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ROBERT D. VAN BROCKLIN
Direct (503) 294-9660
rdvanbrocklin@stoel.com

August 28, 2007

VIA E-MAIL AND FIRST CLASS MAIL

Mr. Adam Bless
Oregon Department of Energy
625 Marion Street, NE
Salem, OR 97301-3742

Re: Revised KCP Site Certificate Transfer Application

Dear Mr. Bless:

The City of Klamath Falls, Oregon ("City") and Klamath Energy LLC ("Klamath Energy") request that the Oregon Energy Facility Siting Council ("Council") transfer the Site Certificate for the Klamath Cogeneration Project ("KCP") from the City to Klamath Energy. The applicable review criteria for approving the requested transfer and the City's and Klamath Energy's joint responses thereto are set forth in the attached revised application. This application supersedes and replaces the application submitted to the Department on August 20, 2007.

Pursuant to OAR 345-027-0100(8), the Council may issue an order approving the transfer request if the Council finds that (a) the transferee commits to comply with the standards described in OAR 345-022-0100, 345-022-0050 and, if applicable, OAR 345-024-0710(1), and (b) the transferee is lawfully entitled to possession or control of the site or facility described in the site certificate. This application satisfies these requirements.

Oregon
Washington
California
Utah
Idaho



Mr. Adam Bless
August 28, 2007
Page 2

If you have any questions concerning the application, please direct them to Michael Roberts at PPM Energy (502/796-6964) or Bob Van Brocklin at Stoel Rives LLP (503/294-9660).

Very truly yours,

Robert D. Van Brocklin

RVB:jar

Attachment

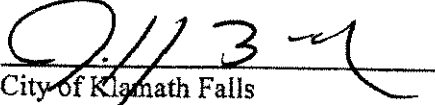
cc: Mr. Michael Roberts (*w/enclosure*)
Mr. Peter C. van Alderwerelt (*w/enclosure*)
Mr. Jeff Ball (*w/enclosure*)
Mr. Patrick G. Boylston (*w/enclosure*)

**KLAMATH COGENERATION PROJECT
("KCP")**

**APPLICATION TO TRANSFER
SITE CERTIFICATE**

August 2007

Respectfully submitted by,


City of Klamath Falls


Klamath Energy LLC

Contacts: Michael Roberts
Klamath Energy LLC
c/o PPM Energy, Inc.
1125 NW Couch, Ste. 700
Portland, OR 97209
(503) 796-6964

Robert D. Van Brocklin
Stoel Rives LLP
900 SW Fifth Avenue, Ste. 2600
Portland, OR 97204
(503) 294-9660

Exhibit A

APPLICANT INFORMATION – OAR 345-021-0010(1)(a)

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A.1. NAME AND ADDRESS OF APPLICANT AND CONTACT PERSON

OAR 345-021-0010(1)(a)(A). *Exhibit A shall include the name and address of the applicant including all co-owners of the proposed facility, the name, mailing address and telephone number of the contact person for the application, and if there is a contact person other than the applicant, the name, title, mailing address and telephone number of that person.*

RESPONSE:

Applicant's name and address: Klamath Energy LLC
c/o PPM Energy, Inc.
1125 NW Couch, Ste. 700
Portland, OR 97209

Name, mailing address, and telephone number of contact person for applicant:

Michael Roberts
Klamath Energy LLC
c/o PPM Energy, Inc.
1125 NW Couch, Ste. 700
Portland, OR 97209

A.2. PARTICIPANT INFORMATION

OAR 345-021-0010(1)(a)(B). *Exhibit A shall include the contact name, address and telephone number of all participating persons, other than individuals, including but not limited to any parent corporation of the applicant, persons upon whom the applicant will rely for third-party permits or approvals related to the facility, and, if known, other persons upon whom the applicant will rely in meeting any facility standard adopted by the Council.*

RESPONSE: Applicant Contact:

Michael Roberts
Klamath Energy LLC
c/o PPM Energy, Inc.
1125 NW Couch, Ste. 700
Portland, OR 97209

Parent Company Contact:

Peter C. van Alderwerelt
Senior Vice President
PPM Energy, Inc.
1125 NW Couch, Ste. 700
Portland, OR 97209

A.3. CORPORATE INFORMATION

OAR 345-021-0010(1)(a)(C). *If the applicant is a corporation, Exhibit A shall include:*

- (i) *The full name, official designation, mailing address and telephone number of the officer responsible for submitting the application;*

RESPONSE: Responsible Officer:

Peter C. van Alderwerelt
Senior Vice President
Klamath Energy LLC
c/o PPM Energy, Inc.
1125 NW Couch, Ste. 700
Portland, OR 97209

- (ii) *The date and place of its incorporation;*

RESPONSE: PPM Three LLC was incorporated on July 18, 1997 in the State of Oregon. The PPM Three LLC Articles of Organization were amended on August 20, 2001 to change the name of the LLC from PPM Three LLC to Klamath Energy LLC (“Klamath Energy”).

- (iii) *A copy of its articles of incorporation and its authorization for submitting the application; and*

RESPONSE: See Appendices A-1 and A-2. Klamath Energy’s Articles of Organization are found at Appendix A-1. The City of Klamath Falls (“City”) and Klamath Energy are authorized to submit this application pursuant to that certain Memorandum of Understanding (“MOU”) dated July 17, 2007 and found at Appendix A-2. Specifically, Recital H of the MOU provides that the City desires to file any and all regulatory approvals of governmental authorities required in connection with the purchase of KCP by Klamath Energy, and Paragraph 4.4 under which the City agrees that PPM Energy, Inc. (“PPM”) or an affiliate of PPM (here Klamath Energy) shall receive all necessary

approval from the Oregon Energy Facilities Siting Council (“Council”) for the transfer of the KCP Site Certificate to Klamath Energy.

- (iv) *In the case of a corporation not incorporated in Oregon, the name and address of the resident attorney-in-fact in this state and proof of registration to do business in Oregon.*

RESPONSE: Klamath Energy is a limited liability company organized and registered in the State of Oregon.

A.4. PARENT COMPANY INFORMATION

OAR 345-021-0010(1)(a)(D). *If the applicant is a wholly owned subsidiary of a company, corporation or other business entity, in addition to the information required by paragraph (C), it shall give the full name and business address of each of the applicant's full or partial owners.*

RESPONSE: Klamath Energy is a wholly owned subsidiary of:

PPM Energy, Inc.
1125 NW Couch, Ste. 700
Portland, OR 97209

A list of the Officers of Klamath Energy is found at Appendix A-3.

A list of the Officers of PPM is found at Appendix A-4.

