

**11-23-2011 East of Hemingway MOU
FOR DISCUSSION PURPOSES ONLY
NOT REVIEWED OR APPROVED BY ANY PARTY**

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (this “MOU”) is entered into as of [____], 2011 (the “Effective Date”), by and among PacifiCorp, an Oregon corporation (“PacifiCorp”), Idaho Power Company, an Idaho corporation (“Idaho Power”), and the Bonneville Power Administration, a United States government power marketing agency (“BPA”). PacifiCorp, Idaho Power and BPA are sometimes referred to in this MOU individually as a “Party” and, collectively, as the “Parties”.

RECITALS

- A. PacifiCorp owns and operates facilities for the transmission of electric power and energy in interstate commerce (“PacifiCorp Transmission System”);
- B. BPA owns and operates facilities for the transmission of electric power and energy in interstate commerce (“BPA Transmission System”);
- C. Idaho Power owns and operates facilities for the transmission of electric power and energy in interstate commerce (“Idaho Power Transmission System”);
- D. The PacifiCorp Transmission System, BPA Transmission System and the Idaho Power Transmission System, are sometimes referred to in this MOU individually as a “Transmission System” and, collectively, the “Transmission Systems”;
- E. PacifiCorp, BPA and Idaho Power each have an independent obligation or authority to plan for and expand their respective Transmission System based upon the needs of their native load customers, network customers, and eligible customers that agree to expand the Transmission System;
- F. The Parties are considering whether to permit and construct new transmission projects in the West, including, but not limited to, jointly owning the proposed Boardman to Hemingway Transmission Project, which is a 500kV single circuit transmission line that is proposed to run from Boardman, Oregon to Melba, Idaho that if constructed could assist Idaho Power, PacifiCorp, and BPA in fulfilling their respective service obligations;
- G. The Parties desire to (i) explore alternatives to establish eastern Idaho load service from Hemingway in exchange for similar service from the Federal Columbia River Transmission System (“FCRTS”) and (ii) consider whether to replace certain transmission arrangements involving existing assets with joint ownership transmission arrangements and other alternative transmission arrangements pursuant to definitive agreements mutually satisfactory to the Parties (collectively, the “Definitive Agreements”); and
- H. The Parties are entering into this MOU to set forth a process by which the Parties will

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negotiate in good faith to attempt to reach mutually satisfactory agreement on the terms and conditions of the Definitive Agreements.

NOW THEREFORE, the Parties agree as follows:

1. Effective Date; Term.

(a) This MOU shall become effective upon the date of the last signature by the Parties below (the "Effective Date").

(b) This MOU shall remain in effect until December 31, 2014, at which time it will terminate (the "Termination Date"), unless one of the following occurs:

(i) All Parties execute and deliver each of the Definitive Agreements before the Termination Date, in which case the Termination Date shall be the date that the last Definitive Agreement is fully executed;

(ii) The Parties, by mutual written agreement, agree to extend the Termination Date, in which case the Termination Date shall be a mutually agreed date after December 31, 2014;

(iii) The Parties, by mutual written agreement, agree that the MOU will be terminated before December 31, 2014, in which case the Termination Date shall be a mutually agreed date before December 31, 2014; or

(iv) Two Parties exercise their unilateral right to withdraw from this MOU pursuant to Section 2, in which case the Termination Date shall be thirty (30) days after the second withdrawing Party provides written notice of withdrawal.

(c) Upon termination, this MOU shall have no further force or effect, provided that the rights and obligations set forth in Sections 3(e) and 4 shall survive the termination of this MOU and remain in full force and effect.

2. Unilateral Withdrawal Rights.

Any Party may withdraw from this MOU at any time, for any reason whatsoever or for no reason, after thirty (30) days written notice to the other Parties of the intent to do so.

3. Responsibilities of the Parties.

(a) During the term of this MOU, the Parties meet regularly (either by teleconference or in person), proceed diligently and in good faith to negotiate mutually satisfactory terms of the Definitive Agreements and all such other agreements and documents

**11-23-2011 East of Hemingway MOU
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necessary to fully document the transactions contemplated by the Definitive Agreements by no later than December 31, 2014. The Parties seek to meet the following milestones:

- (i) By no later than January 15, 2012, the Parties commence regular meetings to discuss the subject matters described in Exhibit A hereto;
- (ii) By no later than March 31, 2012, the Parties identify scenarios and any potential assets, the methodology for valuing capacity and assets, and any required criteria or conditions for execution of Definitive Agreements to achieve the alternatives described in Exhibit A.
- (iii) By no later than September 30, 2012, BPA informs Idaho Power and PacifiCorp whether it intends to pursue a plan of service for its eastern Idaho load service requirements that would require the availability of project(s) contemplated herein.

