

POWER PURCHASE AGREEMENT

BETWEEN

US MAGNESIUM LLC

AND

PACIFICORP

THIS AGREEMENT, entered into this 5th day of December 2003, is between US Magnesium LLC, ("Seller") and PacifiCorp (each, a "Party;" collectively, the "Parties").

RECITALS

Seller has and intends to upgrade, own, operate and maintain a Facility for the generation of electric power located in, Tooele County, Utah with a Nameplate Capacity Rating of 46,800 kilowatt (kW) ("Facility"); and

Seller intends to operate the Facility as a "qualifying facility," as such term is defined in Section 3.2.6 below.

Seller estimates that the average annual Net Output to be delivered by the Facility to PacifiCorp is 346,896,000 kilowatt-hours (kWh), which amount of energy PacifiCorp will include in its resource planning; and

Seller shall sell and PacifiCorp shall purchase the Net Output from the Facility in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, the Parties mutually agree as follows:

SECTION 1: DEFINITIONS

When used in this Agreement, the following terms shall have the following meanings:

1.1 "Billing Period" means the time period between PacifiCorp's reading of its power purchase billing meter at the Facility in the normal course of PacifiCorp's business. Such periods typically range between twenty-seven (27) and thirty-four (34) days and may not coincide with calendar months.

1.2 "Commercial Operation Date" means the earlier of January 1, 2005, or the date when generation output of the Facility exceeds 36,000 KW on a consistent basis.

1.3 “Commission” means the Public Service Commission of Utah

1.4 "Contract Year" means a twelve (12) month period commencing at 00:00 hours local time on the Commercial Operation Date and ending on 24:00 hours local time twelve (12) months thereafter.

1.5 “Credit Requirements” means either of the following: (i) Seller maintains a senior unsecured debt rating from Standard & Poor’s of BBB or better or (ii) Seller posts such security as may be required pursuant to Section 8.

1.6 “Dispatch Hours” means those hours during which PacifiCorp schedules capacity or energy from the Facility pursuant to Section 6.5, up to the Net Dependable Capacity.

1.7 “Effective Date” means the date specified in Section 2.1.

1.8 "Facility" means Seller's Generation facility as described in Exhibit A to this Agreement

1.9 “Generation Interconnection Agreement” means the existing Generation Interconnection Agreement that has been entered into separately between Seller and PacifiCorp’s transmission department providing for the construction and operation of the interconnection facilities at the Point of Delivery, as such agreement may be amended from time to time.

1.10 “Hourly Market Price” means the applicable Index Price for a specified time period (on-peak or off-peak)) in a specified day multiplied by the applicable Hourly Shaping Factor.

1.11 “Hourly Shaping Factor” means the hourly shaping factors utilized by PacifiCorp in 2003 for transactions at Palo Verde, as set forth in Exhibit C for each hour. By notice given to Seller at least sixty (60) days before the beginning of another Contract Year, PacifiCorp may adjust the hourly shaping factors set forth in Exhibit C in a commercially reasonable manner, with such adjustment to be in effect during the next Contract Year; provided, the summation of the hourly shaping factors for a 24-hour time period shall equal 24.00. Such adjustment shall be subject to Seller’s consent, which Seller shall not unreasonably withhold, condition or delay.

1.12 “Index Price” means the price for power on a given day as specified in the applicable Dow Jones™ Palo Verde index or any replacement index or reasonable substitution agreed to by both Parties. For hours in which PacifiCorp is a net buyer of short term electricity the applicable index shall be the Firm daily index for the applicable period. For hours in which PacifiCorp is a net seller of short term energy the applicable index shall be the Non-firm daily index for the applicable period.

1.13 “Nameplate Capacity Rating” means the maximum capacity of the Facility, expressed in kW, when operated consistent with the manufacturers' recommended power factor and operating parameters, as set forth in Exhibit A.

1.14 "Net Dependable Capacity" means the maximum capacity the Facility can sustain over a specified period, modified for seasonal limitations and reduced by the capacity required for station service or auxiliaries. For purposes of this Agreement, Net Dependable Capacity shall be based upon final testing of the upgraded Facility.

1.15 "Net Output" means all energy and capacity produced by the Facility and available for sale, less station use not obtained from other sources and less transformation and transmission losses and other adjustments, if any.