A.5. MISCELLANEOUS INFORMATION

OAR 345-021-0010(1)(a)(E). *If the applicant is an association of citizens, a joint venture or a partnership, it shall give (i) the full name, official designation, mailing address and telephone number of the person responsible for submitting the application; (ii) the name, business address and telephone number of each person participating in the association, joint venture or partnership and the percentage interest held by each; (iii) proof of registration to do business in Oregon; (iv) a copy of its articles of association, joint venture agreement or partnership agreement and a list of its members and their cities of residence; and (v) if there are no articles of association, joint venture agreement or partnership agreement, the applicant shall state that fact over the signature of each member.*

RESPONSE: Not applicable.

OAR 345-021-0010(1)(a)(F). *If the applicant is a public or governmental entity, it shall give (i) the full name, official designation, mailing address and telephone number of the person responsible for submitting the application; and (ii) written authorization from the entity's governing body to submit an application.*

RESPONSE: Responsible Person for the City of Klamath Falls:

Jeff Ball
City Manager
City of Klamath Falls
500 Klamath Avenue
Klamath Falls, OR 97601

OAR 345-021-0010(1)(a)(G). *If the applicant is an individual, the individual shall give his or her mailing address and telephone number*

RESPONSE: Not applicable.

APPENDIX A-1

KLAMATH ENERGY LLC ARTICLES OF ORGANIZATION

CERTIFICATE

State of Oregon

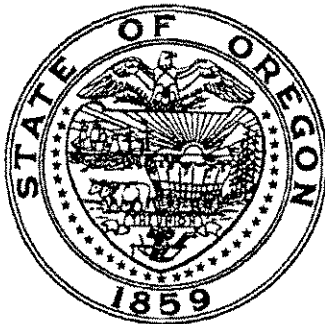
OFFICE OF THE SECRETARY OF STATE
Corporation Division

I, **BILL BRADBURY**, Secretary of State of Oregon, and Custodian of the Seal of said State, do hereby certify:

That the attached Document File for:

KLAMATH ENERGY LLC

is a true copy of the original documents
that have been filed with this office.



In Testimony Whereof, I have hereunto set
my hand and affixed hereto the Seal of the
State of Oregon.

BILL BRADBURY, Secretary of State

By Debra L. Virag
Debra L. Virag
April 21, 2004

585771-81

FILED
JUL 18 1997
OREGON
SECRETARY OF STATE

ARTICLES OF ORGANIZATION
OF
PPM THREE LLC

An Oregon Limited Liability Company

ARTICLE I

The name of the limited liability company (the "Company") is PPM Three LLC.

ARTICLE II

The Company shall have perpetual existence.

ARTICLE III

The name of the initial registered agent is Elisa Larson and the address of the initial registered office is 700 NE Multnomah Street, Suite 500, Portland, Oregon 97232.

ARTICLE IV

The address where the Division may mail notices is c/o PacifiCorp Power Marketing, Inc., 700 NE Multnomah Street, Suite 500, Portland, Oregon 97232, Attention: Ms. Elisa Larson.

ARTICLE V

The Company shall be managed by one or more managers.

ARTICLE VI

The name and address of the organizer of the Company are Sanjiv N. Kripalani, 900 SW Fifth, Suite 2300, Portland, Oregon 97204.

ARTICLE VII

ORS 63.185(4) shall not apply in the event an additional or substitute member is admitted to the Company.

ARTICLE VIII

These Articles of Organization may be amended, restated or modified from time to time by members holding more than 50 percent of the votes held by members then entitled to vote.

Handwritten signature and date: HSD 07/18/97

285/11101

consent to or otherwise decide any matter submitted to the members, as determined pursuant to the operating agreement of the Company; provided that any amendment to these Articles of Organization that would or could have the effect of changing the number of managers or any person specified as a manager under the operating agreement of the Company, changing a required voting percentage for approval of any matter or a member's voting rights or altering the interest of one or more members in profits, losses, similar items or any Company distribution shall require the affirmative vote of all members then entitled to vote.

ARTICLE IX

To the fullest extent the Oregon Limited Liability Company Act, as it exists on the date hereof or may hereafter be amended, permits the limitation or elimination of liability of managers or members, a manager or member shall not be liable to the Company or the other members for monetary damages for conduct as a manager or member. Any amendment to or repeal of this Article IX shall not adversely affect any right or protection of a manager or member for or with respect to any acts or omissions of such manager or member occurring prior to such amendment or repeal.

ARTICLE X

The effective date of the Company's existence is the date of filing of these Articles of Organization by the Secretary of State.

DATED this 18th day of July, 1997.

Sanjiv N. Kripalani
Sanjiv N. Kripalani, Organizer



Phone: (503) 846-2200
Fax: (503) 878-0201

Articles of Amendment/Dissolution - Limited Liability Company

For office use only

Secretary of State
Corporation Division
285 Capital St. NE, Suite 151
Salem, OR 97310-1227

FILED

AUG 20 2001

OREGON
SECRETARY OF STATE

Registry Number: 585771-81

Attach Additional Sheet if Necessary
Please Type or Print Legibly in Black Ink

1) NAME PRIOR TO AMENDMENT
PPM Three LLC

2) THE FOLLOWING AMENDMENT(S) TO THE ARTICLES OF ORGANIZATION IS/ARE HEREBY (State the words amended) and set forth the attempt as it is amended to read.)

Article 1 - The name of the limited liability company ("company")
is Klamath Energy LLC.

3) PLEASE CHECK THE APPROPRIATE STATEMENT

This amendment was adopted by the manager(s) without member action. Member action was not required.
Date of adoption of each amendment: 8/16/01

This amendment(s) was approved by the members. _____ percent of the members approved the amendment(s).
Date of adoption of each amendment: _____

ARTICLES OF DISSOLUTION ONLY

4) NAME OF LIMITED LIABILITY COMPANY

5) DATE OF DISSOLUTION

6) EXECUTION (Must be signed by at least one member or manager)

Printed Name

PPM Three LLC

By: PacificCorp

Power Marketing, Inc.

Manager

The

By: Andrew P. Maller,

Secretary

7) CONTACT NAME

Gloria Quirk

Default Phone Number - Includes Area Code

503 813 7210

FEEES

Must attach to 285 supporting
"Certificate of Dissolution"

NOTE: Please pay by credit
with USA or MasterCard. The
most current and complete fee
schedule is available on our website
check for your position.

8-20



Secretary of State
Corporation Division
255 Capitol Street NE, Suite 151
Salem, OR 97310-1327

Phone:(503)986-2200
Fax:(503)378-4381
www.sos.state.or.us/corporation/corphp.htm

Registry Number: 585771-81
Type: DOMESTIC LIMITED LIABILITY COMPANY

KLAMATH ENERGY LLC
825 NE MULTNOMAH #2000
PORTLAND OR 97232

Acknowledgment Letter

The document you submitted was recorded as shown below. Please review and verify the information listed for accuracy.

