

**AVOIDED COST PURCHASES FROM
QUALIFYING FACILITIES OF GREATER THAN 10,000 KW**

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Available

To owners of Qualifying Facilities ("QF") making sales of electricity to the Company in the State of Oregon.

Applicable

For power purchased from Qualifying Facilities with a nameplate capacity greater than 10,000 kW. Owners of these Qualifying Facilities will be required to enter into a negotiated written power purchase agreement with the Company. Pursuant to Order No. 05-584 and 07-360, the pricing options specified in Schedule 37 should serve as a starting point for prices under a negotiated power purchase agreement.

Definitions

Cogeneration Facility

A facility which produces electric energy together with steam or other form of useful energy (such as heat) which are used for industrial, commercial, heating or cooling purposes through the sequential use of energy.

Qualifying Facilities

Qualifying cogeneration facilities or qualifying small power production facilities within the meaning of section 201 and 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA), 16 U.S.C. 796 and 824a-3.

Small Power Production Facility

A facility which produces electric energy using as a primary energy source biomass, waste, renewable resources or any combination thereof and has a power production capacity which, together with other facilities located at the same site, is not greater than 80 megawatts.

On-Peak Hours or Peak Hours

On-peak hours are defined as 6:00 a.m. to 10:00 p.m. Pacific Prevailing Time Monday through Saturday, excluding NERC holidays.

Due to the expansions of Daylight Saving Time (DST) as adopted under Section 110 of the U.S. Energy Policy Act of 2005, the time periods shown above will begin and end one hour later for the period between the second Sunday in March and the first Sunday in April and for the period between the last Sunday in October and the first Sunday in November.

Off-Peak Hours

All hours other than On-Peak.

Excess Output

Excess output shall mean any increment of Net Output delivered at a rate, on an hourly basis, exceeding either the Facility Capacity Rating or the amount committed to in the contract. PacifiCorp shall pay the Qualifying Facility the Non-Firm Market Index Avoided Cost Price for all Excess Output.

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**AVOIDED COST PURCHASES FROM
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Owner shall elect to sell all Net Output to PacifiCorp and purchase its full electric requirements from PacifiCorp or sell Net Output surplus to its needs at the Facility site to PacifiCorp and purchase partial electric requirements service from PacifiCorp, in accordance with the terms and conditions of the power purchase agreement and the appropriate retail service.

Qualifying Facilities Contracting Procedure**A. Communications**

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

PacifiCorp
Manager-QF Contracts
825 NE Multnomah St, Suite 600
Portland, Oregon 97232

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

B. Procedures

1. To obtain an indicative pricing proposal with respect to a proposed project, the owner must provide in writing to the Company, general project information reasonably required for the development of indicative pricing, including, but not limited to:
 - a) generation technology and other related technology applicable to the site
 - b) design capacity (MW), station service requirements, and net amount of power to be delivered to the Company's electric system
 - c) quantity, firmness, and timing of daily and monthly power deliveries (including project ability to respond to dispatch orders from the Company and maintenance schedule)
 - d) proposed site location and electrical interconnection point
 - e) proposed on-line date and outstanding permitting requirements
 - f) demonstration of ability to obtain QF status
 - g) fuel type (s) and source (s)
 - h) plans for fuel and transportation agreements
 - i) proposed contract term and pricing provisions (i.e., fixed, deadband, electric or gas market indexed)
 - j) status of interconnection arrangements

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B. Procedures (Continued)

2. The Company shall not be obligated to provide an indicative pricing proposal until all information described in Paragraph 1 has been received in writing from the Qualifying Facility owner. Within 30 days following receipt of all information required in Paragraph 1, the Company will provide the owner with an indicative pricing proposal, which may include other indicative contract terms and conditions as allowed under federal law, state law, and per Order No. 07-360, tailored to the individual characteristics of the proposed project. Such proposal may be used by the owner to make determinations regarding project planning, financing and feasibility. However, such prices are merely indicative and are not final and binding. Prices and other terms and conditions are only final and binding to the extent contained in a power purchase agreement executed by both parties. The Company will provide with the indicative prices a description of the allowed price adjustments and the methodology used to develop the prices. Prices specified in Schedule 37 will provide a starting point for negotiated prices, and will be modified to address specific factors or adjustments as allowed under federal law and per Order No. 07-360. Any adjustments other than those approved in Order No. 07-360 must first be approved by the Commission.

The following factors or adjustments, to the extent practicable will be included in the price delivered in the indicative pricing proposal.

