹ Further background information is attached to this Agreement as Attachment 1.

efficiencies. Shareholders of Huntington-Cleveland expect the Project to provide economic as well as other benefits to its shareholders.

PacifiCorp expects to obtain a source of replacement water for storage water leaking from Electric Lake and to obtain certain water delivery efficiencies and agreements pertaining to water management within the Huntington Creek drainage. More specifically, it is anticipated that the Project will significantly reduce Huntington-Cleveland's November 1-March 1 (Such period is referred to herein as the "Non-irrigation season") stock watering use from 17 cfs to 8 cfs or a lesser amount as determined by the State Engineer, which will allow PacifiCorp to use certain natural flow water rights owned by PacifiCorp in priority for Non-irrigation season plant demand. This will provide an increased level of certainty for PacifiCorp with respect to Non-irrigation season water demand at the Huntington Plant which has been compromised by the inability to store sufficient amounts of water in Electric Lake. This Agreement will also provide the mechanism for obtaining more flexibility concerning water management capabilities in the Huntington Creek drainage as more particularly described herein. As consideration for these expected benefits, PacifiCorp will contribute certain monetary amounts as further described in this Agreement.

PacifiCorp and Huntington-Cleveland also seek to resolve certain legal claims that may be raised among the parties and other third parties concerning water loss from Electric Lake.

ARTICLE 1. COLORADO RIVER BASIN SALINITY CONTROL PROJECT

1.1 Federal Project Agreements. Huntington-Cleveland and the BOR have entered into an agreement (Agreement 04-FC-40-2242 attached hereto as Attachment 2) (the "BOR Agreement") conditionally awarding approximately \$17,116,336 in federal funds as a match to non-federal funds for Non-Near Farm costs² of the Project. Federal funds are also available through the NRCS for irrigation improvements. Huntington-Cleveland shareholders will apply for approximately \$23,250,000 of NRCS funding as a match for Near-Farm³ and On-farm costs of the Project. In addition, each applicant shareholder will be responsible for expending the costs of improvements necessary on their respective farms as may be required for utilization of the Near-farm and On-farm improvements. Huntington-Cleveland expects the total amount expended by individual shareholders to be approximately \$3,800,000 for On-Farm improvement costs.

1.2 BOR Cost-share Funding. If the parties are able to enter into a Final Project Construction Agreement, PacifiCorp will agree to pay Huntington-Cleveland an amount up to and not exceeding \$11,450,000 that may be used for Huntington-Cleveland's cost-

² "Non-Near Farm" is generally defined as the part of the "off-farm" water delivery system not included in the "Near Farm" system, and will typically be larger sized pipelines (as determined by the NRCS) that connect to the Near Farm systems.

³ "Near Farm" is generally defined as the part of the "off-farm" water delivery system located between the private irrigated parcels (which is the "On Farm") and the "Non-Near Farm" portion of the water delivery system.

share under the BOR Agreement for Non-Near Farm Project costs. PacifiCorp's payment shall be subject to Huntington-Cleveland qualifying for Federal Funding as outlined herein and application of the funds received to the Project.

1.3 NRCS Cost-Share Funding. If the parties are able to enter into a Final Project Construction Agreement, PacifiCorp will agree to pay Huntington-Cleveland, acting as an agent for individual applicant shareholders, an amount up to and not exceeding \$3,900,000 that may be used as matching funds for the NRCS Project funding for the Near Farm costs. As a condition of payment of this sum, Huntington-Cleveland shall ensure that 1) appropriate applications for Federal Funding are timely filed; and 2) that individual shareholders who obtain NRCS contracts remain eligible to obtain NRCS funding through Project completion.

1.4 Project Change Applications.

1.4.1 Huntington-Cleveland will file a change application (the "Project Change Application") with the State Engineer's Office necessary for all elements of the Project as described herein which shall be prepared with the assistance of a competent engineering firm. PacifiCorp shall have the right to review and, at its option, may assist in the preparation and prosecution of the Project Change Application.

1.4.2 PacifiCorp's funding obligation shall be contingent upon the issuance of a final, non-appealable Order of the State Engineer acceptable to both parties ("Final Change Application Approval").

ARTICLE 2. PROJECT CONSTRUCTION

2.1 Construction Agreement Terms. Upon issuance of the Final Change Application Approval or earlier if agreed upon by the parties and necessary to qualify for and secure Federal Funds, PacifiCorp and Huntington-Cleveland will enter into the Final Project Construction Agreement that shall include at least the following terms:

2.1.1 The Project will be designed in certain distinct phases based upon the geographical areas of Huntington-Cleveland's service territory as now defined by JUB Engineering, Huntington-Cleveland's current Project engineer ("Project Engineer") in its Master Plan (attached hereto as Attachment 3) as may be modified from time to time as agreed upon by Huntington-Cleveland and PacifiCorp. The Master Plan also includes an estimated cost to construct each phase of the Project.

2.1.2 Before initiation of each distinct phase, PacifiCorp, Huntington-Cleveland and the Project Engineer will conduct an economic evaluation of the Project. Such evaluation will include a review of the current and expected available Federal Funding and other funding as well as a comparison of actual versus estimated costs of the Project to date.

If the economic evaluation process identifies an overall funding deficiency in the project (e.g., cost overruns, decrease in expected federal funding, etc) that would require additional funding to complete future phases of the Project, then Huntington-Cleveland would conduct a general shareholders meeting to vote on borrowing the deficient amount and complete the Project or certain phases of the Project. PacifiCorp will abstain from voting their shares in such a vote. If approved, Huntington-Cleveland will be responsible to obtain funding for the deficient amount. The deficient amount will be paid off by an assessment against all Huntington-Cleveland shares equally among the shareholders, including PacifiCorp. If vote to borrow the deficient amount fails, then PacifiCorp will not be obligated to expend any more of their funding toward the Project. In such event, this Agreement shall be terminated or modified with the exception of those certain provisions that will survive termination as provided in Article 15.

After the parties decide to implement the construction of a phase, the Agreement for that phase may not be terminated and PacifiCorp is obligated to fund that phase as set forth in the Final Project Construction Agreement. Huntington-Cleveland will be responsible for all costs of the Project that exceed the initial estimated costs.

2.1.3 Huntington-Cleveland, as owner and operator of the Project shall oversee all aspects of the construction and shall be responsible for completing the Project on time and within budget. PacifiCorp shall have the right, at its own expense, to inspect any and all aspects of the Project at any time and shall have the right to audit all expenditures and other contract data and information pertaining to the Project, upon reasonable notice to Huntington-Cleveland.

2.1.4 PacifiCorp shall have the right to timely review and comment on the terms and conditions of the construction contracts for the Project between Huntington-Cleveland and any contractor or subcontractor.

2.2 Either party shall have the right to terminate this Agreement in the event a mutually acceptable Final Construction Agreement cannot be reached pursuant to the terms of this Agreement.

ARTICLE 3. MAIN REGULATING RESERVOIR

3.1 The parties anticipate the construction of a main regulating reservoir (the "Regulating Reservoir") to be located near the head of the Project system. The Regulating Reservoir shall be designed and operated to regulate and deliver water both during the irrigation and non-irrigation seasons. The design and construction of the Regulating Reservoir shall be approved by the State Engineer's Office. PacifiCorp and Huntington-Cleveland will agree on the location, size and construction of the regulating reservoir as a condition of the Final Project Construction Agreement. PacifiCorp shall have the option of owning and operating the Regulating Reservoir subject to an operating agreement reasonably acceptable to Huntington-Cleveland entered into between

PacifiCorp and Huntington-Cleveland. If the Regulating Reservoir is owned by PacifiCorp, PacifiCorp may, at its sole determination, sell it to Huntington-Cleveland at the current depreciated value as shown on the records of PacifiCorp used for rate making purposes with the Utah Public Service Commission.

3.2 Huntington-Cleveland will include the Regulating Reservoir as a point of diversion in the Project Change Application. Construction of the Regulating Reservoir shall be contingent upon approval by Huntington-Cleveland and PacifiCorp of a final, non-appealable Order of the State Engineer issued by the State Engineers Office.

3.3 When the parties are able to enter into a Final Project Construction Agreement, PacifiCorp will pay to Huntington-Cleveland an amount up to \$4,500,000 for the construction of the Regulating Reservoir. All Huntington-Cleveland shareholders will be equally responsible for any and all costs of the construction, operation and maintenance of Regulating Reservoir in excess of PacifiCorp's \$4,500,000 participation.