1.16 "Net Replacement Costs" means the positive difference, if any, between the firm Hourly Market Price and the Purchase Price for any hour. In lieu of paying Net Replacement Costs hereunder, Seller may cause another entity to deliver Scheduled Deliveries to PacifiCorp at any receipt point where PacifiCorp has available capacity.

1.17 "Point of Delivery" means the existing points of interconnection between the Facility and PacifiCorp's transmission system on the high side of the 138 to 13.8 kV transformer located at the Rowley Substation inside Seller's facility in Tooele County, Utah, as specified in the existing Generation Interconnection Agreement and in Exhibit B.

1.18 "Prime Rate" means the publicly announced prime rate or reference rate for commercial loans to large businesses with the highest credit rating in the United States in effect from time to time quoted by Citibank, N.A. If a Citibank, N.A. prime rate is not available, the applicable Prime Rate shall be the announced prime rate or reference rate for commercial loans in effect from time to time quoted by a bank with \$10 billion or more in assets in New York City, N.Y., selected by the Party to whom interest based on the prime rate is being paid.

1.19 "Prudent Electrical Practices" means any of the practices, methods and acts engaged in or approved by a significant portion of the electrical utility industry or any of the practices, methods or acts, which, in the exercise of reasonable judgment in the light of the facts known at the time a decision is made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Prudent Electrical Practices is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts.

1.20 "Purchase Price" means the applicable price to be paid by PacifiCorp to Seller for capacity and energy as specified in Section 5.1 and Exhibit D.

1.21 "Replacement Price" means the price at which PacifiCorp, acting in a commercially reasonable manner, actually purchases for delivery at the Point of Delivery any required replacement for energy or capacity required but not delivered by Seller pursuant to this Agreement, plus (i) actual costs reasonably incurred by PacifiCorp in purchasing such replacement and (ii) additional transmission charges, if any, reasonably incurred by PacifiCorp to the Point of Delivery if not included in the purchase price. In the absence of a replacement purchase, Replacement Price shall be the lowest available price for delivery at the Point of

Delivery for any such energy or capacity not delivered, as determined in a commercially reasonable manner.

1.22 "Scheduled Deliveries" means capacity and energy scheduled by PacifiCorp for delivery by Seller in accordance with Section 6.5, up to the Net Dependable Capacity.

1.23 "Scheduled Maintenance Periods" means those times during which the Facility is shut down for routine maintenance with the advance notice to PacifiCorp as provided in Section 6.2 No Scheduled Deliveries from the Facility shall be scheduled by PacifiCorp during any Scheduled Maintenance Periods without the consent of Seller.

SECTION 2: TERM; COMMERCIAL OPERATION DATE

2.1 This Agreement shall become effective upon execution by both Parties and approval by the Commission, or otherwise as ordered by the Commission.

2.2 Seller shall begin Scheduled Deliveries to PacifiCorp on the Commercial Operation Date.

2.3 Except as otherwise provided herein, this Agreement shall terminate on the twentieth (20th) anniversary of the Commercial Operation Date.

SECTION 3: REPRESENTATIONS AND WARRANTIES

3.1 PacifiCorp represents, covenants, and warrants to Seller that:

3.1.1 PacifiCorp is duly organized and validly existing under the laws of the State of Oregon.

3.1.2 PacifiCorp has the requisite corporate power and authority to enter into this Agreement and to perform according to the terms of this Agreement.

3.1.3 PacifiCorp has taken all corporate actions required to be taken by it to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby.

3.1.4 Subject to Commission approval, if required, the execution and delivery of this Agreement does not contravene any provision of, or constitute a default under, any indenture, mortgage, or other material agreement binding on PacifiCorp or any valid order of any court, or any regulatory agency or other body having authority to which PacifiCorp is subject.

3.1.5 Subject to Commission approval, this Agreement is a valid and legally binding obligation of PacifiCorp, enforceable against PacifiCorp in accordance with its terms (except as the enforceability of this Agreement may be limited by bankruptcy, insolvency, bank moratorium or similar laws affecting creditors' rights generally and laws

restricting the availability of equitable remedies and except as the enforceability of this Agreement may be subject to general principles of equity, whether or not such enforceability is considered in a proceeding at equity or in law).

