

CALLISTER NEBEKER & MCCULLOUGH

A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
GATEWAY TOWER EAST SUITE 900
10 EAST SOUTH TEMPLE
SALT LAKE CITY, UTAH 84133
TELEPHONE 801-530-7300
FAX 801-364-9127
July 19, 2006

VIA CERTIFIED MAIL AND EMAIL

Mr. Mark Klein
Vice President
PacifiCorp Energy
and Contract Administration
825 NE Multnomah Street
Portland, Oregon 97232

Re: PacifiCorp's July 14, 2006 Demand Letter for Performance Assurances and Desert
Power's Request for Mediation

Dear Mr. Klein:

I am in receipt of your letter dated July 14, 2006 stating certain demands of Desert Power, L.P. to provide performance assurances to PacifiCorp as a condition of moving forward. Quite simply, PacifiCorp's actions to date have placed Desert Power, L.P. in a position that it cannot meet some of those demands. Indeed, certain of those demands are not provided for under the terms of the Power Purchase Agreement (PPA).

By letter dated February 10, 2006, Desert Power, L.P. invoked the force majeure provisions of Section 13 of the PPA, citing delays in the performance of PacifiCorp that had adversely affected Desert Power's ability to perform under the contract. This letter was supplemented by letters dated March 30, 2006, and May 19, 2006. I understand that PacifiCorp disagreed with the assertions of force majeure, and in an attempt to resolve the matter, PacifiCorp and Desert Power undertook mutual discussions. Pursuant to those discussions, on May 10th and 15th, 2006, the parties came to an understanding on the terms of a resolution whereby the date for achievement of the Commercial Operation Date under the PPA would be extended to a date certain, June 1, 2007, with certain conforming changes to the contract. It was mutually agreed that an amendment would be drafted to be taken to the Utah Public Service Commission for approval. To date, neither I nor Desert Power has received that amendment.

The failure to achieve resolution of the dispute between PacifiCorp and Desert Power has significantly and adversely affected Desert Power. Because of the unresolved issue, which goes to the heart of the PPA, Desert Power's funding under its credit agreement has been suspended, the project has

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come to a standstill, and the event of *force majeure* continues. Desert Power has not been declared in default by its lender, but its ability to expand its loan or raise other sources of funding has been eliminated by virtue of the present uncertainty. Thus, it is imperative that Desert Power conclude the mutual agreement that we have previously achieved in order to remove that uncertainty and be able to move forward with funding and plant completion.

It is also imperative that the parties reach agreement as quickly as possible if Desert Power is to achieve the Commercial Operation Date of June 1, 2007. Desert Power has a completion schedule that fully supports construction completion and start-up operations before June 1, 2007. It already has the equipment on site to complete the project. However, the funding issue must be resolved — which in turn is dependent upon the parties' completion of the resolution they have already agreed to — to get to that result.

At this point, I will not respond to the other points in your letter of July 14, 2006, but will do so in a subsequent letter. In the meantime, this letter constitutes notice to PacifiCorp pursuant to Section 21 of the PPA requesting a meeting to mediate this dispute. Please advise me of your availability to conduct this mediation.

Sincerely,

_____/s/_____
Stephen F. Mecham

cc: Andrew P. Haller, Esq.
Jeremy D. Weinstein, Esq.
Fax: 503 813-7262 and 925 943-3105