3.4 Huntington-Cleveland shall be responsible for all aspects of constructing the Regulating Reservoir and shall agree to its diligent completion within a timeframe agreed upon by PacifiCorp and Huntington-Cleveland. Construction terms concerning the Regulating Reservoir will be memorialized in the Final Project Construction Agreement. PacifiCorp shall have the right to timely review and reasonably approve the terms and conditions of the construction contracts for the regulating reservoir between Huntington-Cleveland and any contractor or subcontractor.

3.5 The regulating reservoir will be designed and constructed in a manner that will allow Huntington-Cleveland to monitor the daily operation of the Regulating Reservoir by use of approved measuring devices, including inflow, outflow and elevation of the Regulating Reservoir or as may otherwise be required by the State Engineer's Office.

ARTICLE 4. AGREEMENT ON MANAGING NATURAL INFLOW INTO ELECTRIC LAKE.

The parties acknowledge that water has been and is currently leaking from Electric Lake (defined herein as "Lake Loss"). PacifiCorp and Huntington-Cleveland agree that all Lake Loss shall be accounted for and allocated in accordance with the provisions of this Article 4.

4.1 Lake Loss Equation

4.1.1 PacifiCorp with the river commissioner shall monitor and report to Huntington-Cleveland and the Emery Water Conservancy District the following Electric Lake parameters: inflow, precipitation, change in lake elevation, lake discharge at the dam, and evaporation. PacifiCorp shall calculate the Lake Loss using the following equation:

$$\text{Lake Loss} = \text{natural inflow} - \text{outflow} +/\text{-measured change in storage} + \text{precipitation} + \text{JC pumped inflow} - \text{evaporation}$$

4.1.2 The parties recognize that it may be impossible to accurately measure natural inflow, such as periods of spring runoff or when measuring equipment is not working properly. Only in such circumstances, natural inflow will be calculated using the same equation as above except by inputting an average calculated Lake Loss value determined over a reasonable period of time prior to the period of missing inflow data and then solving for natural inflow.

4.2 The Project Change Application or by separate application as determined by the parties will seek, among other things, approval to allow Huntington-Cleveland water shares to be stored in Electric Lake. The parties acknowledge that additional storage in Electric Lake shall likely be subject to the 21,000 acre foot limitation under Huntington-Cleveland's water rights and that only a portion of such amount will be stored in Electric Lake as set forth in paragraph 4.3 below.

4.3 All natural inflow entering into Electric Lake (either measured or calculated) shall be first accounted for under PacifiCorp's water right No. 93-1116 to the extent such storage is available in priority in the Huntington Creek drainage. To the extent PacifiCorp's storage right is not in priority, PacifiCorp may store an amount of water agreed upon by Huntington-Cleveland and PacifiCorp in Electric Lake under shares in Huntington-Cleveland for the benefit of Huntington-Cleveland's shareholders. Such right of storage shall be subject to obtaining approval from the State Engineers Office which shall be sought as part of the Operating Criteria changes. Any water stored in Electric Lake for the benefit of Huntington-Cleveland's shareholders, other than PacifiCorp, will be exchanged (as allowed within this agreement) or released for irrigation during the current irrigation season, as requested by Huntington-Cleveland.

Any water stored in Electric Lake by Huntington-Cleveland shareholders (other than PacifiCorp) that is not used during that irrigation season cannot be carried over to the next water year. Any remaining water will be treated as natural flow for the next water year and will be allocated among all Huntington-Cleveland shareholders in accordance with the annual allocation.

4.4 PacifiCorp's obligation with respect to accounting for Lake Loss is based on the current and expected losses and does not include the occurrence of a change in lake loss more than 35% in excess of the average lake loss experienced from July 1, 2002 to January 1, 2005

4.5 The parties shall memorialize these understandings in an amended and restated Operating Criteria.

ARTICLE 5. AGREEMENT ON THE OPERATION OF THE JAMES CANYON PUMPING SYSTEM

5.1 Huntington-Cleveland acknowledges that PacifiCorp currently has the right at its own expense to operate wells associated with the James Canyon pumping system, including those pumps generally known as JC-1, JC-2 (currently inactive) and JC-3 (currently inactive) (collectively referred to as the "JC Pumps"). Huntington-Cleveland and PacifiCorp hereby release each other from any prior claims either party may have against the other at the time the Final Project Construction Agreement is executed concerning the operation or use of water resulting from the JC Pumps.

5.2 All water pumped from the JC Pumps up to the execution date of the Final Project Construction Agreement will be deemed as water accounted for under PacifiCorp's storage right.

5.3 All water pumped from the JC Pumps after the execution date of the Final Project Construction Agreement will be accounted for as follows:

1) PacifiCorp will be entitled to all water pumped into Electric Lake from the JC Pumps up to the amount of the calculated "Lake Loss" from Electric Lake using the calculation method described in Paragraph 4.1.

2) Any water pumped into Electric Lake from the JC Pumps in excess of the calculated Lake Loss will be accounted for as natural flow, and will be governed by existing water rights in the Huntington Creek Drainage and water management agreements between PacifiCorp and Huntington-Cleveland as those may be modified from time to time.

3) The comparison used to determine whether the amount of water pumped exceeded the amount of Lake Loss will be calculated daily. PacifiCorp will create and report to Huntington-Cleveland and the Emery Water Conservancy District an annual accounting based on the daily calculations. Such report shall be subject to review and reasonable approval by Huntington-Cleveland.

4) The annual evaluation and Lake Loss calculations for the previous calendar year shall be provided to Huntington-Cleveland and the Emery Water Conservancy District annually, on or about March 1st of the following year. If the annual evaluation indicates that the amount pumped exceeded the amount of Lake Loss, then Huntington-Cleveland will receive a credit in Electric Lake for its portion of the difference to be used in the following irrigation season.

5.4 Huntington-Cleveland will not be responsible for any costs associated with the JC Pumps.

5.5 Huntington-Cleveland agrees not to protest, either directly or indirectly, PacifiCorp's right to operate the JC Pumps or use the water pumped by the JC Pumps in

accordance with this Article 5. Huntington-Cleveland further agrees to cooperate with PacifiCorp's effort to recover Lake Loss.

5.6 PacifiCorp is responsible for and will operate the JC Pumps at its sole discretion.

ARTICLE 6. AGREEMENT CONCERNING JOE'S VALLEY/LEFT FORK EXCHANGE

6.1 Huntington-Cleveland agrees to reasonably cooperate with PacifiCorp to the extent PacifiCorp desires to arrange for future exchanges of water available to PacifiCorp in Joe's Valley Reservoir for Huntington-Cleveland primary irrigation water in Millers Flat, Cleveland, Huntington, and Rolfson reservoirs (collectively the "Left Fork Reservoirs") or any water that is inadvertently stored in Electric Lake.

6.2 Any exchange will occur on a one-to-one acre foot basis plus an amount equal to the calculated carriage loss for the delivery of the exchanged water from Joe's Valley Reservoir to the Huntington-Cleveland canal points of diversions at the mouth of Huntington Canyon. Consistent with applicable law, carriage loss will be mutually determined by Huntington-Cleveland, the Huntington Creek River Commissioner and the Emery County Water Conservancy District.

6.3 PacifiCorp will receive a credit in the Left Fork Reservoirs for each acre foot of PacifiCorp's water in Joe's Valley Reservoir that is called for and actually delivered to Huntington-Cleveland's distribution system from the Cottonwood Creek-Huntington Canal. PacifiCorp may request delivery of such Left Fork storage during the year in which the exchange was made until March 1 of the following year.

6.4 PacifiCorp will reimburse Huntington-Cleveland for all reasonable costs associated with releasing, measuring, delivering and using exchanged water during the Non-irrigation season. Such reasonable costs will be identified on an invoice submitted to PacifiCorp and subject to audit.

6.5 Upon agreement between the BOR, Emery Water Conservancy District, Huntington-Cleveland and PacifiCorp, any exchanged PacifiCorp water remaining in the Left Fork reservoirs as of March 1st following the calendar year during which the exchange took place may be used by PacifiCorp to exchange for any Huntington North Reservoir deficit owed by PacifiCorp. Otherwise, all exchanged holdover storage water in the Left Fork reservoirs after March 1st following the calendar year during which the exchange took place will be relinquished to Huntington-Cleveland for reallocation to its shareholders for use during that calendar year's irrigation season.

6.6 The amount of water subject to exchange will be limited by the amount of water available to PacifiCorp in Joe's Valley, the amount that can be effectively delivered and utilized by other shareholders of Huntington-Cleveland and the storage capacity in the Left Fork reservoirs available to physically complete the exchange.

6.7 PacifiCorp will pay the reasonable operation and maintenance costs associated with the North Ditch pumping station to make this exchange possible. Such reasonable costs incurred by Huntington-Cleveland will be identified on an invoice submitted by Huntington-Cleveland to PacifiCorp and subject to audit.