3.2 Seller represents, covenants, and warrants to PacifiCorp that:

3.2.1 Seller is a limited liability company duly organized and validly existing under the laws of the State of New York, and is qualified to do business in Utah.

3.2.2 Seller has the requisite power and authority to enter into this Agreement and to perform according to the terms hereof, including all required regulatory authority to make wholesale sales from the Facility.

3.2.3 Seller has taken all actions required to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby.

3.2.4 The execution and delivery of this Agreement does not contravene any provision of, or constitute a default under, any indenture, mortgage, or other material agreement binding on Seller or any valid order of any court, or any regulatory agency or other body having authority to which Seller is subject.

3.2.5 This Agreement is a valid and legally binding obligation of Seller, enforceable against Seller in accordance with its terms (except as the enforceability of this Agreement may be limited by bankruptcy, insolvency, bank moratorium or similar laws affecting creditors' rights generally and laws restricting the availability of equitable remedies and except as the enforceability of this Agreement may be subject to general principles of equity, whether or not such enforceability is considered in a proceeding at equity or in law).

3.2.6 The Facility is and shall for the term of this Agreement continue to be a "qualifying facility" ("QF") as that term is defined in the version of 18 C.F.R. Part 292 in effect on the Effective Date. Seller has previously provided PacifiCorp with its QF self-certification as filed with the Federal Energy Regulatory Commission and will promptly provide PacifiCorp with any subsequent amendments to the same.

SECTION 4 : DELIVERY OF POWER

4.1 Commencing on the Commercial Operation Date and continuing through the term of this Agreement, Seller shall sell and make available to PacifiCorp the entire Net Output from the Facility at the Delivery Point.

4.2 Upon reasonable request from PacifiCorp, Seller shall use reasonable commercial efforts to deliver to PacifiCorp any available energy or capacity from its Facility in excess of

Scheduled Deliveries upon such conditions and at such prices as may be agreed to in advance by the Parties.

SECTION 5: PURCHASE PRICES

5.1 PacifiCorp shall pay Seller monthly for all deliveries from the Facility at a Purchase Price that includes a fixed capacity payment derived from PacifiCorp's current lease agreement for the West Valley natural gas peaking units, and fixed and variable operation and maintenance costs derived from PacifiCorp's operating costs for said West Valley units. It is the intent of this Agreement that the Purchase Price to be paid by PacifiCorp under this Agreement during the first Contract Year shall be based upon fixed and variable costs actually incurred by PacifiCorp in connection with its West Valley units for the twelve month period ending December 31, 2003, the actual heat rate of the West Valley units, actual fuel costs as they are incurred in the future, and PacifiCorp's ability to schedule the Facility as though it were a West Valley Unit. After the first Contract Year, the fixed and variable components will be adjusted based upon inflation. For capacity and energy provided by the Facility during periods when PacifiCorp does not elect to schedule the Facility, the Purchase Price will be based upon the lower of West Valley-based costs on firm or non-firm market prices, depending upon PacifiCorp's net resource balance. The specific costs, pricing factors and formulae to be used to calculate the monthly Purchase Price due for the first Contract Year hereunder are detailed in Exhibit D.

5.2 Fixed and variable operation and maintenance costs shall be adjusted annually for inflation on each anniversary of the Commercial Operation Date in an amount equal to the percentage increase during the prior calendar year of the Producer Price Index, or a comparable index approved by both parties if the Producer Price Index is no longer published.

5.3 If, after the Commercial Operation Date, Seller fails for any reason other than Force Majeure to deliver Scheduled Deliveries from its Facility or another source at any Utah delivery point where PacifiCorp has available capacity, Seller shall pay PacifiCorp damages equal to the positive difference, if any, obtained by subtracting the Purchase Price from the Replacement Price for any Scheduled Deliveries not delivered, which amount shall be applied as a credit against any monthly payment due to Seller hereunder for that month and, if the amount owed to Seller hereunder is insufficient for such purpose, the remaining balance shall be paid by Seller to PacifiCorp on the date that PacifiCorp's payment to Seller hereunder would otherwise have been due.