(b) Each Party shall select a senior-level representative (each, a “Representative”) to be responsible for coordinating activities under this MOU. Each Party commits to provide its Representative with the support and resources necessary to further the purposes of this MOU.

(c) Any party would be free to use the rights granted it by another party under a Definitive Agreement for any legitimate transmission service permitted by its respective OATT, provided, however, that rights granted under a Definitive Agreement would not include any additional rights to receive transmission service that would require use of any portion of the other's system not specifically acknowledged in a Definitive Agreement.

(d) Based on the information currently known to the Parties, it is proposed that negotiations of the Definitive Agreements include the alternatives set forth in Exhibit A. Exhibit A sets forth the Parties’ current general understanding with respect to these alternatives, but is not intended to represent a binding agreement or final contractual language, or to address every provision which the Parties may wish to incorporate into the Definitive Agreements.

(e) Each of the Parties acknowledges and agrees that each other Party’s decision to proceed with the Definitive Agreements and any other decision with respect to the Definitive Agreements is within such Party’s sole and absolute discretion.

(f) The Parties agree that all information exchanged in connection with this MOU (but not this MOU) shall constitute, and be treated by the Parties as, “Confidential Information” subject to the terms and conditions of that certain Nondisclosure Agreement, dated as of March 15, 2010, between the Parties (the “Confidentiality Agreement”), the provisions of which are incorporated herein by reference.

**11-23-2011 East of Hemingway MOU
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4. General Provisions.

(a) This MOU is not a binding or enforceable contract but is instead an understanding that broadly states the expected responsibilities and objectives of the Parties.

(b) Nothing in this MOU shall limit, repeal, or in any manner modify the existing legal rights, privileges, and duties of each of the Parties as provided by agreement (including the Confidentiality Agreement), statute or any other law or applicable court or regulatory decision. Further, the concepts contemplated by this MOU and any Definitive Agreements, if any, are intended to be consistent with applicable statutes, rules, orders, regulations or other similar requirements or obligations.

(c) Each of the Parties acknowledges and agrees that no Party shall be liable to the other Parties for any claim, loss, cost, liability, damage or expense, including any direct damage or any special, indirect, exemplary, punitive, incidental or consequential loss or damage (including any loss of revenue, income, profits or investment opportunities or claims of third party customers), arising out of or directly or indirectly related to a Party's decision to terminate this MOU, the other Parties' performance or failure thereof under this MOU, or any other decision with respect to proceeding or not proceeding with the Definitive Agreements.

(d) This MOU may not be amended except in writing signed by the Parties.

(e) Any waiver on the part of a Party to this MOU of any provision or condition of this MOU must be in writing signed by each Party to be bound by such waiver, shall be effective only to the extent specifically set forth in such writing and shall not limit or affect any rights with respect to any other or future circumstance.

(f) This MOU is for the sole and exclusive benefit of the Parties and shall not create a contractual relationship with, or cause of action in favor of, any third party.

(g) Nothing in this MOU will be deemed to establish any right or provide a basis for any action, either legal or equitable, by any person or class of persons against the United States, its departments, agencies, instrumentalities or entities, or its officers or employees, challenging a government action or failure to act.

(h) Nothing in this MOU will be construed as limiting or affecting in any way the authority or responsibility of the Parties to perform within their authorities, and nothing in this MOU shall be construed as committing the Parties to take any action concerning the items identified in Exhibit A before they have complied with all applicable statutes and regulations such as the National Environmental Policy Act ("NEPA").

(i) Each Party shall be solely responsible for and shall pay its own costs and expenses incurred by it in connection with the negotiation of this MOU, the Definitive Agreements and all other agreements, documents and instruments related hereto and thereto,

**11-23-2011 East of Hemingway MOU
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including all legal fees and expenses and expenses associated with such Party's own due diligence activities.

(j) Whenever this MOU requires or provides that (i) a notice be given by a Party to another Party or (ii) a Party's action requires the approval or consent of the other Parties, such notice, consent or approval shall be given in writing and shall be given by personal delivery, by recognized overnight courier service, or by certified mail (return receipt requested), postage prepaid, to the recipient thereof at the address given for such Party as set forth below, or to such other address as may be designated by notice given by any Party to the other Parties in accordance with the provisions of this Section 4(j):

If to PacifiCorp:

PacifiCorp
825 NE Multnomah Street, Suite 1600
Portland, OR 97232
Attention: Director Transmission Services
Fax No.: (503) 813-6893

If to Idaho Power:

Idaho Power
1221 West Idaho Street
Boise, Idaho 83702
Attention: [_____]
Fax No.: [_____]

If to BPA:

[BPA]
Attention: [_____]
Fax No.: [_____]

Each notice, consent or approval shall be conclusively deemed to have been given (A) on the day of the actual delivery thereof, if given by personal delivery or overnight delivery, and (B) date of delivery shown on the receipt, if given by certified mail (return receipt requested).