6.8 The parties shall memorialize these understandings in an amended and restated Operating Criteria.

ARTICLE 7. NATURAL FLOW ACCOUNTING AGREEMENT

7.1 During the annual spring runoff, Huntington-Cleveland and PacifiCorp will use reasonable efforts to store all natural inflow physically available at their respective reservoirs, subject to downstream diversion and other requirements. Such storage will be calculated based on water right priorities and share ownership within Huntington-Cleveland.

7.2 All flow, storage, release and diversion measurements within the Huntington Creek drainage will be measured daily and accounted for on spreadsheets agreed upon by Huntington-Cleveland, PacifiCorp and the State Engineer's Office.

7.2.1 All storage, release and diversion measurements of water in Huntington Creek Drainage will be under the direction of the River Commissioner.

7.2.2 The entitlements to natural flow and storage will be based on water rights in priority and stock ownership within Huntington-Cleveland, according to the Huntington Creek Management Plan and Utah Law.

7.2.3 The calculated daily total natural flow of the Huntington Creek drainage will be the basis for determining water entitlements. Daily natural flow during irrigation season is calculated using the following equation:

$$\text{Total Natural Flow} = \text{plant river gage} + \text{plant diversion} \pm \text{total measured change in storage of the Left Fork reservoirs} \pm \text{calculated change in storage in Electric Lake} + \text{culinary use}$$

7.3 Each day during spring runoff, the daily natural flow entitlements will be compared to the actual amount diverted (put to beneficial use) and/or stored for power and irrigation (and other) purposes, and will be accumulated on a monthly basis. For the purposes of this agreement:

- 1) Power use is defined as the amount of water diverted into the Huntington plant's raw water holding pond, as measured by the plant's flow meters and reported to Huntington-Cleveland and the Emery Water Conservancy District.

- 2) Power storage is defined as the calculated change in storage in Electric Lake.
- 3) Irrigation use is defined as the amount of water diverted into the Huntington-Cleveland irrigation system.
 - i. With the current system, this will be determined by the sum of all water diverted into the Cleveland Canal, Huntington Canal and the North Ditch.
 - ii. With the new pressurized system, irrigation use will be determined by the amount of water diverted into all pressure regulating reservoirs.
- 4) Irrigation storage is defined as the measured change in storage in all the Left Fork Reservoirs.

d) If the actual use plus storage (as defined above) for irrigation or power use exceeds the entitlement accruing over the same period, then either irrigation or power water will be released to the other at dates and times, as appropriate under the direction of the River Commissioner.

e) PacifiCorp shall release from Electric Lake any water stored in Electric Lake that Huntington-Cleveland shareholders other than PacifiCorp are entitled to receive as a result of this natural flow accounting agreement. There will be no carry over of irrigation water in Electric Lake between irrigation seasons. Any water that Huntington-Cleveland irrigators and others are entitled to receive but which is not released during the irrigation season will be considered as natural flow for the next irrigation season and divided per the existing water rights and share ownership within Huntington-Cleveland.

f) It is understood that the intent of this accounting agreement is not to gain additional storage for PacifiCorp in the Left Fork reservoirs. Therefore, this accounting method will be limited up to the point where all water stored in Electric Lake will be held by PacifiCorp and all water stored in the Left Fork reservoirs will be held by Huntington-Cleveland irrigators and others, by exchange and subject to downstream diversion requirements. The amount of PacifiCorp entitled water diverted into Huntington-Cleveland's irrigation system will be used as a trade and limited by the amount of Huntington-Cleveland storage in Electric Lake. This Article 7 will not entitle PacifiCorp to use any water stored in the Left Fork reservoirs. PacifiCorp may gain entitlement in the Left Fork reservoirs by other means such as the Joes Valley exchange (as set forth in Article 6 of this Agreement) or future leasing of Huntington-Cleveland shares.

h) The agreed upon accounting methods will be applied throughout the irrigation season to ensure proper management of water entitlements. The parties shall memorialize these understandings in an amended and restated Operating Criteria.

ARTICLE 8. AGREEMENT ON NON-IRRIGATION SEASON WATER MANAGEMENT

8.1 Huntington-Cleveland will eliminate Non-irrigation season stock water diversions from the existing canal(s) as soon as the pressurized stock watering system is installed and operational and replaces water delivery from such canal(s). All future stock watering requirements for such portions of Huntington-Cleveland's service area will be met by diverting Non-irrigation season water into the piped systems developed as part of the Project.

8.2 It is acknowledged that with the transition to a piped stock watering system, the diversion requirement for stock watering is expected to be substantially reduced. With a pressurized stock watering system, the parties expect the priority for Non-irrigation season diversions to be as follows:

- 1) Stock watering is expected to be significantly decreased to a lesser amount, with the final usage to be determined by the State Engineer's Office;
- 2) After Stock watering needs are met, the next 15 cfs, if available, will be directed to Huntington North storage pursuant to existing water right priorities and that certain agreement between the BOR and Huntington-Cleveland dated June 27th, 1962 and titled "CONTRACT BETWEEN THE UNITED STATES AND HUNTINGTON CLEVELAND IRRIGATION COMPANY RELATING TO EXCHANGE AND ADJUSTMENT OF WATER RIGHTS"; and
- 3) The next 20 cfs, when available, will be for use at the Huntington Plant under PacifiCorp's existing water right No. 93-1115. A material inducement for PacifiCorp entering into this Agreement and, ultimately, the Final Project Construction Agreement is to enable the availability of this 20 cfs water right with sufficient priority water to be available at the Huntington plant during the Non-irrigation season. For purposes of this Agreement "Sufficient Priority Water" shall be a reduction of Huntington-Cleveland's stock water rights to an amount to be determined by the State Engineer, provided that the maximum amount required for stock water use is not determined to exceed 8 cfs. PacifiCorp shall have the right to terminate this Agreement in the event the State Engineer determines Huntington-Cleveland's stockwater right is greater than 8 cfs.

8.3 If by March 1 of any year, or such other date as agreed upon by the parties in the Operating Criteria, Huntington North does not fill as required by that certain agreement referenced in paragraph 8.2 above due to PacifiCorp's diversion at the Huntington plant out of priority, PacifiCorp will release from Electric Lake or other sources the amount of

the Huntington North deficit resulting from PacifiCorp diversions of natural flow at dates and times requested by Huntington-Cleveland or the River Commissioner. Likewise, if Huntington North does not fill due to Huntington-Cleveland diversions in excess of the newly established winter stock watering right, Huntington-Cleveland will release from its sources an amount sufficient to fulfill the Huntington North deficit at dates and times requested by the River Commissioner.

8.4 The obligations in this Article 8 shall not apply to the extent the agreed upon accounting methods show that the deficit in Huntington North occurred because of deficiencies in natural flow rather than from diversion for stock watering or diversions for use at the Huntington Plant out of priority. All accounting for natural flows, diversions, storage or other measurements will be agreed upon by all parties, including the State Engineer's Office.

ARTICLE 9. AGREEMENT ON CONVEYANCE LOSSES IN THE HUNTINGTON-CLEVELAND DELIVERY SYSTEM

9.1 PacifiCorp will be accountable for its share of the canal losses upstream of the Project boundaries (i.e. where the water is diverted in the pipelines). PacifiCorp's share of conveyance losses will be based on the amount of Class A shares that PacifiCorp acquired from the Cleveland Canal, Huntington Canal, North Ditch and Huntington Creek. PacifiCorp is allocated the same allocation every year as all shareholders within Huntington-Cleveland.

9.2 PacifiCorp will agree to continue paying Huntington-Cleveland an annual project carriage loss payback (as it has done in the past), in the amount of 1,232 AF per year.

9.3 PacifiCorp may choose from which source it will provide the annual project carriage loss payback, to include but not be limited to Joes Valley, Electric Lake or the Left Fork reservoirs.

9.4 The conveyance loss replacement will be made at dates and times requested by the river commissioner.

ARTICLE 10. AGREEMENT ON PACIFICORP REPRESENTATIVE TO THE HUNTINGTON-CLEVELAND BOARD OF DIRECTORS

Within 90 days of the execution of this Agreement, Huntington-Cleveland shall amend its Articles and Bylaws and other governing documents as needed to provide for one additional member to serve on the Board of Directors who shall be elected by a vote of the shareholders who are Non-irrigation water users. Such additional director shall have the same rights and duties as each other member of the Huntington Cleveland Board of Directors.