SECTION 6: OPERATION, CONTROL AND SCHEDULING

6.1 Seller shall operate and maintain the Facility in a safe manner in accordance with the Generation Interconnection Agreement, Prudent Electrical Practices and in accordance with the requirements of all applicable federal, state and local laws and the National Electric Safety Code as such laws and code may be amended from time to time. PacifiCorp shall have no obligation to purchase Net Output from the Facility to the extent the interconnection between the Facility and PacifiCorp's electric system is disconnected, suspended or interrupted, in whole or in part, pursuant to the Generation Interconnection Agreement, or to the extent generation

curtailment is required as a result of Seller's non-compliance with the Generation Interconnection Agreement.

6.2 Seller may cease operation of the entire Facility or individual units, if applicable, during Scheduled Maintenance Periods not to exceed forty-five (45) days each Contract Year (unless otherwise agreed, which agreement will not be unreasonably withheld). Scheduled Maintenance Periods shall be reasonably determined by Seller and provided to PacifiCorp at least ninety (90) days prior to the commencement of each Contract Year. Seller shall determine Scheduled Maintenance Periods in consultation with PacifiCorp in a joint effort to minimize disruption and cost to Seller and to maximize availability of the Facility during peak periods.

6.3 If all or part of the Facility ceases operation for unscheduled maintenance, Seller shall promptly notify PacifiCorp of the same, including the time when the shutdown occurred or is expected to occur and the anticipated duration of such shutdown. Seller shall use reasonable commercial efforts to avoid unscheduled maintenance, to limit the duration of such unscheduled maintenance, and to perform unscheduled maintenance during non-peak hours.

6.4 At least sixty (60) days prior to the commencement of each Contract Year, PacifiCorp shall provide Seller with its projected schedule for the Facility for the following Contract Year. If PacifiCorp's projections thereafter change, PacifiCorp shall promptly notify Seller of the same. Seller shall promptly advise PacifiCorp of any expected changes in the availability of its Facility, including the details of any such changes.

6.5 By no later than 7:00 a.m. Pacific Prevailing Time each day, PacifiCorp shall notify Seller of the Scheduled Deliveries for the following calendar day. By no later than 8:00 a.m. Pacific Prevailing Time of the same day, Seller will notify PacifiCorp of its anticipated operating schedule for the following day.

6.6 PacifiCorp may request deliveries from the Facility in addition to Scheduled Deliveries. Seller shall use reasonable commercial efforts to comply with any such request, if Seller is able to obtain natural gas supplies required for such additional deliveries. If Seller is unable to secure delivery of required natural gas supplies, PacifiCorp may deliver the same to Seller at its meter station, in which case PacifiCorp shall advise Seller of the cost of gas per MMBtu so delivered, which amount multiplied by the volume of gas delivered to Seller by PacifiCorp shall be included in calculating the variable cost for such period, but thereafter shall be deducted from the sum due from PacifiCorp for such month. PacifiCorp shall pay all incremental costs incurred by Seller in providing such unscheduled deliveries, including any penalties incurred by Seller.

SECTION 7: FUEL

Seller shall use commercially reasonable efforts to obtain all natural gas supplies necessary to make Scheduled Deliveries from the general gas market, and shall promptly notify PacifiCorp if its ability to obtain such fuel supplies appears uncertain.

SECTION 8: SECURITY

8.1 Seller shall satisfy Credit Requirements as reasonably requested by PacifiCorp. If Seller posts security to satisfy the Credit Requirements, Seller shall provide PacifiCorp with security in such amount and to such extent as may be required or approved by the Commission. Acceptable security may include security interests in real property, a pledge of the difference in the applicable Purchase Price based upon levelized capacity payments as opposed to unlevelized capacity payments, letters of credit or other available instruments or methods of providing reasonable security.

8.2 If requested by PacifiCorp, Seller shall within thirty (30) days provide PacifiCorp with copies of its most recent annual and quarterly financial statements prepared in accordance with generally accepted accounting principles.

SECTION 9: METERING

9.1 PacifiCorp shall design, furnish, install, own, inspect, test, maintain and replace all metering equipment required pursuant to the Generation Interconnection Agreement.

