



## SPRING CANYON ENERGY, LLC

September 13, 2005

Mr. Bruce Griswold  
Manager, Origination  
Commercial & Trading  
PacifiCorp  
825 NE Multnomah, Suite 600  
Portland, OR 97232

Ref: 100 MW Qualifying Facility Contract w/ Spring Canyon Energy LLC 05-035-08

Dear Mr. Griswold:

With due consideration of the current state of distrust between the Parties, we have reached the disappointing conclusion that there is no basis upon which any further discussions regarding the 100 MW PURPA QF Power Contract can be accomplished in a form which would be acceptable to our lenders and to our equity investors. With the June, 2007 completion date remaining fixed, and given the belated injection into the contract of unwarranted penal and/or uncapped liability provisions, it is apparent that we cannot reasonably complete the substantial task on a timely basis.

While we anticipate it may be a central component of your interest to invoke penalty provisions related to replacement power and other default security issues, our interest lies only in constructing and operating a generation facility to furnish reliable and fairly priced power to the citizens of Utah. Regrettably, our interest does not appear to correspond with your plans. Based on the Public Service Commission's order of April 1, 2005, we had anticipated a much more prompt and direct time during the past 5 months by which a form of contract with commercially reasonable terms would be finalized. The injection into the negotiations of radically different non-firm energy pricing and other conditions at a point in time past the eleventh hour leads us to the conclusion that other additional delays attributable to PacifiCorp will most certainly occur, which delays will not allow us to complete a facility on a timely basis. Accordingly, we choose to conclude our discussions.

We look forward to a time in the future when we may experience mutually enjoyable occasions to work together.

Sincerely,

F. David Graeber  
Managing Member  
Spring Canyon Energy LLC

Cc: ✓ Commission Chairman Rick Campbell, Utah Public Service Commission  
The Honorable Jon Huntsman, Jr., Governor of Utah  
Commissioner Nora Brownell, Federal Energy Regulatory Commission