**ARTICLE 11. AGREEMENT ON FUTURE PACIFICORP LEASING OF
HUNTINGTON-CLEVELAND WATER**

If at any time in the future, PacifiCorp determines it is necessary to lease water from Huntington-Cleveland shareholders, Huntington-Cleveland agrees to reasonably cooperate and assist PacifiCorp in any such effort, whether it will be a short term or long term lease strategy, as mutually agreed upon.

ARTICLE 12. AGREEMENT TO MODIFY THE OPERATING CRITERIA

It is recognized by all parties that changing to pressurized irrigation and stock watering systems will significantly alter future operating needs within the Huntington Creek drainage. The parties will modify the existing Operating Criteria to accurately reflect the manner in which water will be managed in accordance with this Agreement. The parties acknowledge that any amendments to the Operating Criteria must also be agreed upon by certain other parties to that agreement including BOR and Emery Water Conservancy District.

ARTICLE 13. AGREEMENT ON REQUIRED CHANGE APPLICATIONS

Huntington-Cleveland and PacifiCorp will work cooperatively to file all necessary change applications and seek other approvals consistent with this Agreement and the Final Project Construction Agreement. Specifically, both parties agree to fully cooperate in the approval of the Change Application that will include Electric Lake as a point of diversion for Huntington-Cleveland primary shares.

ARTICLE 14. RELEASE AND ASSIGNMENT OF CLAIMS

14.1 In consideration of PacifiCorp's financial participation in the Project in the amount of \$19,800,000, Huntington-Cleveland agrees to release and discharge PacifiCorp from any and all claims arising prior to the date of the Final Project Construction Agreement for the loss of water from Electric Lake, so long as Lake loss accounting and allocation continues to occur as set for in paragraph 4.4.

14.2

(a) In consideration for PacifiCorp's financial participation in the Project, Huntington-Cleveland agrees to assign to PacifiCorp all of Huntington-Cleveland's claims and causes of action, arising prior to the date of the Final Project Construction Agreement, that may be properly asserted against Canyon Fuel Company, LLC, or any of its affiliates, as owner of Skyline Mine, for the loss of water from Electric Lake and resulting diminution of flow in the right hand fork of Huntington Creek, including but not limited to monetary claims or injunctive relief based on the current loss of water from electric lake, such claims being assigned to PacifiCorp by this Agreement. This assignment shall not affect the right of Huntington-Cleveland to, after the effective date of this assignment participate in all regulatory and administrative matters brought by third parties related to water, water rights, mining, hydrology, water replacement, hydrologic

impact, or water loss from mining involving Canyon Fuel, Skyline Mine or any successor operator, except to the extent that such rights have been assigned to PacifiCorp by this paragraph 14.2.

(b) Notwithstanding the foregoing, Huntington-Cleveland does not assign and specifically reserves the right to initiate or participate in regulatory or administrative actions it deems necessary to: (i) prevent the recognition of water rights based on the movement of water caused by coal mining or other unnatural factors; or (ii) assure that laws and regulations are enforced to protect the pre-mining hydrologic balance is maintained or restored when mining ceases under permits in effect as of the date of this Agreement.

ARTICLE 15. REMEDIES

The Final Project Construction Agreement shall provide that in the event the Project is not completed for any reason outside of PacifiCorp's direct control, including significant cost overruns or lack or loss of federal funding (as outlined in 2.1.2), this Agreement and the Final Project Construction Agreement may be terminated by either party, provided, however, that the termination of the Final Project Construction Agreement after commencement of the Project shall not terminate the rights and obligations of the parties with respect to the terms and conditions expressed in this Agreement under Articles 4 through 7 and Articles 9 through 14, which shall remain in full force and effect.

ARTICLE 16. LIMITATIONS ON PACIFICORP PARTICIPATION

16.1 PacifiCorp's financial participation, other than as a shareholder, shall be limited to the total amount of \$19,850,000 as stated in this Agreement, assuming the Final Project Construction Agreement is executed as contemplated herein. Huntington-Cleveland will take full responsibility for project cost over-runs and any other costs not specifically agreed to be paid by PacifiCorp (as outline in Article 2.1.2). PacifiCorp's financial participation cannot be used for any other purpose without PacifiCorp's prior approval and are contingent upon approval of the Project by state, federal and other agencies and also upon successful achievement of Project milestones as will be required in the Final Project Construction Agreement.

16.2 Either party shall have the right to terminate this Agreement in the event of any material adverse change by giving written notice to the other party. For purposes of this Agreement, a "Material Adverse Change" shall mean any change in fact or circumstance that was material to the parties in entering into this Agreement.

ARTICLE 17. RIGHT OF FIRST REFUSAL

In the event PacifiCorp decommissions the Huntington Generation Plant and determines to place its shares of stock in the Huntington-Cleveland irrigation company for sale in the open market, Huntington-Cleveland shall have a first right of refusal to purchase such shares at a value equal to any bona fide offer PacifiCorp receives. Huntington-Cleveland shall also have a first right of refusal to purchase any water control structures, conveyance works, or storage facilities PacifiCorp offers for sale in the open market.

THIS AGREEMENT is executed on the date first above written.

PACIFICORP

By: 

Barry Cunningham
~~Executive~~ Vice President
SR.

HUNTINGTON-CLEVELAND
IRRIGATION COMPANY

By: 

Dennis L. Ward
President

Attest:


Duane Kay Jensen
Secretary

Attachment 1

Background and Summary

Huntington-Cleveland is a mutual irrigation company formed in 1932 through the merger of several other irrigation companies for the purpose of storing and delivering water among its shareholders. Huntington-Cleveland holds certain water rights that allow it to store water in high mountain reservoirs and deliver it to its shareholders during the irrigation season through a complex system of irrigation canals and ditches.

Huntington-Cleveland's service area is located in northern Emery County where soil conditions are relatively high in alkaline content. Flood irrigation, which is the common practice among many Huntington-Cleveland shareholders, results in high saline return flows that ultimately find their way into the Colorado River. Salt loading in the Colorado River has a negative impact on a number of endangered species of fish and deters progress with a major federal fish recovery and implementation program throughout the entire Colorado River drainage.

Federal funding is currently available through the Department of Interior – Bureau of Reclamation (BOR) and the Department of Agriculture - Natural Resource Conservation Service (NRCS) to reduce salt loading to the Colorado River. This federal funding is being made available through the Colorado River Basin Salinity Control Act. The BOR and NRCS have allocated federal funding to the Project to reduce salt loading in the Colorado River from agricultural practices in Emery County pursuant to the Colorado River Basin Salinity Control Act. This is to be accomplished by converting the open ditch and canal/flood irrigation system to a pressurized pipe delivery and sprinkler irrigation system.