9.2 Metering shall be performed at the location and in the manner specified in the Generation Interconnection Agreement. All quantities of energy purchased hereunder shall be adjusted to account for electrical losses, if any, between the point of metering and the Point of Delivery, so that the purchased amount reflects the net amount of power flowing into PacifiCorp's system at the Point of Delivery.

9.3 PacifiCorp shall periodically inspect, test, repair and replace the metering equipment as provided in the Generation Interconnection Agreement. If any of the inspections or tests disclose an error exceeding two percent (2%), either fast or slow, proper correction, based upon the inaccuracy found, shall be made of previous readings for the actual period during which the metering equipment rendered inaccurate measurements if that period can be ascertained. If the actual period cannot be ascertained, the proper correction shall be made to the measurements taken during the time the metering equipment was in service since last tested, but not exceeding three (3) Billing Periods, in the amount the metering equipment shall have been shown to be in error by such test. Any correction in billings or payments resulting from a correction in the meter records shall be made in the next monthly billing or payment rendered. Such correction, when made, shall constitute full adjustment of any claim between Seller and PacifiCorp arising out of such inaccuracy of metering equipment.

9.4 To the extent not otherwise provided in the Generation Interconnection Agreement, all PacifiCorp's costs relating to all metering equipment installed to accommodate Seller's Facility shall be borne by Seller.

SECTION 10: BILLINGS, COMPUTATIONS AND PAYMENTS

10.1 No later than the tenth (10th) day of each month, Seller shall provide to PacifiCorp by facsimile an invoice for amounts due under this Agreement for the preceding month, along

with sufficient detail to allow PacifiCorp to verify the billing. Within ten (10) days of its receipt of Seller's invoice, PacifiCorp shall pay all undisputed amounts by wire transfer or otherwise as reasonably directed by Seller from time to time.

10.2 Either Party may offset against any payments owed to the other Party under this Agreement any undisputed amounts incurred after the Effective Date that are owed to it by the other Party pursuant to any other agreement between the Parties. If Seller and PacifiCorp disagree on the amount due under this Agreement or any other agreement, the lower of the amounts due asserted by each Party shall be so netted. After resolution of the disagreement, the balance (if any) shall be netted with the next payment, if any, due to either Party, or shall be paid in full within ten (10) days by the owing Party to the other.

10.3 Parties shall attempt in good faith to resolve any billing disputes within 30 days. Any undisputed invoice which is paid shall be deemed to be correct after 12 months. If either Party pays any invoice under protest and its position is subsequently upheld, or if an error in any billing is discovered within two (2) Years of the date on which it was submitted, interest shall accrue at the rate specified in Section 10.4, applied to the amount of any billing adjustment from the date the bill was initially paid to the date of the adjustment.

10.4 Any amounts owing after the due date thereof shall bear interest at the Prime Rate plus two percent (2%) from the date due until paid; *provided, however*, that the interest rate shall at no time exceed the maximum rate allowed by applicable law.

SECTION 11: DEFAULT AND REMEDIES

11.1 A party shall be in default under this Agreement if it fails to perform any material obligation imposed upon that Party by this Agreement or if it breaches a representation or warranty set forth in this Agreement, if such failure or breach is not cured within thirty (60) days following written notice.

11.2 In the event of a material uncured default hereunder, the non-defaulting Party may terminate this agreement by delivering written notice to the other Party and may pursue any and all legal or equitable remedies provided by law or pursuant to this Agreement. The rights provided in this Section 11 are cumulative such that the exercise of one or more rights shall not constitute a waiver of any other rights.

11.3 If this Agreement is terminated as a result of a material default of Seller, Seller shall be liable to PacifiCorp for damages in the form of the net present value of Net Replacement Costs for Scheduled Deliveries that Seller would otherwise have been obligated to provide hereunder for a period of time sufficient to allow PacifiCorp to secure a comparable substitute resource, discounted at a rate equal to PacifiCorp's then-current after-tax weighted cost of capital.

11.4 If this Agreement is terminated as a result of a material default of PacifiCorp, PacifiCorp shall be liable to Seller for damages in the form of the net present value of the

positive difference between prices obtained by US Magnesium in re-selling the Net Output of the Facility and the Purchase Price hereunder.