(k) This MOU may be executed in one or more counterparts (including by facsimile or a scanned image), each of which when so executed shall be deemed to be an original, and all of which shall together constitute one and the same instrument.

(l) Nothing contained in this MOU shall be construed as creating a corporation, company, partnership, association, joint venture or other entity, nor shall anything contained in this MOU be construed as creating or requiring any fiduciary relationship between

**11-23-2011 East of Hemingway MOU
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the Parties. No Party shall be responsible hereunder for the acts or omissions of the other Party. Nothing herein shall preclude a Party from taking any action (or have its affiliates take any action) with respect to any other transmission project, including any such project that may compete with the Project.

(m) Unless otherwise expressly provided, for purposes of this MOU, the following rules of interpretation shall apply:

(i) any reference in this MOU to gender includes all genders, and the meaning of defined terms applies to both the singular and the plural of those terms;

(ii) the insertion of headings are for convenience of reference only and do not affect, and will not be utilized in construing or interpreting, this MOU;

(iii) all references in this MOU to any "Section" are to the corresponding Section of this MOU unless otherwise specified;

(iv) words such as "herein," "hereinafter," "hereof," and "hereunder" refer to this MOU (including the Exhibits to this MOU) as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires; and

(v) the word "including" or any variation thereof means "including, without limitation" and does not limit any general statement that it follows to the specific or similar items or matters immediately following it.

IN WITNESS WHEREOF, each of the Parties has caused its duly authorized officer to execute this Memorandum of Understanding as of the date first above written.

PACIFICORP

By: _____
Name:
Title:

IDAHO POWER COMPANY

By: _____
Name:

**11-23-2011 East of Hemingway MOU
FOR DISCUSSION PURPOSES ONLY
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Title:

BONNEVILLE POWER ADMINISTRATION

By: _____

Name:

Title:

DRAFT

**11-23-2011 East of Hemingway MOU
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EXHIBIT A

PRELIMINARY ALTERNATIVES FOR NEGOTIATION

This Exhibit A identifies the preliminary alternatives to be explored in negotiations under this MOU of the Definitive Agreements. The preliminary alternatives described in this Exhibit A are intended to be consistent with and subject to (i) all applicable statutory and governmental obligations of the Parties, including, as relating to PacifiCorp and Idaho Power, state and Federal Energy Regulatory Commission rules, regulations and orders; (ii) stakeholder and customer interests; and (iii) the Western Electricity Coordinating Council Three-phase rating process.

The Parties envision that PacifiCorp and Idaho Power may agree to jointly purchase and sell assets to achieve the objectives of the alternatives described in this Exhibit A. Any purchase and sale of existing assets between PacifiCorp and Idaho Power may involve some or all of the assets currently defined in existing contracts between Idaho Power and PacifiCorp, including, but not limited to, the Second Restated and Amended Transmission Facilities Agreement, Restated Transmission Service Agreement and the Agreement for Interconnection and Transmission Services. The service arising from any alternative may or may not be contingent upon the timing or physical construction of new assets.

Alternative 1:

- BPA would obtain a network service option from the Hemingway substation where PacifiCorp would acquire required Idaho Power's existing assets necessary to provide BPA's long-term load service needs to the existing BPA service points in eastern Idaho.
- The Parties' intent is to minimize potential rate pancakes.
- BPA would work to plan an amount of FCRTS capacity sufficient to enable PacifiCorp and Idaho Power to utilize their capacity shares (up to 650 MW in total) of the Boardman to Hemingway transmission project pursuant to standard OATT terms and conditions.

Alternative 2:

- Idaho Power and PacifiCorp, in combination, would provide BPA 600 MW of firm eastbound ownership rights of assets or other terms and conditions associated with the combined systems of Idaho Power and PacifiCorp in southern Idaho for the primary purpose of serving the BPA service points in eastern Idaho.
- BPA would provide to PacifiCorp and Idaho Power equivalent value of capacity rights, ownership rights of assets or other terms and conditions associated with the

**11-23-2011 East of Hemingway MOU
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FCRTS to the western terminus of the Boardman to Hemingway Transmission Project, or other interconnection points jointly determined by the Parties. Such rights would originate at BPA's NW Market Hub (Mid-C) unless alternatives can be accommodated to serve load elsewhere over the FCRTS.

- To achieve the objectives described in Alternative 2, the Parties would evaluate and consider interim measures and final approaches, including but not limited to the joint ownership of portions of the Gateway West Project, with BPA's minimum eastbound firm ownership rights of 250 MW, combined with the balance of ownership rights on a combination of Idaho Power and PacifiCorp's existing systems, as required to establish ownership rights from the Hemingway substation to BPA's existing eastern Idaho load points.

DRAFT