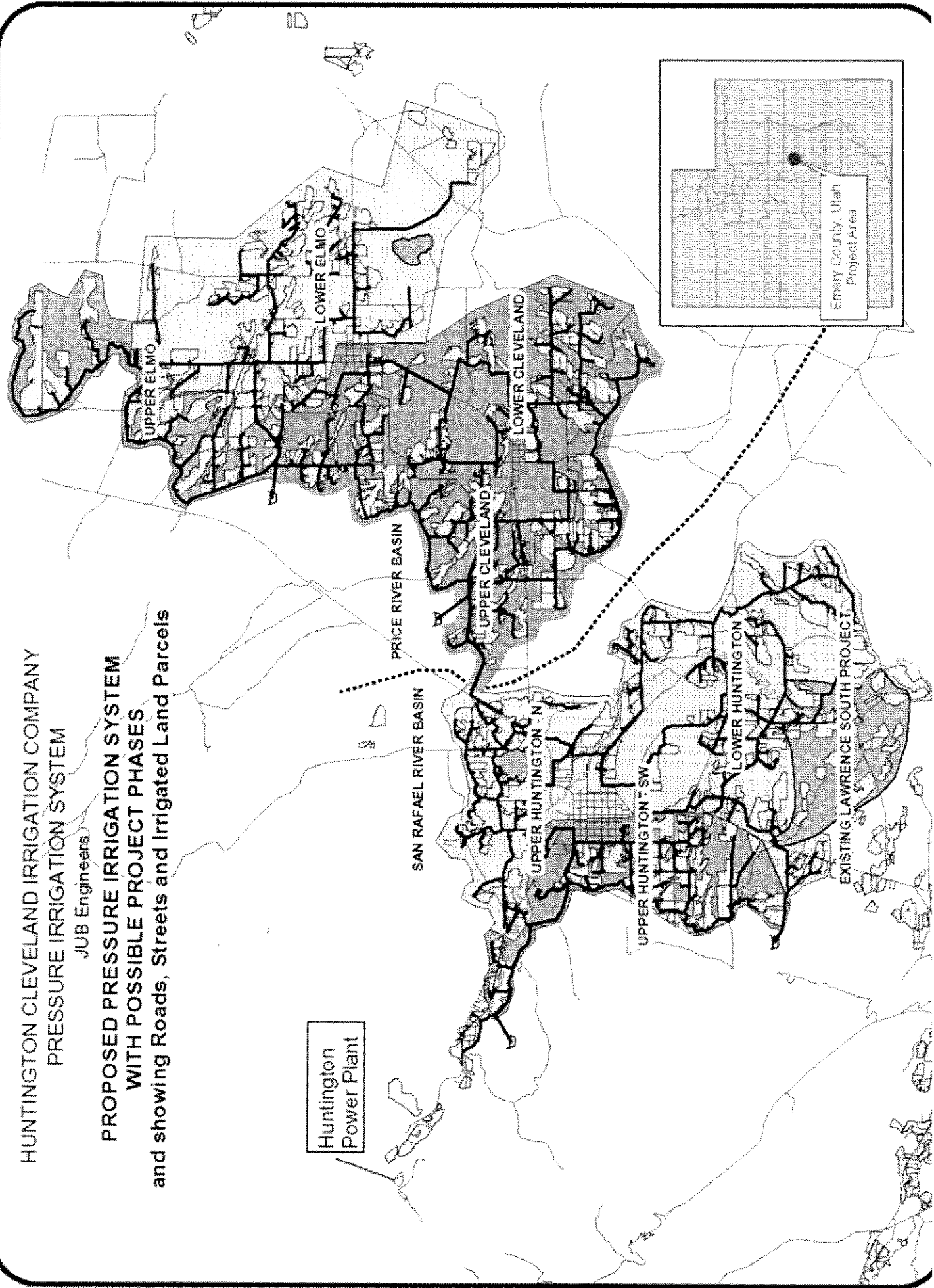
In addition to a reduction in salinity for the Colorado River, Huntington-Cleveland will incur substantial benefits from the Project. Because shareholder water will be confined within a closed system, Huntington-Cleveland and its shareholders will be able to conserve approximately 80% of the water that is currently lost to seepage and evaporation in the over one hundred miles of delivery canals and ditches. Converting to a pressurized irrigation system will also result in significant cost savings and farm efficiencies to Huntington-Cleveland irrigators.

PacifiCorp owns roughly 34% of the outstanding shares in Huntington-Cleveland and will benefit from the Project. First, the allocation of water per share is expected to increase due to delivery efficiencies resulting in a proportionate increase in water availability to PacifiCorp consistent with its ownership of Huntington-Cleveland shares for use at the Huntington Plant. Second, and most importantly to PacifiCorp, Non-irrigation season stock water efficiencies are expected to substantially reduce high-priority Non-irrigation season water dedicated to that use thus allowing PacifiCorp to use its lower-priority water rights for Non-irrigation season plant demand.

HUNTINGTON CLEVELAND IRRIGATION COMPANY
PRESSURE IRRIGATION SYSTEM

JUB Engineers

PROPOSED PRESSURE IRRIGATION SYSTEM
WITH POSSIBLE PROJECT PHASES
and showing Roads, Streets and Irrigated Land Parcels



WASHINGTON AFFILIATED INTEREST FILING

**FINAL PROJECT CONSTRUCTION FUNDING AGREEMENT BY AND
BETWEEN HUNTINGTON CLEVELAND IRRIGATION COMPANY AND
PACIFICORP**

**FINAL PROJECT CONSTRUCTION FUNDING AGREEMENT
BY AND BETWEEN
HUNTINGTON CLEVELAND IRRIGATION COMPANY
AND
PACIFICORP**

This Final Project Construction Funding Agreement (“Agreement”) is entered into this 15th day of May, 2007, by and between PacifiCorp Energy, a division of PacifiCorp, an Oregon corporation, (“PacifiCorp”) and Huntington Cleveland Irrigation Company (“Huntington – Cleveland”), a Utah non-profit irrigation company. PacifiCorp and Huntington – Cleveland shall collectively be referred to as the “parties” and individually as a “party” as the context shall require.

RECITALS

A. Huntington - Cleveland and PacifiCorp entered into a Joint Participation Agreement dated July 14, 2005 (the “Joint Participation Agreement”), for the purpose of designing and constructing a federally sponsored salinity control project (the “Project”) which will be mutually beneficial to both parties. The Project is designed and will be constructed to convert existing canal and ditch water delivery systems owned and operated by Huntington - Cleveland to an enclosed pipeline water delivery system. The Project will be funded in part using federal matching funds pursuant to the Colorado River Basin Salinity Control Act as set forth in 43 U.S.C. 1501 et seq., and it will provide significant local agricultural benefits, as well as provide a basis and mechanism for managing activities and agreements between PacifiCorp and Huntington - Cleveland as more fully set forth in the Joint Participation Agreement.

B. Pursuant to the terms and provisions of the Joint Participation Agreement, the respective parties’ obligations in proceeding with the Project are contingent upon entering into this Agreement that governs the parties’ rights and obligations concerning the construction, operation, funding participation, and other related aspects of the Project.

C. The terms and provisions of the Joint Participation Agreement are incorporated into this Agreement by reference and shall have legal effect thereon. To the extent there is a conflict between the terms and provisions of this Agreement and the terms and provisions of the Joint Participation Agreement, the terms and provisions of this Agreement shall be controlling, excepting the terms and provisions set forth in Articles 4 through 7 and Articles 9 through 15 of the Joint Participation Agreement shall be controlling over the terms and provisions of this Agreement.

TERMS AND CONDITIONS

ARTICLE 1. PROJECT DESCRIPTION

1.1 Project Scope. The Project is comprised of a network of diversion structures, pressure regulating ponds, and delivery pipelines that will be used to divert and convey irrigation water and stock water to of each shareholder of Huntington-Cleveland. The Project design includes multiple, independent irrigation zones as shown on Attachment A attached hereto and by this reference made a part hereof. Individual irrigation zones are identified and listed in section 2.6 of this Agreement. Each irrigation zone contains a pressure regulating pond and all irrigation zones will be located within the boundaries of the Huntington – Cleveland irrigation service territory.

An additional component to the Project is the installation of pressurized irrigation systems on the property of each irrigating shareholder. PacifiCorp funding will not be associated with the installation of these individual shareholder systems. For the purpose of this Agreement, the Project will be limited to that portion of the conveyance and delivery system illustrated in Attachment A.

Huntington – Cleveland will own, maintain, and operate the Project systems described herein and shall do so in accordance with applicable laws and regulations, this Agreement, as well as the terms and provisions of the Joint Participation Agreement.

1.2 Federal Funding Structure. A significant portion of the funding for the Project is expected to come from the federal government. Huntington – Cleveland will apply for and is anticipating approximately \$29 million of federal funding over the next five years to assist in the completion of the Project. Huntington – Cleveland is anticipating federal salinity funding to be provided by the U.S. Bureau of Reclamation (Basin Wide Salinity Control Program), the Natural Resources Conservation Service (Environmental Quality Incentives Program), and the Colorado River Basin States (Parallel Program).

1.3 PacifiCorp Funding. For the consideration of the benefits identified in the Joint Participation Agreement and other considerations described in this Agreement, and subject to the terms and provisions contained herein, PacifiCorp agrees to advance to Huntington – Cleveland an amount not to exceed \$19,850,000 for the sole purpose of allowing Huntington – Cleveland to supplement and/or match the federal grant money described above to construct the Project. All funds advanced to Huntington – Cleveland shall not be used for any other purpose than for construction of the Project. In no event, including but not limited to Project construction cost overruns, shall PacifiCorp be liable for any funding contributions in excess of \$19,850,000 for the Project, excepting any assessments for which PacifiCorp may be liable as a shareholder of Huntington – Cleveland.

The parties acknowledge and agree that the length of time required to complete the Project is dependent on the availability of federal funding. The parties also acknowledge

and agree that the availability of federal funding will impact PacifiCorp's rate of funding (cash flow) for Project construction. However, the parties anticipate that the Project construction will be completed within five years by December 2010. Huntington – Cleveland shall provide PacifiCorp with a Project construction schedule and any subsequent updates thereto to keep PacifiCorp informed as to the status of the construction schedule. Unless otherwise mutually agreed by the parties, PacifiCorp's funding contributions for the Project shall be limited to the following amounts in each calendar year over the anticipated construction schedule of the Project.