11.5 If this Agreement is terminated as a result of a material default of Seller, PacifiCorp may foreclose upon any Security provided pursuant to Section 8 to satisfy any amounts that Seller owes PacifiCorp arising from such default.

SECTION 12: INDEMNIFICATION, LIABILITY AND INSURANCE

12.1 Indemnities.

12.1.1 Seller agrees to release, indemnify and hold harmless PacifiCorp, its directors, officers, agents, and representatives against and from any and all loss, claims, actions or suits, including costs and attorney's fees, both at trial and on appeal, resulting from, arising out of or in any way connected with facilities on Seller's side of the Point of Delivery or Seller's operation and/or maintenance of the Facility, including without limitation any loss, claim, action or suit, for or on account of injury, bodily or otherwise, to, or death of, persons, or for damage to, or destruction or economic loss of property belonging to PacifiCorp, Seller or others, excepting only such loss, claim, action or suit as may be caused by the fault or negligence of PacifiCorp, its directors, officers, employees, agents or representatives.

12.1.2 PacifiCorp agrees to release, indemnify and hold harmless Seller, its directors, officers, agents and representatives against and from any and all loss, claims, actions or suits, including costs and attorney's fees, both at trial and on appeal, resulting from, or arising out of or in any way connected with facilities on PacifiCorp's side of the Point of Delivery or PacifiCorp's operation and/or maintenance of its facilities, including without limitation any loss, claim, action or suit, for or on account of injury, bodily or otherwise, to, or death of, persons, or for damage to, or destruction or economic loss of property belonging to PacifiCorp, Seller or others, excepting only such loss, claim, action or suit as may be caused by the fault or negligence of Seller, its directors, officers, employees, agents or representatives.

12.2 Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any person not a Party to this Agreement. No undertaking by one Party to the other under any provision of this Agreement shall constitute the dedication of that Party's system or any portion thereof to the other Party or to the public, nor affect the status of PacifiCorp as an independent public utility corporation or Seller as an independent entity.

12.3 Neither Party hereto shall be liable to the other for special, punitive, indirect or consequential damages, whether arising from contract, tort (including negligence), strict liability or otherwise.

12.4 Each Party shall comply with any applicable laws, including Workers Compensation Laws.

12.5 Without limiting any liability or any other obligations of Seller, during the term of this Agreement Seller shall secure and continuously carry with insurers reasonably acceptable to PacifiCorp insurance coverage in conformity with this Section 12.5. To the extent reasonably available, Seller shall secure at least the following types of insurance:

12.5.1 All Risk Property insurance providing coverage in an amount at least equal to the full replacement value of the Facility against “all risks” of physical loss or damage, including coverage for earth movement, flood and boiler and machinery. The All Risk policy may contain separate sub-limits and deductibles subject to insurance company underwriting guidelines and be consistent with such policies generally available in the insurance market for similar facilities.

12.5.2 Employers Liability insurance with a minimum limit of \$1,000,000.

12.5.3 Commercial General Liability insurance, to include contractual liability, with a minimum single limit of \$1,000,000 to protect against Seller’s liability for injury to persons or damage to property stemming from this Agreement.

12.5.4 Business Automobile Liability insurance with a minimum single limit of \$1,000,000 for bodily injury and property damage with respect to vehicles, if any, whether owned, hired or non-owned, assigned to or used in connection with this Agreement.

SECTION 13: FORCE MAJEURE

13.1 As used in this Agreement, “Force Majeure” or “an event of Force Majeure” means any cause beyond the reasonable control of the Seller or of PacifiCorp that, despite the exercise of due diligence, such Party is unable to prevent or overcome. By way of example, Force Majeure may include but is not limited to acts of God, fire, flood, storms, wars, hostilities, civil strife, strikes, and other labor disturbances, earthquakes, fires, lightning, epidemics, sabotage, restraint by court order or other delay or failure in the performance as a result of any action or inaction on behalf of a public authority which in each case (i) is beyond the reasonable control of such a Party, (ii) by the exercise of reasonable foresight such Party could not reasonably have been expected to avoid, and (iii) by the exercise of due diligence, such Party shall be unable to overcome. Force Majeure, however, specifically excludes the cost or availability of fuel to operate the Facility, to the extent Seller can reasonably control such availability, or changes in market conditions that affect the price of energy or transmission.