If you have any questions regarding this acknowledgement, contact the Secretary of State, Corporation Division at (503)986-2200. Please refer to the registration number listed above. A copy of the filed documentation may be ordered for a fee of \$5.00. Submit your request to the address listed above or call (503)986-2317 with your Visa or MasterCard number.

Document

ARTICLES OF AMENDMENT

Filed On
08/20/2001

Jurisdiction
OREGON

Name
KLAMATH ENERGY LLC

Principal Place of Business
825 NE MULTNOMAH #2000
PORTLAND OR 97232-ZIP2

Registered Agent
C T CORPORATION SYSTEM
388 STATE ST #420
SALEM OR 97301

Mailing Address
825 NE MULTNOMAH #2000
PORTLAND OR 97232

Member
PACIFICORP POWER MARKETING, INC.
825 NE MULTNOMAH #2000
PORTLAND OR 97232

KARDRA
ACK
08/20/2001



Secretary of State
Corporation Division
255 Capitol Street NE, Suite 151
Salem, OR 97310-1327

Phone:(503)986-2200
Fax:(503)378-4381
www.sos.state.or.us/corporation/corphp.htm

Registry Number: 585771-81
Type: DOMESTIC LIMITED LIABILITY COMPANY

PPM THREE LLC
825 NE MULTNOMAH #2000
PORTLAND OR 97232

Acknowledgment Letter

The document you submitted was recorded as shown below. Please review and verify the information listed for accuracy.

If you have any questions regarding this acknowledgement, contact the Secretary of State, Corporation Division at (503)986-2200. Please refer to the registration number listed above. A copy of the filed documentation may be ordered for a fee of \$5.00. Submit your request to the address listed above or call (503)986-2317 with your Visa or MasterCard number.

Document

APPLICATION FOR REINSTATEMENT AMENDED

Filed On
08/09/2001

Jurisdiction
OREGON

Name
PPM THREE LLC

Principal Place of Business
825 NE MULTNOMAH #2000
PORTLAND OR 97232-ZIP2

Registered Agent
C T CORPORATION SYSTEM
388 STATE ST #420
SALEM OR 97301

Mailing Address
825 NE MULTNOMAH #2000
PORTLAND OR 97232

Member
PACIFICORP POWER MARKETING, INC.
825 NE MULTNOMAH #2000
PORTLAND OR 97232

JANBRE
ACK
08/09/2001

AUG-18-01 11:18 AM FROM: PACIFICORP

714/111
JO



Phone: (503) 896-2208
Fax: (503) 271-4301

Articles of Amendment/Dissolution - Limited Liability Company
For filers only

Secretary of State
Corporation Division
255 Capitol St. NE, Suite 151
Salem, OR 97310-0257

FILED
AUG 20 2001
OF OREGON
SECRETARY OF STATE

Registry Number: 585771-81

Attach Additional Sheet if Necessary
Please Type or Print Legibly in Black Ink

1) Name Prior to Amendment
PPM Three LLC

2) The following Amendment(s) to the Articles of Organization is/are proposed (check the article number(s) and set forth the amended text in accordance with):
Article 1 - The name of the limited liability company ("company")
is Klamath Energy LLC.

3) Please Check the Appropriate Box(es)

- This amendment was adopted by the manager(s) without member action. Member action was not required.
Date of adoption of each amendment: 8/16/01
- This amendment(s) was approved by the members. _____ percent of the members approved the amendment(s).
Date of adoption of each amendment: _____

ARTICLES OF DISSOLUTION ONLY

4) Name of Limited Liability Company _____

5) Date of Dissolution _____

6) Execution (must be signed by at least one member or manager)
Printed Name: PPM Three LLC
By: PacificCorp
Power Marketing, Inc.
Manager

[Signature]

By: Andrew P. Haller,
Secretary

7) Contact Name
Gloria Quirk

Dist/Trk Phone Number - Includes Area Code
503 813 7210

FEE'S
None
None
None
None
None

15
8-20

APPENDIX A-2

July 17, 2007 Memorandum Of Understanding Between PPM and the City of Klamath Falls

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (the "MOU") is entered into as of July 17, 2007 by and between the City of Klamath Falls, Oregon a municipal corporation organized and existing under its Charter and the laws of Oregon (the "City"), and PPM Energy, Inc., a corporation organized under the laws of the State of Oregon ("PPM"). The City and PPM are sometimes referred to in this MOU as the "Parties" and individually as a "Party."

RECITALS

- A. In connection with the City's ownership of the Klamath Cogeneration Project (the "Facility"), the City has issued its (i) Tax-Exempt Senior Lien Electric Revenue Refunding Bonds (Klamath Cogeneration Project), Series 1999, (ii) Taxable Senior Lien Electric Revenue Bonds (Klamath Cogeneration Project), Series 1999, (iii) Taxable Second Lien Electric Revenue Bonds, Series 1999 (Klamath Cogeneration Project), (iv) Tax-Exempt Senior Lien Electric Revenue Bonds (Klamath Cogeneration Project), Series 2003, and (v) Taxable Senior Lien Electric Revenue Bonds (Klamath Cogeneration Project), Series 2003 (collectively, the "Bonds").
- B. The City is bound by certain legal obligations with respect to the Bonds as stated in the Indenture of Trust by and between City and U.S. Bank National Association, in its capacity as the Trustee for the Bonds, dated as of April 1, 1999, together with the First Supplemental Indenture of Trust thereto dated as of September 1, 1999, the Second Supplemental Indenture of Trust thereto dated as of September 1, 2003 (collectively, the "Indenture").
- C. The City and PPM entered into a Memorandum of Understanding, dated July 18, 2006, setting forth the basic understanding between the City and PPM concerning proposed discussions and negotiations with respect to potential restructurings of the Facility's costs and expenses.
- D. PPM, in its capacity solely as a counterparty to a number of contracts with the City relating to the Facility and not in its capacity as manager of the Facility or as an agent of the City, undertook discussions with certain holders of the Bonds with respect to the Facility.
- E. Despite concerted efforts to restructure the Facility's costs and expenses, PPM has been unable to reach agreement with holders of the Bonds on any proposed restructuring plan.
- F. As a result of recent discussions between the City and PPM and their respective representatives, the City and PPM desire to enter into final negotiations with respect to a transaction that would include the following: (i) an Asset Purchase Agreement providing for the sale of the Facility and related assets ("Purchased Assets") by the City to PPM or an affiliate of PPM, (ii) a Bond Redemption and Defeasance Agreement providing a mechanism for the redemption, defeasance and/or cancellation of all of outstanding Bonds, (iii) a Cooling Water Supply Agreement with respect to the supply by the City to the Facility of all of the Facility's cooling water needs; and (iv) such other documents as may be necessary to effectuate the sale of

the Purchased Assets by the City to PPM. Collectively, these agreements, documents and obligations are referred to herein as the "Transaction."