2006	\$5,640,000
2007	\$5,180,000
2008	\$5,245,000
2009	\$3,400,000
2010	\$385,000

Notwithstanding the timing of PacifiCorp's funding contributions to the Project as set forth above, Huntington - Cleveland may request that PacifiCorp agree to allow Huntington – Cleveland to expend up to an additional 5% of the then current annual allocated funding contribution amount if such incremental funds are necessary or desirable for the Project. Assuming PacifiCorp agrees to allow the expenditure of the incremental funds, such additional amounts shall be credited to PacifiCorp's future years funding contribution amounts and shall not increase PacifiCorp's total Project expenditure of \$19,850,000.

In the event PacifiCorp's total funding contribution amount is not expended within five years as contemplated by the parties, Huntington – Cleveland and PacifiCorp shall mutually agree to modify this Agreement for the expenditure of remaining funds within a reasonable period of time.

1.4 Huntington-Cleveland Funding. In order to assist its financial capability to fund the completion of the Project, Huntington-Cleveland will establish and maintain a loan with the Utah Division of Water Resources in the amount of at least \$6,000,000 (“UDWR loan”). Huntington-Cleveland will withdraw funds from the UDWR loan as necessary to offset federal funding deficiencies and/or cost overruns and to supplement PacifiCorp's funding contributions. Funds withdrawn by Huntington-Cleveland from the UDWR loan will only be used to advance construction of the Project, and Huntington-Cleveland will notify PacifiCorp of the amount and time funds are withdrawn. As a shareholder of Huntington – Cleveland, PacifiCorp acknowledges and agrees it may be assessed amounts related to withdrawals made under the UDWR loan, which assessments are not to be applied as a credit to PacifiCorp's funding obligation set forth in section 1.3 above.

ARTICLE 2. PROJECT CONSTRUCTION AGREEMENT TERMS

2.1 Project Design. The Project Master Plan illustrated in Attachment A may be modified from time to time as agreed upon by Huntington-Cleveland and PacifiCorp. The parties anticipate that the Project will be constructed in seven (7) separate irrigation

zones (individually and collectively referred to as an “Irrigation Zone(s)” as the context shall require) as further described herein.

2.2 Approval for Commencement of each Zone. Before initiation of the improvements necessary for each Project irrigation zone, PacifiCorp, Huntington-Cleveland and Huntington – Cleveland’s project engineer (“Project Engineer”) will conduct a Project funding and cost estimate analysis for that specific zone of the Project. Such analysis will include a review of the current and expected available federal funds and other sources of funding as well as a comparison of actual versus estimated costs of the Project to date. If a funding deficiency is identified (*e.g.*, cost overruns, decrease in expected federal funding, *etc.*) that would require additional funding to construct the necessary improvements for the completion of future Irrigation Zones, then Huntington-Cleveland shall have the option to terminate the Project or withdraw funds from the UDWR loan. Huntington – Cleveland shall have 60-days from the date such deficiency is identified to exercise the option and shall provide PacifiCorp written notice of its intention on or before the expiration of the option. Any draws from the UDWR loan shall be repaid through assessments of all Huntington-Cleveland Class A shareholders on an equal and pro-rata basis. PacifiCorp, as a Huntington-Cleveland shareholder, shall not be assessed an amount per Class A share greater than any other Class A shareholder. Huntington-Cleveland Class B shares shall be assessed an amount per share as determined by the Board of Directors. If Huntington-Cleveland chooses not to finance the deficiency and not complete construction of the Project, PacifiCorp shall have no further obligation to fund additional improvements and no further liability with respect to construction or operation of the Project; provided, however, that PacifiCorp shall have the right to complete any additional Project improvements at its sole cost and expense. If PacifiCorp chooses to complete any additional Project improvements, this Agreement shall remain effective until such time as PacifiCorp has completed such improvements, and during such time, Huntington – Cleveland shall cooperate with PacifiCorp in such effort and shall ensure all necessary shareholder approvals and access easements or agreements are obtained to allow PacifiCorp to construct such Project improvements.

2.3. Completion of Construction Zones. Once Huntington - Cleveland issues a written Notice-to-Proceed to its construction contractor for the construction of improvements within an Irrigation Zone, Huntington – Cleveland shall complete the improvements for that zone and, subject to the annual funding contribution levels set forth in section 1.3, PacifiCorp shall pay its portion of the funding for the improvements for that zone, as long as the proportionate amount of federal funding and/or Huntington-Cleveland funding is also available to complete the improvements for that zone.

2.4 Project Review and Inspection. Huntington-Cleveland, as owner and operator of the Project, has the exclusive duty to oversee all aspects of the construction, including, but not limited to, obtaining the necessary governmental permits and authorizations, rights-of-way, inspections, and all federal, state, and local requirements applicable to the Project. Huntington – Cleveland will utilize its best efforts to complete the project within the agreed upon construction schedule and within the funding parameters described in

this Agreement. Notwithstanding the foregoing, and for its sole benefit, PacifiCorp shall have the right to:

- a. Upon 24-hour written notice, inspect any and all aspects of the Project at reasonable times and shall have the right to audit all expenditures and other contract data and information pertaining to the Project, as further described in Article 4 of this Agreement. Huntington – Cleveland agrees to cooperate with any such audits, inspections and requests for information; and
- b. Upon written request, review, comment, and approve the terms and conditions of all construction contracts between Huntington - Cleveland and any contractor or subcontractor that performs any Project work to which PacifiCorp will provide funding contributions, including any change orders or supplemental modifications to agreements.

Huntington – Cleveland shall establish quality control measures to assure that its construction contractor's performance and the performance of all subcontractors are in compliance with the terms of this Agreement, the Joint Participation Agreement and all laws, regulations, ordinances and requirements applicable to the Project. The Project Engineer will submit a Project status report to PacifiCorp at a minimum of every month, or more frequently if requested by PacifiCorp. The purpose of the report is to communicate how the Project is progressing, identify key issues associated with the construction of the Project, and help assure the Project is being constructed to the accepted standards and specifications. The Project status report shall include, but not be limited to, a descriptive summary on the progress, a financial summary, a report on the current available funding, and a list of key issues affecting the Project and the intended corrective action of each issue. Daily inspection log sheets shall be maintained by the Project Engineer and shall be made available to PacifiCorp upon request.

2.5 Project Review Team. Huntington – Cleveland, PacifiCorp, the Project Engineer, and the Project construction contractor shall establish a Project Review Team to review the status of the Project on an as-needed basis but shall meet not less frequently than once a month. Project Review Team meetings shall include, but not be limited to, discussion on construction progress, actual versus forecasted costs, PacifiCorp's 12-month projected cash flow requirements, and other pertinent project monitoring data as agreed upon by Huntington – Cleveland and PacifiCorp. With respect to PacifiCorp's right to monitor, review, audit, inspect or otherwise participate as a member of the Project Review Team, Huntington – Cleveland acknowledges and agrees such rights do not create any obligation on the part of PacifiCorp to perform or otherwise exercise these rights. Further, PacifiCorp shall have no liability to Huntington – Cleveland or its shareholders for failing to advise them regarding any aspects of the Project.

2.6 Project Construction Schedule. The current project master plan calls for the construction of seven (7) Irrigation Zones. The Project will be constructed using a “phased approach”, constructing individual Irrigation Zones using the following construction schedule:

1. Richard Snowball - Elmo Zone
2. Huntington North Reservoir - Huntington Zone
3. Upper Pond - Lower Cleveland Canal Zone
4. Huntington North Reservoir – Cleveland Zone
5. Upper Pond – Cleveland South Branch Zone
6. Cottonwood and Huntington Canal Zone
7. Upper Pond – Huntington and Upper Cleveland Canal Zone

Changes to the above construction schedule of Irrigation Zones may be modified from time to time, as mutually agreed upon by the parties.

2.7 Huntington – Cleveland Project Construction Obligations. Subject to the terms of this Agreement, Huntington – Cleveland shall undertake and perform all activities and obligations necessary to construct the Project in a manner consistent with (i) all applicable laws, regulations and codes, (ii) the construction schedule as mutually agreed by parties, and (iii) Huntington – Cleveland’s obligations and responsibilities set forth in the terms and provisions of the Cooperative Agreement No. 04-FC-40-2242 by and between Huntington –Cleveland and the United States Bureau of Reclamation (“Cooperative Agreement”). In the event there is an event of termination of the Cooperative Agreement, this Agreement shall terminate subject to the provisions hereof, and PacifiCorp’s obligation to provide future funding contributions to the Project shall cease.