13.2 If either Party is rendered wholly or in part unable to perform its obligation under this Agreement because of an event of Force Majeure, both Parties shall be excused from whatever performance is affected by the event of Force Majeure, provided that:

13.2.1 The non-performing Party, shall promptly give notice to the other Party of the Force Majeure event excusing performance;

13.2.2 Within one (1) week after the occurrence of the Force Majeure, the non-performing Party shall give the other Party written notice describing the particulars of the occurrence;

13.2.3 The suspension of performance shall be of no greater scope and of no longer duration than is reasonably required by the Force Majeure; and

13.2.4 The non-performing Party uses reasonable commercial efforts to remedy its inability to perform.

13.3 No obligations of either Party which arose before the Force Majeure causing the suspension of performance shall be excused as a result of the Force Majeure.

13.4 Neither Party shall be required to settle any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the Party involved in the dispute, are contrary to the Party's best interests.

SECTION 14: SEVERAL OBLIGATIONS

Nothing contained in this Agreement shall ever be construed to create an association, trust, partnership or joint venture or to impose a trust or partnership duty, obligation or liability between the Parties.

SECTION 15: CHOICE OF LAW

This Agreement shall be interpreted and enforced in accordance with the laws of the state of Utah, excluding any choice of law rules which may direct the application of the laws of another jurisdiction.

SECTION 16: PARTIAL INVALIDITY

It is not the intention of the Parties to violate any laws governing the subject matter of this Agreement. If any of the terms of the Agreement are finally held or determined to be invalid, illegal or void as being contrary to any applicable law or public policy, all other terms of the Agreement shall remain in effect. If any terms are finally held or determined to be invalid, illegal or void, the Parties shall enter into negotiations concerning the terms affected by such decision for the purpose of achieving conformity with requirements of any applicable law and the intent of the Parties to this Agreement.

SECTION 17: WAIVER

Any waiver at any time by either Party of its rights with respect to a default under this Agreement or with respect to any other matters arising in connection with this Agreement must be in writing, and such waiver shall not be deemed a waiver with respect to any subsequent default or other matter.

SECTION 18: GOVERNMENTAL JURISDICTION AND AUTHORIZATIONS

This Agreement is subject to approval by the Commission and to jurisdiction, as appropriate, by the Commission and the Federal Energy Regulatory Commission. Upon reasonable request, either Party shall submit to the other Party copies of all local, state and federal licenses, permits and other approvals as then may be required by law relating to this Agreement or the Facility. Each Party shall maintain all local, state and federal licenses, permits and other approvals as may be required to fully perform hereunder.

SECTION 19: SUCCESSORS AND ASSIGNS

This Agreement and all of the terms hereof shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties. No assignment hereof by either Party shall become effective without the written consent of the other Party being first obtained and such consent shall not be unreasonably withheld. Notwithstanding the foregoing, either Party may assign this Agreement without the other Party's consent to a lender or venture partner as part of a financing transaction or as part of (a) a sale of all or substantially all or some of the assigning Party's assets, or (b) a merger, consolidation or other reorganization of the assigning Party.

SECTION 20: ENTIRE AGREEMENT

20.1 This Agreement supersedes all prior agreements, proposals, representations, negotiations, discussions or letters, whether oral or in writing, regarding PacifiCorp's purchase of Net Output from the Facility on and after the Commercial Operation Date. No modification of this Agreement shall be effective unless it is in writing and signed by both Parties.

SECTION 21: NOTICES

21.1 All notices except as otherwise provided in this Agreement shall be in writing, shall be directed as follows and shall be considered delivered if delivered in person or when deposited in the U.S. Mail, postage prepaid by certified or registered mail and return receipt requested

To Seller: US Magnesium LLC
 238 North 2200 West
 Salt Lake City, Utah 84116
 Attn: Lee R. Brown
 Vice President

To PacifiCorp: Manager
 QF Contracts
 PacifiCorp - Suite 625 LCT
 825 N.E. Multnomah
 Portland, Oregon 97232

21.2 The Parties may change the person to whom such notices are addressed, or the address to which notice shall be sent by providing written notices thereof in accordance with this Section.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed in their respective names as of the date indicated.