G. The City intends to file a Petition in support of validation of the Transaction in the Klamath County Circuit Court and to take such steps as may be necessary to support such validation proceeding.

H. The City also desires to take such other actions, including but not limited to: (i) the assignment of certain contracts related to the Facility, (ii) assigning, transferring and amending any permits related to the Facility, (iii) filing any and all regulatory approvals of governmental authorities required in connection with the Transaction.

NOW THEREFORE, for good and valuable consideration, the Parties agree as follows:

1. Asset Purchase Agreement. The City and PPM, or an affiliate of PPM, will negotiate in good faith to finalize, execute and deliver an Asset Purchase Agreement with respect to the sale and transfer by the City to the entity purchasing the Facility of the Purchased Assets, including monies held in the various funds and accounts established by the Indenture. The Asset Purchase Agreement must provide that as a consideration for the purchase of the Purchased Assets, PPM will (i) cause the cancellation of the Bonds held by affiliates of PPM, (ii) provide the funds necessary to cause the redemption and/or defeasance (including contractually required redemption premiums and/or make whole payments) of all other Bonds, and (iii) provide an up front payment in an amount to be agreed, which payment shall represent the net present value of an annual income stream to the City. The Asset Purchase Agreement must also provide that a credit-worthy party, mutually agreeable to the City and PPM, will indemnify the City and City officials from certain legal actions or claims asserted against the City in connection with the City's ownership of the Facility, the issuance of the Bonds or the sale and transfer of Purchased Assets. The Asset Purchase Agreement shall provide that the upfront payment paid to the City shall be held in escrow for a specified period of time and used to partially off-set any indemnity payments made due to a settlement or an adverse determination of the Internal Revenue Service concerning the tax-exempt status of the Bonds. The City shall not enter into the Asset Purchase Agreement until such time as the City Council is presented with a substantially final draft of the Asset Purchase Agreement and the City Council approves the execution and delivery of the same by resolution.

2. Bond Redemption and Defeasance Agreement. The City and PPM will negotiate in good faith to finalize, execute and deliver a Bond Redemption and Defeasance Agreement, which shall provide the mechanism for the redemption or cancellation of all outstanding taxable Bonds and the defeasance of all outstanding tax-exempt Bonds. The City shall not enter into the Bond Redemption and Defeasance Agreement until such time as the City Council is presented with a substantially final draft of the Bond Redemption and Defeasance Agreement and the City Council approves the execution of the same by resolution.

3. Cooling Water Agreement. The City and PPM, or an affiliate of PPM, will negotiate, execute and deliver a Cooling Water Agreement, which Cooling Water Agreement shall require the City to provide effluent, well water or other acceptable water for use by the Facility for the Facility's cooling water system. The Cooling Water Agreement shall provide

that the entity purchasing the Facility will pay the City a commercially reasonable price per year, consistent with all applicable covenants under its outstanding water and wastewater utility revenue bonds, in consideration for the City providing such cooling water. The City shall not enter into the Cooling Water Agreement until such time as the City Council is presented with a substantially final draft of the Cooling Water Agreement and the City Council approves the execution of the same by resolution.

4. Conditions Precedent. The Parties shall only be required to perform their respective obligations in connection with the Transaction upon the occurrence of certain conditions precedent, which include, but are not limited to, the following:

4.1 Appraisal of Transaction: Both Parties shall have received an appraisal of the Purchased Assets completed by a nationally recognized firm with expertise in the area, which firm has not been previously involved with the Facility, conducted according to instructions acceptable to City in its sole discretion, concluding that the consideration to be paid by PPM or an affiliate of PPM to the City is not less than the present fair market value of the Purchased Assets.

4.2 Unqualified Opinion of Bond Counsel: The City shall have received an unqualified opinion of its Bond Counsel that the contemplated Transaction shall not adversely affect the tax-exempt status of the Bonds.

4.3 Judicial Validation: The City shall have sought and received an Order of the Circuit Court for Klamath County, Oregon, pursuant to ORS 33.710, validating the City's legal authority to enter into and perform its obligations in connection with the Transaction.

4.4 Regulatory, Security and Assignment Approvals: PPM or an affiliate of PPM shall have received all necessary approvals for the issuance, assignment, amendment and/or transfer of licenses and permits from the appropriate regulatory bodies, which include, but are not limited to, the Oregon Energy Facilities Siting Council and the Federal Energy Regulatory Commission; PPM or an affiliate of PPM shall have received necessary consents for the granting, issuance or transfer of applicable guaranties, credit support and letters of credit; and PPM or an affiliate of PPM shall have been assigned all necessary or appropriate contracts by the City.

5. Expenses. PPM will be responsible for the costs and expenses incurred by or for PPM in connection with the review, execution and performance of this MOU and the Transaction. The City anticipates that costs and expenses incurred by the City in connection with the review, execution and performance of this MOU and the Transaction (collectively, "Costs and Expenses") will be considered reimbursable Project Costs under the Indenture. If for any reason any portion of the City's Costs and Expenses are not considered reimbursable Project Costs, PPM agrees to reimburse the City for such Costs and Expenses, provided PPM has agreed to such Costs or Expenses in advance.

6. No Third Party Beneficiaries. There are no third party beneficiaries to this MOU, and this MOU shall not impart any rights enforceable by any Person that is not a Party.

7. Termination of Prior MOU. This MOU supercedes the Memorandum of Understanding dated July 18, 2006 between the City and PPM.

8. Counterparts. This MOU may be executed and delivered in more than one counterpart, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. An electronic transmission, facsimile or copy shall be as valid as an original.

IN WITNESS WHEREOF the Parties have executed this MOU as of the date first set forth above.