ARTICLE 3. PACIFICORP FUNDING ADVANCES

PacifiCorp agrees to advance to Huntington – Cleveland an amount not to exceed \$19,850,000 as matching funds for the construction of the Project. As consideration for the satisfactory performance of Huntington - Cleveland's obligations under this Agreement as it relates to a particular Irrigation Zone, PacifiCorp will advance to Huntington - Cleveland within ten (10) calendar days upon receipt of a proper invoice for construction work related to that Irrigation Zone. Huntington – Cleveland agrees to send PacifiCorp Project invoices within a reasonable timeframe from the date Huntington – Cleveland receives the Project construction contractor’s invoice. Each invoice shall meet the following requirements:

- a. Contain a signed certification from the Project Engineer that the items being invoiced are true, accurate, and complete (verification that the work has actually been done and the invoiced materials have been purchased and received by the Project construction contractor).

- b. Signed certification from Huntington-Cleveland acknowledging it has accepted the goods and services being invoiced from the Project construction contractor.
- c. A computer generated invoice on Huntington - Cleveland letterhead.
- d. Each invoice shall clearly identify the Irrigation Zone and a detailed description of each invoice item.
- e. Copies of each invoice received from the Project construction contractor must accompany each PacifiCorp invoice from Huntington - Cleveland.
- f. All invoices shall be addressed as follows:

PacifiCorp Energy – Huntington Plant
Attn: Cody Allred
P.O. Box 680
Huntington, Utah 84528

In the event that PacifiCorp reasonably determines that an invoice is materially deficient and does not meet the requirements of this section, it shall notify Huntington-Cleveland within five (5) business days of receipt in writing of the details of the deficiency. Huntington-Cleveland may submit a corrected invoice to address the deficiency.

ARTICLE 4. ACCOUNTING AND AUDITING

Huntington - Cleveland shall keep accurate and complete business and accounting records in support of all construction invoices provided to PacifiCorp for payment in accordance with generally recognized accounting principles and practices. Upon 24-hour written notice, PacifiCorp, or its audit representatives, shall have the right at any reasonable time or times to examine, audit, and copy the records, vouchers, and source documents which relate to any claim or compensation other than pricing elements which are fixed in amount by this Agreement. Huntington – Cleveland shall make such documents available for examination, audit, and copying for three (3) years after the completion or termination of this Agreement. Huntington - Cleveland shall cooperate and assist PacifiCorp in any such auditing process. PacifiCorp shall pay for the cost of such audits and examinations', including reimbursement to Huntington-Cleveland for reasonable expenses incurred in PacifiCorp's auditing process.

ARTICLE 5. DESIGNATED REPRESENTATIVE AND NOTICES

Prior to commencement of the Project, each party shall designate a representative authorized to act in its behalf and shall advise the other party in writing of the name, address, and telephone number of such designated representative, and shall inform the other party of any subsequent change in such designation. All communications relating to the day-to-day activities under this Agreement shall be exchanged between such

designated representatives. Either party may change the identity or address of its designated representative by giving the other party written notice of such change.

Any notice by either party to the other shall be delivered to the office of the designated representative of the other party, or, if deposited in the mail, properly stamped with the required postage and addressed to the office of such representative. The parties' addresses for purposes of notice shall be as set forth below:

If to PacifiCorp: <hr/> PacifiCorp Energy - Huntington Plant <hr/> P.O. Box 680 <hr/> Huntington, UT 84528 <hr/> Attn: Cody Allred <hr/> Telephone: (435) 687-4306 <hr/>	If to Huntington - Cleveland: <hr/> Huntington Cleveland Irrigation Company <hr/> P.O. Box 327 <hr/> Huntington, UT 84528 <hr/> Attn: Sherrel Ward <hr/> Telephone: (435) 687-2505 <hr/>
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ARTICLE 6. INDEMNIFICATION

Huntington - Cleveland agrees to indemnify, defend, and hold PacifiCorp and its officers, directors, employees and agents (hereinafter collectively "Indemnitees") harmless against and from any and all claims, demands, suits, losses, costs and damages of every kind and description, including attorneys' fees and/or litigation expenses, brought or made against or incurred by any of the Indemnitees to the extent the same are resulting from or arising out of any negligent, unlawful, or wrongful acts of Huntington - Cleveland, its employees, agents, representatives, Project construction contractor or its subcontractors or any of their employees, agents or representatives who are not employees, agents or representatives of PacifiCorp or any affiliated entity in the performance or nonperformance of Huntington - Cleveland's obligations under this Agreement.. Huntington - Cleveland agrees that (i) to the extent it is obligated to make payments to the Indemnitees hereunder and (ii) it obtains any insurance proceeds either from its contractor or subcontractors or otherwise related directly or indirectly to the Project construction, then Huntington - Cleveland shall have such insurance proceeds paid directly to PacifiCorp to the extent of its obligation hereunder. The foregoing shall not be construed as a limitation on Huntington - Cleveland's indemnity obligation hereunder.

ARTICLE 7. INDEPENDENT CONTRACTOR

Huntington - Cleveland is an independent entity, and all persons employed or contracted by Huntington - Cleveland in connection herewith shall be employees and/or subcontractors of Huntington - Cleveland and not employees and/or contractors of PacifiCorp in any respect. Huntington - Cleveland is not an agent of PacifiCorp and shall maintain complete control over its employees and contractors.

ARTICLE 8. AS-BUILT PROJECT DRAWINGS

Huntington – Cleveland agrees to provide a complete set of “as-built” Project drawings to PacifiCorp within three (6) months of the Project completion date. The set of final drawings shall be provided to PacifiCorp in both paper and electronic format. Electronic drawings shall be submitted in the most current version of AutoCAD.

ARTICLE 9. PROJECT CHANGE APPLICATIONS

Huntington-Cleveland will file a change application (the "Utah Division of Water Rights Project Change Application") with the Utah State Engineer's Office, as required by the State Engineer. The change application shall be prepared with the assistance of a competent engineering firm. PacifiCorp shall have the right to review and, at its option, may assist in the preparation and prosecution of the Project Change Application.

ARTICLE 10. MISCELLANEOUS PROVISIONS

10.1 Governing Law. This Agreement shall be governed by the laws of the State of Utah, without giving effect to its conflict of law rules contained therein.

10.2 Venue. The parties hereby irrevocably submit to the jurisdiction of the courts of the State of Utah, located in Carbon County, Utah, and hereby waive, to the fullest extent permitted by law, any objection that it may now or hereafter have to such venue.

10.3 Assignment. Huntington - Cleveland shall not assign or transfer its rights or interest (including, without limitation, Huntington - Cleveland's right to receive any moneys due hereunder) in this Agreement without the written consent of PacifiCorp. PacifiCorp may, without obtaining Huntington - Cleveland's consent, assign PacifiCorp's interests under this Agreement to any entity in which PacifiCorp has an interest or to any entity which has an interest in PacifiCorp. After any assignment by PacifiCorp, the assignee shall possess all rights and interests of the assignor hereunder, including the right of assignment. Any assignee entity must agree in writing that it will assume all obligations under this Agreement. Any assignment or transfer in violation of this section shall be void and without force or effect.

10.4 Entire Agreement. This Agreement and the Joint Participation Agreement represent the entire and integrated agreement between PacifiCorp and Huntington – Cleveland with respect to the matters contained therein and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement and the Joint Participation Agreement may be amended only by written instrument signed by both PacifiCorp and Huntington – Cleveland.

10.5 Third Party Rights. Nothing contained in this Agreement shall create a contractual relationship with or a cause of action in favor of a third party against either PacifiCorp or Huntington - Cleveland, provided, however, PacifiCorp is an intended third party beneficiary of Huntington – Cleveland’s construction of the Project.

10.6 Attorneys’ Fees.

- a. If a party to this Agreement commences an action or claim against the other party, whether litigation, arbitration or otherwise, respecting any dispute or claim arising out of or relating to this Agreement, each party shall be solely responsible for its own costs directly incurred related thereto and shall not have a right of contribution therefor or otherwise seek payment from the other party.
- b. Notwithstanding the foregoing, In the event Huntington – Cleveland commences an action or files a claim against PacifiCorp seeking to enforce any term or provision of this Agreement, PacifiCorp, in its capacity as a shareholder of Huntington – Cleveland, shall not be assessed any amounts or obligated to pay any amounts related to such costs otherwise chargeable to the corporation, whether directly through a special assessment or indirectly through an annual-member minimum assessment.
- c. In the event PacifiCorp commences an action or files a claim against Huntington – Cleveland seeking to enforce any term or provision of this Agreement, PacifiCorp may be assessed or otherwise obligated to pay amounts related to such attorney fees otherwise chargeable to the corporation and which is chargeable to all shareholders, whether directly through a special assessment or indirectly through an annual-member minimum assessment. In such event, PacifiCorp, as a Huntington-Cleveland shareholder, shall not be assessed an amount per Class A share greater than any other Class A shareholder. Huntington-Cleveland Class B shares shall be assessed an amount per share as determined by the Board of Directors.