PacifiCorp

By: _____
Name: _____
Title: _____

Dated: _____

US Magnesium LLC

By: _____
Name: Lee R . Brown
Title: Vice President

Dated: December 5, 2003

EXHIBIT A
DESCRIPTION OF SELLER'S FACILITY

Seller's Facility: Three G.E. Model Frame 5 gas turbines. Upon completion of the planned upgrades, an as-built Supplement will be provided to PacifiCorp describing the Facility as upgraded.

Nameplate Capacity Rating: Approximately 50,000 kW under the following conditions: 59° F @ 60% R.H. ISO mean sea level conditions.

Identify the maximum output of the generator(s) and describe any differences between that output and the Nameplate Capacity Rating: As upgraded, the estimated maximum output will be approximately 46.8 MW and the Nameplate Capacity Rating will be in excess of 50 MW. The difference is attributable to de-rating of the turbines for altitude and ambient conditions and for available steam.

Station service requirements are described as follows: Approximately 1 MW/hour at full operation.

Location of the Facility: The Facility is located adjacent to PacifiCorp's Rowley Substation in Tooele County, Utah.

EXHIBIT B
POINT OF DELIVERY / PARTIES' INTERCONNECTION FACILITIES

[include description of point of metering]

The Points of Delivery will continue to be at the existing points of interconnection between the Facility and PacifiCorp's transmission system on the high side of the 138 to 13.8 kV transformer located at the Rowley Substation on the site of Seller's Facility in Tooele County, Utah.

EXHIBIT C
Hourly Shaping Factors

(2003 hourly shaping factors for Palo Verde to be supplied by PacifiCorp)

EXHIBIT D
Monthly Purchase Price Formulae

Abbreviations and capitalized terms used in this Exhibit D have the meaning as specified in the Agreement, or as specified herein.

The total monthly Purchase Price shall be calculated as follows: $(VCP + FCP) \times LF$, where:

- **VCP** = Variable Cost Payment, calculated as follows: $\sum H (HVC \times NO)$, where:
 - $\sum H$ = Sum for all hours in a Billing Period
 - **HVC** = Hourly Variable Cost, calculated as follows:
 - For all Dispatch Hours: $(HR \times DGP) + VCF$, where:
 - **HR** = Heat Rate, set at 10,200 Btu/KWh, based upon West Valley heat rate
 - **DGP** = Daily Gas Price, based on Gas Daily™ firm natural gas index for each day, plus all applicable natural gas transportation and related charges on Questar Pipeline and Questar Gas Company for deliveries to the Facility, including fuel reimbursement charges.
 - **VCF** = Variable Cost Factor, calculated as follows: $WV VOC \div WVEO$, where:
 - **WV VOC** = West Valley Variable Operating Costs, as actually incurred during the Measurement Period, expressed in annual dollars
 - **WVEO** = West Valley Energy Output, as actually measured during the Measurement Period, expressed in annual kWh
 - For all Non-Dispatch Hours: the lower of i) $(HR \times DGP) + VCF$, as defined above, or ii) **Hourly Market Price**
 - **NO** = Net Output of the Facility, as measured during each hour of the Billing Month, expressed in kWh
 - **Measurement Period** = Twelve (12) months ended 12/31/03 (to be supplied by PacifiCorp)
- **FCP** = Fixed Cost Payment, calculated as follows: $NDP \times (FCF \div 12)$, where:
 - **NDP** = Net Dependable Capacity of the Facility
 - **FCF** = Fixed Cost Factor, calculated as follows: $(WV FOC + WVLF) \div WVCO$, where:
 - **WV FOC** = West Valley Fixed Operating Costs, as actually incurred during the Measurement Period, expressed in annual dollars
 - **WVLF** = West Valley Lease Factor, calculated as the total West Valley lease payment for the Measurement Period, expressed in annual dollars
 - **WVCO** = West Valley Capacity Output, as measured by the average output during July and August of the Measurement Period, expressed in kW
 - **Measurement Period** = Twelve (12) months ended 12/31/03 (to be supplied by PacifiCorp)
- **LF** = Loss Factor, representing a gross-up factor (**L.xx**), with **xx** representing PacifiCorp's system-average transmission and distribution losses during the Measurement Period (to be supplied by PacifiCorp)