- a. Dispatchability – Adjustment will reflect the ability of PacifiCorp to schedule and dispatch the Qualifying Facility as compared to the proxy resource on a forward, probabilistic basis. This adjustment will also account for the Company backing down more economic generating resources in lieu of wheeling the Qualifying Facility's power outside a load-constrained area.
- b. Reliability – Adjustment to be made based on the Qualifying Facility's demonstrated reliability (including the ability of the Qualifying Facility to supply reserves with its delivered energy) and availability of its capacity and energy as compared to its contracted level of reliability and availability during the Company's daily and seasonal peak periods. The value of the adjustment will reflect the Company's avoided resource in the Company's sufficiency and deficiency periods, as appropriate, and provide the Qualifying Facility an incentive for contracted performance and a disincentive for non-performance.
- c. Fossil Fuel Risk – Applicable only during the Company's resource deficiency period and if the Company's avoided resource is a fossil fuel plant. Adjustment will be based on the benefit of reduced fuel cost volatility of the Qualifying Facility compared to the avoided resource.

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B. Procedures (Continued)

- d. Line Losses – Adjustment will be the costs or savings resulting from variations in line losses using a proximity-based approach to compare Qualifying Facility’s location and the Company’s proxy plant location relative the closest load area served by the Qualifying Facility. Qualifying Facilities serving on-site loads, or other loads closer to the Qualifying Facility than the utility proxy resource, allow the utility to avoid transmission losses except in those cases where the utility must wheel the Qualifying Facility’s power in excess of the on-site or local loads to other loads.
 - e. Transmission and Distribution System – Adjustment will be based on the potential savings that can be achieved for avoided transmission and distribution system costs, including upgrade deferrals or avoidance resulting from the Qualifying Facility’s location relative to the Company’s avoided resource. This adjustment does not include any costs associated with upgrades as part of the interconnection of the Qualifying Facility to PacifiCorp’s system.
3. If the owner desires to proceed forward with the project after reviewing the Company’s indicative pricing proposal, it may request in writing that the Company prepare a draft power purchase agreement to serve as the basis for negotiations between the parties. In connection with such request, the owner must provide the Company with any additional project information that the Company reasonably determines to be necessary for the preparation of a draft power purchase agreement, which may include, but shall not be limited to:
- a) updated information of the categories described in Paragraph B.1,
 - b) evidence of adequate control of proposed site
 - c) identification of, and timelines for obtaining any necessary governmental permits, approvals or authorizations
 - d) assurance of fuel supply or motive force
 - e) anticipated timelines for completion of key project milestones
 - f) evidence that any necessary interconnection studies have been completed and assurance that the necessary interconnection arrangements are being made in accordance with Part II.
4. The Company shall not be obligated to provide the owner with a draft power purchase agreement until all information required pursuant to Paragraph 3 has been received by the Company in writing. Within 30 days following receipt of all information required pursuant to paragraph 3, the Company shall provide the owner with a draft power purchase agreement containing a comprehensive set of proposed terms and conditions, including specific pricing for purchases from the project. Such draft shall serve as the basis for subsequent negotiations between the parties and, unless clearly indicated, shall not be construed as a binding proposal by the Company.

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B. Procedures (Continued)

5. After reviewing the draft power purchase agreement, the owner may prepare an initial set of written comments and proposals regarding the draft power purchase agreement and forward such comments and proposals to the Company. The Company shall not be obligated to commence negotiations with a Qualifying Facility owner until the Company has received an initial set of written comments and proposals from the Qualifying Facility owner. Following the Company's receipt of such comments and proposals, the owner may contact the Company to schedule contract negotiations at such times and places as are mutually agreeable to the parties. In connection with such negotiations, the Company:
 - a) will not unreasonably delay negotiations and will respond in good faith to any additions, deletions or modifications to the draft power purchase agreement that are proposed by the owner
 - b) may request to visit the site of the proposed project if such a visit has not previously occurred
 - c) will update its pricing proposals at appropriate intervals to accommodate any changes to the Company's avoided-cost calculations, the proposed project or proposed terms of the draft power purchase agreement
 - d) may request any additional information from the owner necessary to finalize the terms of the power purchase agreement and satisfy the Company's due diligence with respect to the project.
6. When both parties are in full agreement as to all terms and conditions of the power purchase agreement, the Company will prepare and forward to the owner a final, executable version of the agreement within 15 business days. Prices and other terms and conditions in the power purchase agreement will not be final and binding until the power purchase agreement has been executed by both parties.
7. At any time after 60 days from the date that Qualifying Facility has provided its written notification pursuant to Paragraph 5, the Qualifying Facility may file a complaint with the Commission asking the Commission to adjudicate any unresolved contract terms or conditions.