10.7 Severability. In case a provision of this Agreement is held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not be affected.

10.8 Independent Contractor. The relationship of Huntington - Cleveland to PacifiCorp hereunder is that of an independent contractor. As such, Huntington – Cleveland shall have no authorization, express or implied, to bind PacifiCorp, and PacifiCorp shall have no authorization, express or implied, to bind Huntington – Cleveland to any agreement, settlement, liability or understanding whatsoever, nor is either party authorized to perform any acts for the other except as specifically set forth in this Agreement.

10.9 Authorization. The individuals executing this Agreement on behalf of PacifiCorp and Huntington – Cleveland certify that they are duly authorized to execute this Agreement on behalf of their respective organizations and all necessary actions, resolutions and authorizations have been granted or obtained. Upon execution of this Agreement, PacifiCorp and Huntington – Cleveland agree to and shall be legally bound by the terms, provisions and obligations contained herein.

10.10 Termination. As set forth in (i) section 2.2 above, in the event there is a funding deficiency relative to one or more Irrigation Zones and Huntington – Cleveland exercises its option to discontinue Project construction, or (ii) section 2.7 above, in event of default or termination under the Cooperative Agreement, this Agreement shall terminate. Upon termination, Huntington – Cleveland’s obligations (i) as provided in Article 6 (ii) to operate and maintain the constructed Irrigation Zones or other portions of the Project, and (iii) all rights and obligations of the parties as set forth in Articles 4 through 7 and Articles 9 through 15 of the Joint Participation Agreement shall survive termination hereof; provided, however, that Section 10.7 shall not be applicable to any dispute arising under the Joint Participation Agreement.

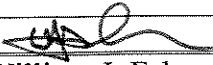

10.11 CONSEQUENTIAL DAMAGES. EXCEPT TO THE EXTENT SUCH DAMAGES ARE INCLUDED IN INDEMNIFICATION FOR THIRD PARTY DAMAGES, OR OTHER SPECIFIED MEASURE OF DAMAGES EXPRESSLY PROVIDED FOR HEREIN, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR SPECIAL, PUNITIVE, INDIRECT, EXEMPLARY OR CONSEQUENTIAL DAMAGES, WHETHER SUCH DAMAGES ARE ALLOWED OR PROVIDED BY CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, STATUTE OR OTHERWISE.

10.12 Waiver of Jury Trial. EACH PARTY KNOWINGLY, VOLUNTARILY, INTENTIONALLY AND IRREVOCABLY WAIVES THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON THIS AGREEMENT, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT AND ANY AGREEMENT EXECUTED OR CONTEMPLATED TO BE EXECUTED IN CONJUNCTION WITH THIS AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT TO EACH OF THE PARTIES FOR ENTERING HEREINTO. EACH PARTY HEREBY WAIVES ANY RIGHT TO CONSOLIDATE ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER AGREEMENT EXECUTED OR CONTEMPLATED TO BE EXECUTED IN CONJUNCTION WITH THIS AGREEMENT, OR ANY MATTER ARISING HEREUNDER OR THEREUNDER, IN WHICH A JURY TRIAL HAS NOT OR CANNOT BE WAIVED.

10.13 Interpretation. Each term hereof shall be construed simply according to its fair meaning and not strictly for or against either party. The parties have jointly prepared this Agreement, and no term hereof shall be construed against a party on the ground that the party is the author of that provision. The Recitals contained herein are repeated verbatim and are incorporated as part of this Agreement.

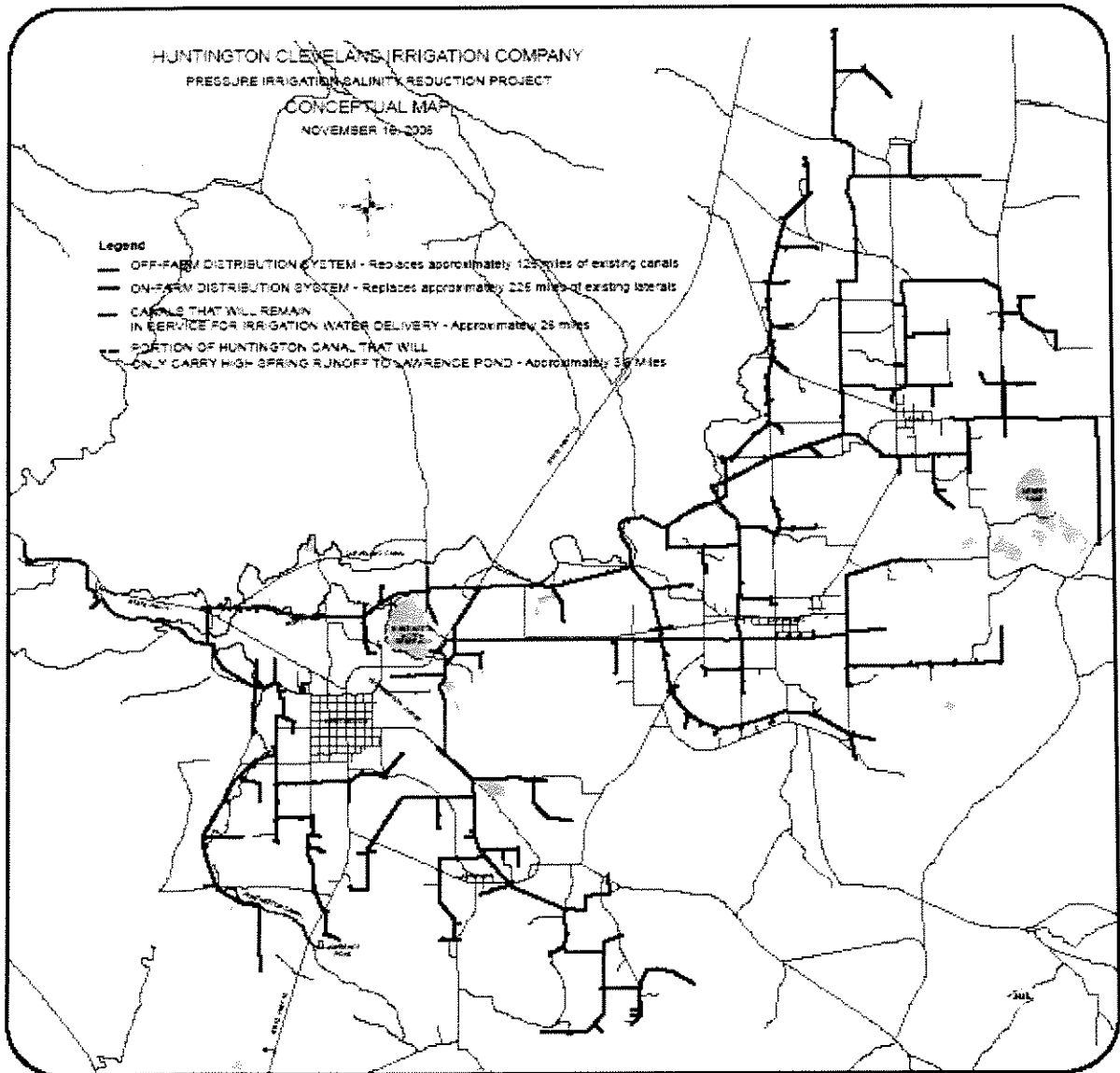
10.14 Counterparts. This Agreement may be executed in one or more counterparts, which together shall constitute the Agreement.

NOW, THEREFORE, this Agreement is entered into as of the day and year first written above.

PACIFICORP ENERGY, a division of PacifiCorp, an Oregon corporation	HUNTINGTON - CLEVELAND, a non-profit mutual irrigation company
By: 	By: 
William J. Fehrman, president	Sherrel Ward, president

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ATTACHMENT A PROJECT MASTER PLAN



WASHINGTON AFFILIATED INTEREST FILING

VERIFICATION

VERIFICATION

I, Natalie L. Hocken, am an officer of PacifiCorp and am authorized to make this verification on its behalf. Based on my personal knowledge about the attached Non-exclusive Pipeline Easement Agreement, Letter of Understanding, Joint Participation Agreement, and Final Project Construction Agreement, I verify that the Non-exclusive Pipeline Easement Agreement, Letter of Understanding, Joint Participation Agreement, and Final Project Construction Agreement are true and accurate copies of the originals.

I declare upon the penalty of perjury, that the foregoing is true and correct.

Executed on May 7, 2010 at Portland, Oregon.

Natalie L. Hocken
Natalie Hocken
Vice President & General Counsel

Subscribed and sworn to me on this 7 day of May, 2010.

Janna L. Leasy
Notary Public for Oregon

My Commission expires: 9/28/2011