CITY OF KLAMATH FALLS
AN OREGON MUNICIPAL CORPORATION

By: _____

Mayor

PPM ENERGY, INC.
AN OREGON CORPORATION

By: _____

Peter C. van Alderwerelt
Senior Vice President

Attest:

By: _____

Shirley Kazzas
City Recorder, Deputy

Approved as to form:

By: _____

City Attorney

APPENDIX A-3

Klamath Energy LLC Officers

Klamath Energy LLC Officers

CEO & President	Terry Hudgens
Chief Financial Officer	Karl Olsoni
General Counsel, Secretary	Paul Kaufman
Senior Vice President	Peter van Alderwerelt
Senior Vice President	Don Furman
Vice President	Allan Query
Vice President	Ty Daul
Vice President	Kevin Devlin
Vice President	Jean Wilson
Assistant Secretary	W. Benjamin Lackey
Assistant Secretary	Toan Nguyen
Assistant Secretary	David DeGabriele
Treasurer	Deborah Gronvold
Assistant Treasurer	Carlton Steele

APPENDIX A-4
PPM Energy, Inc. Officers

PPM Energy, Inc. Officers

Officer	Title
President and Chief Executive Officer	Terry F. Hudgens
Senior Vice President and Chief Financial Officer	Karl E. Olsoni
General Counsel, Vice President and Secretary	Paul J. Kaufman
Senior Vice President	Donald N. Furman
Senior Vice President	Ralph B. Currey
Senior Vice President	Peter C. van Alderwerelt
Senior Vice President	Matthew Morrow
Vice President	Linda Wah
Vice President	Kevin Devlin
Vice President	Patrick R. Haye
Vice President	Ty Daul
Vice President	Barrett Stambler
Senior Vice President	Jean M. Wilson
Vice President	Joseph J. DiNorsica
Vice President	Allan E. Query
Vice President Origination and Trading	David Santucci
Vice President and Controller	Trevor Mihalik
Treasurer	Deborah Gronvold
Assistant Secretary	Toan Nguyen
Assistant Secretary	W. Benjamin Lackey
Vice President and Assistant Secretary	David DeGabriele
Assistant Treasurer	Carlton Steele

EXHIBIT D

**APPLICANT'S ORGANIZATIONAL, MANAGERIAL, AND TECHNICAL
EXPERTISE – OAR 345-021-0010(1)(d)**

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- D.3 QUALIFICATION OF APPLICANT'S PERSONNEL**
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- D.5 APPLICANT'S PAST PERFORMANCE**
- D.6 APPLICANT WITH NO PREVIOUS EXPERIENCE**
- D.7 ISO CERTIFIED PROGRAM**
- D.8 MITIGATION**

D.1. INTRODUCTION

ORAR 345-021-0010(1)(d). *The Council must determine whether that the applicant has the organizational, managerial and technical expertise to construct and operate the proposed energy facility.*

RESPONSE: PPM Energy, Inc. (“PPM”), as parent of Klamath Energy LLC (“Klamath Energy”), will provide the organizational, managerial, and technical expertise to Klamath Energy to enable Klamath Energy to operate KCP following KCP’s purchase from the City of Klamath Falls (“City”). PPM is an integrated, non-utility energy company that owns, controls, manages, or operates independent power generation facilities in the United States, including 1,605 megawatts (“MW”) of wind energy generating capacity and 806 MW of gas-fired energy generating capacity. PPM will directly provide its expertise to the Applicant.

As described more fully below, pursuant to contractual agreements with the City, PPM has managed KCP and Pacific Klamath Energy LLC (“PKE”) has operated and maintained KCP since it began operating in 2001.

D.2. APPLICANT’S PREVIOUS EXPERIENCE

ORAR 345-021-0010(1)(d)(A). *The applicant must provide information to the Council about the applicant's previous experience, if any, in constructing and operating similar facilities.*

RESPONSE: PPM, through its direct subsidiaries, developed and owns or manages three natural gas-fired generation facilities: the Klamath Cogeneration and Klamath Generation Peakers in Oregon, and the West Valley Generation Project in Utah. PPM’s total gas-fired generation portfolio is 806 MW of capacity.

PPM also either owns and/or operates the following wind farm facilities in Oregon:

PROJECT	LOCATION	OWNER/OPERATOR
Klondike I	Sherman County	Owner & Operator
Klondike II	Sherman County	Owner & Operator
Leaning Juniper I	Gilliam County	Operator

D.3. QUALIFICATION OF APPLICANT’S PERSONNEL

ORAR 345-021-0010(1)(d)(B). *The applicant must provide information to the Council about the qualifications of the applicant's personnel who will be responsible for constructing and operating the facility, to the extent that the identities of such personnel are known when the application is submitted.*

RESPONSE: Construction of KCP began in 1999 and was substantially completed in July 2001. It is thus unnecessary to discuss Klamath Energy's or PPM's qualifications to construct KCP. With respect to the operation of KCP, PKE has operated and maintained KCP since it began operating in 2001. PKE employs 23 highly experienced professional operations and maintenance technicians and management staff that oversee the day-to-day operations of the plant. PKE has consistently exceeded industry standards for plant reliability, heat rate performance, safety, and environmental compliance. The average plant reliability has exceeded 98% for the past five years and there has never been a lost time accident among PKE employees. The current Recordable Injury and Illness Rate ("RIIR") is 0.0 while the industry average is substantially higher.

Raymond Martens, the plant manager for KCP, joined PKE in 2000 and was the maintenance and operations manager at KCP for the final year of construction and commissioning; acting as the warranty manager for the project and developing the maintenance plans for the plant equipment. He was promoted to plant manager in early 2005. Prior to working for PKE, Mr. Martens was employed by Chugach Electric Association in Anchorage, Alaska for 9 years as plant superintendent at the Beluga Power Plant. The Beluga plant has 4 simple cycle gas turbine generators and a 2 by 1 combined cycle unit. Beluga is the largest energy generating plant in Alaska and typically provides over 50% of the generation for the Alaska railbelt grid, which covers Fairbanks, Anchorage and the Kenai Peninsula. At Beluga, Mr. Martens was responsible for facility maintenance, operations, budgeting, on-site housing, and food services. Prior to Chugach, he worked as an independent consultant to the Puerto Rico Electric Power Authority providing technical direction and project management services for the major overhaul of steam turbine generators and auxiliaries. Ray spent 12 years with General Electric as a field service engineer, project manager and construction manager on gas, steam and combined cycle maintenance and construction projects. He also worked for 3 years for Townsend & Bottum Constructors (now part of Black & Veatch) on a variety of power plant construction projects. Mr. Martens received an Associates degree from Ferris State University in Michigan in Construction Technology in 1975 and also attended Western Michigan University.

Dennis Winn is currently the Operations and Maintenance ("O&M") Manager for KCP and the Klamath Generation Peakers. He has held this position since joining PKE in July 2000. As O&M Manager, he is responsible for managing the operations and maintenance of KCP and the Klamath Peakers, including commissioning and startup. Mr. Winn works closely with plant employees, contractors, and regulatory agencies to ensure safe and reliable operation of these facilities and compliance with regulatory permits and approvals. Mr. Winn's prior work experience includes operating and maintaining nuclear propulsion systems, nuclear power generation facilities, and biomass-fired and combined cycle power generation facilities. Mr. Winn's career in the power generation field began in 1982.

