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August 10, 2005

Public Service Commission
Heber Wells Building
160 East 300 South, 4th Floor
Salt Lake City, Utah 84111

Subject: Qualifying Facility Contract between Spring Canyon Energy, LLC (“Spring Canyon”) and PacifiCorp, Docket No. 05-035-08

Dear Commissioners:

As you are aware, Spring Canyon and PacifiCorp have been negotiating a qualifying facility contract. Unfortunately, there remain issues in dispute between the two parties. Given the time requirements in the stipulation in Docket No. 03-035-14, Spring Canyon asked the Commission to schedule a hearing for Tuesday, August 16, 2005 to resolve these issues and to approve the contract. From Spring Canyon’s standpoint the disputed issues are listed below. If possible, we intend to narrow this list with PacifiCorp prior to the August 16th hearing.

- Section 1.68 – Transmission provider
- Section 2.3.1 – Timing of development security
- Section 2.6 – Spring Canyon’s liability prior to commercial operation date
- Section 8.1 – Development Security
- Section 8.2 – Default Security
- Deleted Section 11.1.1 – Default under financing document is a default under QF contract
- Deleted Sections 11.1.2, 11.1.3 – effect of a material adverse change
- Sections 11.1.5, 11.1.6 – effect of material adverse change
- Section 11.6 – PacifiCorp’s obligation to provide reasonable assistance in project financing
- Section 11.8 – Financing out provision
- Section 12.5.3 – Insurance provision
- Section 22.1- Waiver of claims
- Deleted Section 5.1 – Accounting Adjustment
- Section 5.4 – 160 MWs

Attached is the contract Spring Canyon is proposing for approval with accompanying exhibits. There is both a redline version and a final version. The provisions in redline include the issues in dispute, some clean-up provisions which should not be objectionable to PacifiCorp, and revisions to PacifiCorp's most recent changes to the contract which we have not been able to discuss. There are a few provisions to which the parties have agreed but PacifiCorp has not yet approved in their current written form.

Shortly, Spring Canyon will file a position statement outlining its position on each of the disputed issues and explaining why the Commission should adopt Spring Canyon's language in the proposed contract. If there is additional information the Commission would like from Spring Canyon please let us know.

Thank you for your help in resolving these disputes between the parties. We would ask that the Commission address them as quickly as possible.

Sincerely,

Stephen F. Mecham