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May 19, 2006

VIA CERTIFIED MAIL AND EMAIL

Dean S. Brockbank, Esq.
Senior Counsel
Utah Power
One Utah Center
201 South Main, Suite 2200
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Re: May 9, 2006 Force Majeure Letter

Dear Mr. Brockbank:

Thank you for your letter of May 9, 2006. We appreciate PacifiCorp's expressed willingness to ensure the earliest possible interconnection availability. There are several points in your letter, however, that I must clarify and correct.

First, you criticize Desert Power for not timely ordering substation equipment. However, the critical path items on the schedule for the substation and the interconnection tie-in have been the poles and switches. As you know, that is an area where Desert Power has taken the initiative to expedite the schedule, and without that effort, the project would not be even as close to energizing as it is today. In August 2005, PacifiCorp's Transmission division ("PacTran") completely redesigned the Desert Power interconnection to accommodate its interconnection with US Magnesium. When Desert Power learned in January 2006 that PacTran would not even begin engineering the new interconnection design for at least another four months, Desert Power took the responsibility to order poles and switches at our own cost to try to shorten delays caused by PacTran's change. We had to use a PacTran-approved engineer, but we shortened lead times and have a construction package for the interconnection ready for bid today that otherwise would not be complete.

The fact is that PacTran's decision to redesign the interconnection delayed the completion of the System Impact Study, the start of the Facilities Impact Study, and Desert Power's ability to order substation equipment. We had completed the engineering on the substation in late 2005,

but we could not finish the order on the bid package without a final Facilities Impact Study. All design work, engineering, approvals, and ordering have become intertwined and dependent on those studies, and we still do not have the final version of the Facilities Impact Study. Though promised for January 2006, the final draft of the Facilities Impact Study, not the final version, came out in April 2006, and there are several items, including meters, that PacTran will not order without the final study. In April, PacTran told us that meters have a delivery lead time of as long as 30 weeks. The delay in issuing the study and PacTran's change in the design have done nothing but cause further delay in our schedule for interconnecting and energizing.

Recently, we encountered another change that will inevitably result in additional delay. Earlier, Desert Power believed, based on our engineering analysis using PacifiCorp-supplied data and actual transformer impedance, that US Magnesium's existing circuit switches would be sufficient. However, we just learned from PacTran that due to a correction by PacifiCorp in its data for running the analysis, even when adjusted for actual transformer impedance, the redesign of the system will actually increase, not decrease, the magnitude of the fault current on US Magnesium's circuit switches, which will require that those switches be entirely replaced. With this latest information, we are still trying to determine the lead-time impact of this additional change on our schedule.

Second, you argue that Desert Power caused a delay by not requesting an interconnection agreement from PacTran until February 22, 2005. Before the parties executed their Purchase Power Agreement ("PPA"), Desert Power set out to purchase a new steam turbine, but the delivery lead time for a new turbine was far too long to meet our in-service date so we turned to the secondary market. We did not identify the turbine we intended to purchase until February 2005, at which point, we immediately began the process.

I would also point out that Desert Power did not ask for a new QF interconnection agreement. Instead, we sought an amendment to our existing Large Generation Interconnection Agreement under PacifiCorp's Federal Energy Regulatory Commission's ("FERC") open access tariff to increase output from 78 MW to 105 MW for the load from the steam turbine we are installing. As you know, Desert Power has been an independent power producer/exempt wholesale generator subject to the jurisdiction of the FERC and has sold power to PacifiCorp as a Network Resource. We have always been able to sell power on the open market. We requested no change in our status on February 22, 2005 or April 26, 2006 and had no intention of starting from ground zero. There is no reason, therefore, that our amendment should have caused any delay. Interestingly and as an aside, our existing interconnection agreement with PacTran only took five months to complete from the start of the study to execution of the final agreement, a timeline more consistent with the timelines set out in PacTran's FERC open access tariff.

Third, you note in your letter that you will have to use US Magnesium's communication path to complete PacifiCorp's scope for this project. However, Larry Soderquist advised us recently that that would not be necessary as PacifiCorp will have a microwave system in place by the end of July. That is just as well because Desert Power asked US Magnesium if PacTran could temporarily use US Magnesium's communications system and learned that the system is at capacity.

These facts all show that PacTran was not on schedule to interconnect with the expanded Desert Power facility on the timeline contemplated in the Power Purchase Agreement and form the basis for the February 10, 2006 and March 30, 2006 Force Majeure letters Desert Power issued. PacTran's changes and delays became built in and irretrievably altered Desert Power's schedule and its ability to meet the schedule under the PPA. Thus, we believe our notices of Force Majeure are firmly grounded in the PPA and in the facts and operate to suspend the dates in the PPA.

We remain committed to establishing a mutually acceptable schedule and will do all that we reasonably can to expedite the completion of this project to achieve the earliest possible energizing date and commercial operation date with a properly functioning intertie. Achieving this goal is in the best interests of both of us and is a matter of the greatest urgency for Desert Power.

Sincerely,

Stephen F. Mecham

Encl: February 10, 2006 Desert Power (Darling) Letter to PacifiCorp
February 21, 2006 PacifiCorp (Brockbank) Letter to Desert Power
March 30, 2006 Desert Power (Mecham) Letter to PacifiCorp
May 9, 2006 PacifiCorp Letter (Brockbank) to Desert Power

cc: PacifiCorp VIA CERTIFIED MAIL
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Public Service Commission of Utah
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