D.4. QUALIFICATIONS OF KNOWN CONTRACTORS

OAR 345-021-0010(1)(d)(C). *The applicant must provide information to the Council about the qualifications of any architect, engineer, major component vendor, or prime contractor upon whom the applicant will rely in constructing and operating the facility, to the extent that the identities of such persons are known when the application is submitted.*

RESPONSE: PKE is the current operator of KCP, and will continue to operate KCP after it is acquired by Klamath Energy. Klamath Energy does not anticipate any change in how the facility is operated.

D.5. APPLICANT'S PAST PERFORMANCE

OAR 345-021-0010(1)(d)(D). *The applicant must provide information to the Council about the past performance of the applicant, including but not limited to the number and severity of any regulatory citations in constructing or operating a facility, type of equipment, or process similar to the proposed facility.*

RESPONSE: PPM has successfully developed, constructed, and operated the energy projects identified in this application, including managing KCP for the City. Neither PPM nor Klamath Energy has received any regulatory citations in connection with the construction or operation of KCP or any other facilities which it has developed and/or operated.

D.6. APPLICANT WITH NO PREVIOUS PERFORMANCE

OAR 345-021-0010(1)(d)(E). *If the applicant has no previous experience in constructing or operating similar facilities and has not identified a prime contractor for construction or operation of the proposed facility, the applicant must provide the Council with other evidence that the applicant can successfully construct and operate the proposed facility. The applicant may include, as evidence, a warranty that it will, through contracts, secure the necessary expertise.*

RESPONSE: Not applicable.

D.7. ISO CERTIFIED PROGRAM

OAR 345-021-0010(1)(d)(F). *If the applicant has an ISO 9000 or ISO 14000 certified program and proposes to design, construct and operate the facility according to that program, the applicant must provide the Council with a description of the program.*

RESPONSE: Neither PPM nor Klamath Energy have an ISO 9000 or 14000 certified program.

D.8. MITIGATION

OAR 345-021-0010(1)(d)(G). *If the applicant relies on mitigation to demonstrate compliance with any standards of Division 22 or 24 of this chapter, the applicant must provide the Council with evidence that the applicant can successfully complete such proposed mitigation, including past experience with other projects and the qualifications and experience of personnel upon whom the applicant will rely, to the extent that the identities of such persons are known at the date of submittal.*

RESPONSE: KCP was built in compliance with the KCP Site Certificate, including the applicable standards of OAR Chapter 345, Divisions 22 and 24. PKE has consistently operated and maintained the facility in compliance with the Site Certificate and associated permits. KCP is one of the cleanest gas-fired power plants in the Pacific Northwest.

To the extent that additional mitigating actions, if any, are required, PKE has demonstrated the technical capability to ensure that mitigation measures are successfully implemented. In addition, PPM has extensive experience developing power projects, including siting, constructing, and operating more than a dozen utility scale wind power projects across the United States. Through PPM's and PKE's experience, expertise, and relationships with qualified contractors, PPM and PKE are well qualified to ensure that all required mitigation occurs.

PPM has developed and implemented mitigation projects at multiple sites. At the Shiloh Wind Project in Solano County, California, PPM developed a Raptor Mitigation Plan, which provides micrositing and design guidelines for minimizing impacts to raptors. For the same project, PPM is in the process of acquiring a conservation easement on 120 acres near the facility to mitigate for potential avian mortality impacts. For the Big Horn Wind Project in Washington, PPM is acquiring an approximately 180-acre conservation easement to mitigate for habitat impacts caused by the project. PPM has also funded basic research on biological impacts of wind energy. For example, the company is now in its third year of contributing funding to the Bat Wind Energy Cooperative, which is

evaluating interactions between bats and wind projects at several wind project sites. PPM has also made a 4-year commitment to fund research into the potential displacement impacts of wind energy on grassland-nesting avian species -- such as prairie chickens. In designing and executing these and other mitigation projects, PPM relies on in-house expertise to assist the company in selecting and managing qualified outside contractors.

EXHIBIT M

FINANCIAL ANALYSIS – OAR 345-021-0010(1)(m)

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M.1. INTRODUCTION

OAR 345-021-0010(1)(m). *The application for transfer of the site certificate for the Klamath Cogeneration Project must contain information about the applicant's financial capability, providing evidence to support a finding by the Council as required by OAR 345-022-0050(2). Nothing in this subsection shall require the disclosure of information or records protected from public disclosure by any provision of state or federal law.*

RESPONSE: Please see sections M.2 through M.4 below.

M.2. OPINION OF LEGAL COUNSEL

OAR 345-021-0010(1)(m)(A). *The applicant must provide to the Council an opinion or opinions from legal counsel stating that, to counsel's best knowledge, the applicant has the legal authority to construct and operate the facility without violating its bond indenture provisions, articles of incorporation, common stock covenants, or similar agreements.*

RESPONSE: Please see Appendix M-1.

M.3. TYPE AND AMOUNT OF FINANCIAL INSTRUMENT

OAR 345-021-0010(1)(m)(B). *The applicant must provide the Council with information about the type and amount of the applicant's proposed bond or letter of credit to meet the requirements of OAR 345-022-0050.*

RESPONSE: Under separate cover, Klamath Energy will submit to the Council a bond or letter of credit in the amount of \$8,600,000.00 to provide decommissioning security. This security will assure that adequate funds will be available to retire the KCP and restore the site to a useful, non-hazardous condition. The bond or letter of credit will remain in effect until the KCP is retired, and will be inflation-adjusted on an annual basis according to the Gross Domestic Product Implicit Price Deflator Index. Please see the attached letter from the Royal Bank of Scotland (Appendix M-2), one of PPM's primary relationship banks. This letter confirms PPM's ability to provide the security and the bank's willingness to provide such security.

M.4. EVIDENCE OF REASONABLE LIKELIHOOD OF OBTAINING SECURITY

OAR 345-021-0010(1)(m)(C). *The applicant must provide the Council with evidence that the applicant has a reasonable likelihood of obtaining the proposed bond or letter of credit in the amount proposed in paragraph (B), before beginning construction of the facility.*

RESPONSE: Please see attached letter from the Royal Bank of Scotland (Appendix M-2), confirming PPM's ability to provide the security and the banks willingness to provide such security.

