



Spring Canyon Energy LLC

Via: Facsimile
801-530-6796

September 28, 2004

Commissioner Richard Campbell
Chairman
Utah Public Service Commission
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84111

Re: Docket 03-035-14, Stipulation

Dear Commissioner Campbell:

The referenced Stipulation dated May 20, 2004, (in Docket No. 03-035-14 approved by the Public Service Commission of Utah ("PSC") on June 28, 2004) specified prices available to any Qualifying Facility ("QF") contract approved during the Interim Period (as defined by the Stipulation) provided that the power from the QF will be available to PacifiCorp no later than June 1, 2007 and, provided up to a cumulative cap of 275 MW for all QF projects approved during the Interim Period. In the event that a proposed QF project will cause the cap to be exceeded, paragraph 9 of the Stipulation allows for any party to request a determination by the PSC as to whether the cap should be increased and whether the same terms and pricing should apply to the proposed increase.

On July 30, 2004, Spring Canyon Energy, LLC informed PacifiCorp that its proposed facility near Mona, Utah ("Spring Canyon") would be a QF and that Spring Canyon intended to seek pricing under the Stipulation. In that correspondence, Spring Canyon referenced Schedule 38, which, at that time, required PacifiCorp to respond with a draft contract including indicative pricing within 30 days. A follow-up letter dated September 2, 2004 repeated our original request. PacifiCorp did not respond to the letter dated July 30, 2004 until September 17, 2004 and in its response provided neither a draft contract nor indicative pricing. Its response stated that "it is currently unclear what approach PacifiCorp would take with respect to providing indicative prices aside from the Stipulation."

On September 24, 2004 Spring Canyon again requested that PacifiCorp enter into good faith negotiations with Spring Canyon to achieve QF contract approval during the Interim Period. Based on recent discussions with the Division of Public Utilities ("Division") we are aware that the 275 MW cap has not been exceeded and approximately 140 MW is available to a QF applicant as of today; perhaps more if our July 30, 2004 application date is considered. Spring Canyon has therefore requested from PacifiCorp a 140 MW QF (or a greater amount if available under the cap) contract with a term of a minimum of twenty (20) years and with pricing consistent with the Stipulation.

Spring Canyon also, in its September 24, 2004 correspondence, informed PacifiCorp that Spring Canyon would request that the PSC increase the cap, per the Stipulation, and specify that appropriate terms and pricing apply to the proposed increase in the cap. Accordingly, Spring Canyon hereby requests that PSC increase the cap, per the Stipulation, to accommodate the capacity of the proposed nominal 420 MW Spring Canyon QF project. Spring Canyon further requests that the PSC direct PacifiCorp to engage in

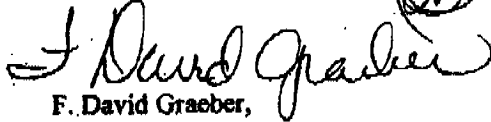
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Mr. Richard Campbell
September 28, 2004
Page 2 of 2

good faith negotiations with Spring Canyon to facilitate approval of a QF contract with a capacity of the greater of: i) 140 MW, ii) the amount remaining under the cap as of July 30, 2004, or iii) the additional cap amount associated with the PSC approval of Spring Canyon's request; such contract to be approved by the PSC during the Interim Period.

We look forward to receiving your approval and concurrence of these issues.

Sincerely,

A handwritten signature in cursive script, appearing to read "F. David Graeber". Above the signature, there is a circular stamp containing the initials "FB".

F. David Graeber,
Managing Member

cc: Dean Brockbank, PacifiCorp
Artie Powell, Utah PSC
Cody Webb, Sprouse, Shrader, Smith