APPENDIX M-1

Legal Opinion on Authority to Construct and Operate



August 20, 2007

Oregon Department of Energy
625 Marion Street, N.E.
Salem, OR 07310

**Re: Application of PPM Energy, Inc. for Transfer of the Site Certificate for the
Klamath Cogeneration Project to Klamath Energy LLC**

Ladies and Gentlemen:

I am General Counsel of PPM Energy, Inc. ("PPM"). In such capacity, I have reviewed or supervised the review of bond indenture provisions, articles of incorporation, common stock covenants, and similar agreements in the case of PPM and articles of organization, operating agreement and membership interest covenants in the case of Klamath Energy LLC, the Oregon limited liability company affiliated with PPM ("Klamath Energy") which will assume legal title to the Klamath Cogeneration Project upon its sale to PPM by the City of Klamath Falls, Oregon (collectively, the "Records"). In rendering the opinion expressed below, I have examined or supervised the examination of the originals or conformed copies of the Records and such matters of law as I have deemed appropriate as a basis for the opinion hereafter expressed. As to factual matters, I have relied, to the extent deemed proper, upon statements and certifications of officers of PPM and Klamath Energy. In giving the following opinion, I have assumed the genuineness of all signatures and the authenticity of all documents that I have reviewed.

Based upon the foregoing, I am of the opinion, based upon my best knowledge, that subject to Klamath Energy meeting all applicable federal, state and local laws (including all rules and regulations promulgated pursuant thereto), Klamath Energy has the legal authority without violating its Articles of Organization, Operating Agreement, membership interest covenants or similar agreements, to own and operate the Klamath Cogeneration Project power generating facility (the "Facility") described and permitted in the Site Certificate for the Klamath Cogeneration Project.

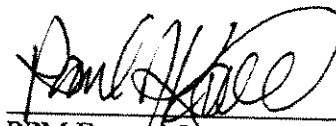
The foregoing opinion is limited to whether Klamath Energy has the legal authority to own and operate the Facility. I express no opinion as to the applicability of any federal, state and

Oregon Department of Energy
August 20, 2007
Page 2

local laws (including all rules and regulations promulgated thereto) to such ownership and operation or as the effects of the foregoing laws on such ownership and operation. I am admitted to the Bar of the State of Oregon. In rendering the opinion set forth above, I do not express any opinion concerning the laws of any jurisdiction other than the State of Oregon.

This opinion is solely for the benefit of the addressees hereof for use in connection with the application to transfer ownership of the Facility, and their respective successors, assigns and legal counsel, and may not be relied upon by any other person or for any other purpose without my express written consent. I assume no obligation to supplement this opinion, for any reason, after the date hereof.

Sincerely,



PPM Energy, Inc.
General Counsel

Appendix M-2
Financial Assurance Letter



August 27, 2007

Oregon Energy Facility Siting Council
Oregon Department of Energy
Salem, OR

Global Banking & Markets
101 Park Avenue
New York, NY 10178
Telephone: 212 401 3200
Facsimile: 212 401 3607
Website: www.rbos.com

Ladies and Gentlemen:

PPM Energy, Inc., is an affiliate of Scottish Power Finance (US) Inc., and Iberdrola SA. Iberdrola SA and its affiliates/subsidiaries are valued clients of The Royal Bank of Scotland plc ("the Bank").

It is our understanding that the Bank may be asked to provide a letter of credit on behalf of PPM Energy, Inc., for the project known as the Klamath Cogeneration Project. It is also our understanding this potential letter of credit could be required in the amount of Eight Million Six Hundred Thousand (\$8,600,000) dollars, inflation adjusted on an annual basis according to the Gross Domestic Product Implicit Price Deflator Index, subject to a cap of Seventeen Million Two Hundred Thousand (\$17,200,000) dollars.

PPM Energy, Inc., has sufficient available letter of credit capacity to support this request under its existing uncommitted financing arrangements with the Bank. There is a reasonable likelihood that the Bank would provide an annual letter of credit for this project, should one be required. This proposal does not constitute a commitment and is subject to our review and acceptance of the terms and conditions of the final contract and required letter of credit form or forms.

You understand, of course, that any arrangement for the final letter of credit or letters of credit is a matter between PPM Energy, Inc., and the Bank and we assume no liability to third parties or to you, if for any reason, we do not execute said letter or letters of credit. This letter replaces the previous letter dated August 17, 2007.

Sincerely,

Emily Freedman
Vice President
The Royal Bank of Scotland plc

OAR 345-022-0010 – Organizational Expertise

(1) To issue a site certificate, the Council must find that the applicant has the organizational expertise to construct, operate and retire the proposed facility in compliance with Council standards and conditions of the site certificate. To conclude that the applicant has this expertise, the Council must find that the applicant has demonstrated the ability to design, construct and operate the proposed facility in compliance with site certificate conditions and in a manner that protects public health and safety and has demonstrated the ability to restore the site to a useful, non-hazardous condition. The Council may consider the applicant's experience, the applicant's access to technical expertise and the applicant's past performance in constructing, operating and retiring other facilities, including, but not limited to, the number and severity of regulatory citations issued to the applicant.

(2) The Council may base its findings under section (1) on a rebuttable presumption that an applicant has organizational, managerial and technical expertise, if the applicant has an ISO 9000 or ISO 14000 certified program and proposes to design, construct and operate the facility according to that program.

(3) If the applicant does not itself obtain a state or local government permit or approval for which the Council would ordinarily determine compliance but instead relies on a permit or approval issued to a third party, the Council, to issue a site certificate, must find that the third party has, or has a reasonable likelihood of obtaining, the necessary permit or approval, and that the applicant has, or has a reasonable likelihood of entering into, a contractual or other arrangement with the third party for access to the resource or service secured by that permit or approval.

(4) If the applicant relies on a permit or approval issued to a third party and the third party does not have the necessary permit or approval at the time the Council issues the site certificate, the Council may issue the site certificate subject to the condition that the certificate holder shall not commence construction or operation as appropriate until the third party has obtained.

RESPONSE: PPM has extensive experience in developing, financing, and operating renewable and non-renewable energy generating facility's, including facilities like KCP. In Oregon, PPM (through its subsidiaries) developed and owns or manages KCP and the Klamath Peakers. PPM's total gas-fired generation portfolio is 806 MW of capacity.

PPM also either owns and/or operates the following wind farm facilities in Oregon:

PROJECT	LOCATION	OWNER/OPERATOR
Klondike I	Sherman County	Owner & Operator
Klondike II	Sherman County	Owner & Operator
Leaning Juniper I	Gilliam County	Operator

OAR 345-022-0050 -- Retirement and Financial Assurance

To issue a site certificate, the Council must find that:

(1) The site, taking into account mitigation, can be restored adequately to a useful, non-hazardous condition following permanent cessation of construction or operation of the facility.

(2) The applicant has a reasonable likelihood of obtaining a bond or letter of credit in a form and amount satisfactory to the Council to restore the site to a useful, non-hazardous condition.

RESPONSE: The City has maintained a cash funded Reserve and Contingency Fund to satisfy the Termination Fund Amount requirements set forth in Section IV.D.3. of the KCP Site Certificate, defined as \$6.85 million in 1997 dollars. This Account is governed by the terms of the Bond Indenture referenced in Section IV.D.2. of the Site Certificate. The Bond Indenture relates directly to the City's issuance of debt obligations to fund the construction of KCP. Upon the sale of KCP to Klamath Energy all of this debt will be retired or defeased and the Bond Indenture will cease to have any legal force or effect. Klamath Energy accepts the obligation to maintain a fund sufficient to satisfy the Termination Fund Amount as part of the transfer of the Site Certificate. Klamath Energy expects to satisfy this obligation to maintain the Termination Fund Amount through the acquisition of a letter of credit, as expressly permitted by Section IV.D.5. of the Site Certificate. This security will assure that adequate funds equaling the Termination Fund Amount will be available to retire the KCP and restore the site to a useful, non-hazardous condition. Klamath Energy will maintain a permitted form of security in effect until the KCP is retired. The amount available to be drawn under such security will be inflation-adjusted on an annual basis according to the Gross Domestic Product Implicit Price Deflator Index as specified by Section IV.D. of the KCP Site Certificate. Please see the attached letter from the Royal Bank of Scotland (Appendix M-2), one of PPM's primary relationship banks. This letter confirms PPM's ability to provide the initial principal amount of the security satisfying the present Termination Fund Amount requirement, and the bank's willingness to provide such security.

OAR 345-024-0710(1) – Monetary Path Payment Requirement

If the applicant elects to meet the applicable carbon dioxide emissions standard in whole or in part under OAR 345-024-0560(3), 345-024-0600(3) or 345-024-0630(2), (4) and (5), the applicant shall provide a bond or letter of credit in a form reasonably acceptable to the Council to ensure the payment of the offset funds and the additional funds required under section (4). The applicant shall provide such security by the date specified in the site certificate. In the site certificate, the Council shall specify a date no later than the commencement of construction of the facility for base load gas plants and non-base load power plants. For nongenerating facilities, the Council shall specify a date no later than the commencement of construction of the facility for providing the initial bond or letter of credit, and the Council shall specify conditions for providing subsequent incremental payments to meeting the monetary path payment requirement. The certificate holder for a nongenerating facility must meet its incremental monetary path payment requirements before exhausting its offset credit account, as described in OAR 345-024-0630(4). In no case shall the applicant diminish the bond or letter of credit or receive a refund from a qualified organization based on the calculations of the facility's emissions on a new and clean basis for a fossil-fueled power plant or any other measure for a nongenerating energy facility. A qualified organization shall not refund any offset funds to a certificate holder based on the operation or performance of a non-base load power plant during any five-year period reported under OAR 345-024-0590(5) or, for a nongenerating facility, on any offset credits the certificate holder provided under OAR 345-024-0620(5).

RESPONSE: Neither the City nor Klamath Energy have elected to meet the applicable carbon dioxide emissions standard for KCP, in whole or in part, under OAR 345-024-0560(3), 345-024-0600(3) or 345-024-0630(2), (4) and (5). As a result, no bond or letter of credit of the kind described in OAR 345-024-0710(1) is required to be submitted with this Site Certificate Transfer application.

Klamath Energy acknowledges that Sections IV.B.24. and 25. of the KCP Site Certificate establish a requirement to provide offset funds prior to the commencement of construction which were to be trued-up following the reporting of KCP's Year One Test Reports independent of and pre-dating the current rules. The required offset payments were funded in accordance with the requirements of the Site Certificate.

Section IV.B.1. of the Site Certificate establishes two separate obligations relating to the industrial off-site industrial use of steam energy. The first obligation is to "make available" the equivalent of 200,000 pounds of steam per hour at 375 psig and 455° Fahrenheit on an average annual basis. KCP has been in continual compliance with this requirement of the Site Certificate. The second obligation is that the off-site industrial use shall be at least the steam energy equivalent of 200,000 pounds of steam per hour at 375 psig and 455° Fahrenheit on a five-year basis. KCP is currently developing a compliance plan to satisfy this obligation.

In developing its CO2 emissions compliance plan, KCP is aware of the fact that the Site Certificate requires that the City formulate an offset program, submit it to the Council for approval, and implement it to offset an amount of CO2, NOx, or PM-10, or any combination thereof, equivalent to the monetized incremental emissions resulting from the steam sale host's use of less than 200,000 pounds of steam per hour. In its June 28, 2007 letter to the Department on behalf of the City, PPM noted that during the initial five-year period, the steam sale host purchased less than 200,000 pounds of steam per hour and that, despite PPM's and the City's efforts, no additional or alternative steam sale host(s) was identified to purchase additional steam. In that letter, PPM also noted that PPM and the City are in the process of developing an offset program, but that the development of such a program will not be completed until at least the end of 2007. Accordingly, PPM on behalf of the City requested an extension for submission of the program from July 1, 2007 to January 1, 2008. PPM and the City continue their efforts to develop an offset program. PPM and the City are also exploring the possibility of a monetary payment in lieu of the development of an offset program. If such a monetary payment proposal is developed, PPM and the City would anticipate presenting it to the Department on or prior to mid-September 2007.

OAR 345-27-0100(4). *To request a transfer of the site certificate, the transferee shall submit a written request to the Department that includes . . . a certification that the transferee agrees to abide by all terms and conditions of the site certificate currently in effect and, if known, the date of the transfer of ownership . . .*

RESPONSE: Klamath Energy certifies that it agrees to abide by all terms and conditions of the KCP Site Certificate currently in effect. The date of the transfer of ownership is contingent upon the removal of conditions precedent set for in the MOU included herein at Appendix A-2, including the condition requiring approval of this Site Certificate transfer. Klamath Energy and the City anticipate that the ownership of KCP will transfer from the City to Klamath Energy on or about November 1, 2007, but that date is subject to change if the pre-conditions to closing the sale of KCP are delayed for any reason.

OAR 345-027-0100(8). *At the conclusion of the information hearing or at a later meeting, the Council may issue an order approving the transfer request if the Council finds that: (a) the transferee complies with the standards described in OAR 345-022-0010, OAR 345-022-0050 and, if applicable, OAR 345-024-0710(1); and (b) the transferee is lawfully entitled to possession or control of the site or the facility described in the site certificate.*

RESPONSE: Upon the removal of the conditions precedent set forth in the MOU included herein at Appendix A-2, including the condition requiring approval of this Site Certificate transfer, and upon the sale of KCP to Klamath Energy, Klamath Energy will be legally entitled to possess and control KCP and the KCP site.