



2013 ANNUAL REPORT OF THE IDAHO ENERGY RESOURCES AUTHORITY

The Idaho Energy Resources Authority (IERA) is an “independent public body politic and corporate”¹ created in 2005 for the purpose of facilitating the financing of electric generation, transmission and distribution facilities and renewable energy resources for the benefit of Idaho utilities and consumers.²

Board Appointments

In 2013 the Governor appointed Daniel Kuntz and Jackie Flowers to begin their first terms as IERA Directors, with both terms expiring June 30, 2018. Ms. Flowers is the General Manager of Idaho Falls Power, a locally owned electric utility providing electric service to more than 26,000 meters in the City of Idaho Falls. Ms. Flowers is also Chair of the Board of Directors of the Idaho Strategic Energy Alliance, a Trustee of the Northwest Public Power Association and a board member of the Utah Associated Municipal Power Systems. Mr. Kunz is the founder and former President, CEO and Director of U.S. Geothermal Inc., a Boise based geothermal company with power plants in Idaho and Nevada. Prior positions held by Mr. Kunz include serving as a senior executive, Vice President and Controller of Morrison Knudsen Corp (now, URS Corporation).

Project Development, Financings and Operations

In November of 2013, the IERA and the Bonneville Power Administration (“Bonneville” or “BPA”) signed a Master Memorandum of Intent (“Memorandum”) stating BPA’s intent to request that the IERA participate in transmission facilities lease-purchase transactions on behalf of Bonneville. Pursuant to the Memorandum, Bonneville has also requested that the IERA participate in two 2014 proposed transactions, a new substation in Morrow County, Oregon, and a refinancing of one or more existing lease-financed facilities. Attached to this report is a copy of the Memorandum signed between BPA and the IERA.

The IERA does not manage or operate any facilities.

¹ Idaho Code § 67-8904

² Idaho Code § 67-8902

Financial Matters

Attached are financial statements of the Idaho Energy Resources Authority providing an accounting of its receipts and expenditures during the 2013 fiscal year, and its assets and liabilities as of December 31, 2013.

The IERA has no bonds outstanding as of December 31, 2012.

MASTER MEMORANDUM OF INTENT

between

IDAHO ENERGY RESOURCES AUTHORITY

and

**UNITED STATES OF AMERICA DEPARTMENT OF ENERGY,
acting by and through the ADMINISTRATOR of the BONNEVILLE POWER
ADMINISTRATION**

THIS MASTER MEMORANDUM OF INTENT is between IDAHO ENERGY RESOURCES AUTHORITY (the “Authority”), an independent public body politic and corporate and a public instrumentality of the State of Idaho, and the UNITED STATES OF AMERICA DEPARTMENT OF ENERGY acting by and through the ADMINISTRATOR of the BONNEVILLE POWER ADMINISTRATION (“Bonneville”), (each, a “Party,” and collectively, the “Parties”).

(1) Preliminary Statement. Among the matters of mutual inducement, which have resulted in the execution of this Master Memorandum of Intent, are the following:

(a) The Authority is an independent public body politic and corporate and a public instrumentality of the State of Idaho (the “State”), organized and existing pursuant to the Idaho Energy Resources Authority Act, Title 67, Chapter 89, Idaho Code, as amended, referred to herein as the “Act”, and is authorized to, among other things, (i) own, acquire, transfer or lease real and personal property necessary or convenient in connection with any “facility,” as defined in the Act, that is necessary, used or useful for the transmission of electric power and energy for the use and benefit of any “participating utility,” as defined in the Act, (ii) enter into contracts for rental, short-term and long-term leases or financing agreements, and (iii) issue revenue bonds, all pursuant to the authority contained in the Act.

(b) Bonneville is (i) a federal agency that provides power supply, transmission and ancillary and related services to utilities that provide retail electric services to consumers within the State, and (ii) accordingly, a “participating utility” as defined in the Act.

(c) The Parties anticipate that from time to time Bonneville will request that the Authority participate in transmission facilities lease-purchase transactions under which the Authority will undertake to acquire, design, construct, install, test and/or energize identified or designated transmission facilities and lease such transmission facilities to Bonneville, and under which Bonneville shall lease such transmission facilities from the Authority and make lease rental payments to the Authority with respect to such transmission facilities (each such foregoing agreement is referred to herein as a “Lease Commitment”). A Lease Commitment may be effected as a stand alone lease-

purchase agreement for a single Project, as such term is described herein, or under a Master Memorandum Agreement that enables individual lease-purchase commitments for one or more Projects. Each such individual lease-purchase commitment under a Master Memorandum Agreement is a Lease Commitment. A Party's decision to participate in a Lease Commitment is in the Party's sole discretion.

(d) The transmission facilities to be leased by the Authority to Bonneville (i) will be specifically identified or designated, (ii) are or will be integral to the "Federal transmission system" as such term is used in the Federal Columbia River Transmission System Act of 1974 (16 U.S.C. 838 et seq.), (iii) are or will be located in the State and in other states within the geographical area of the "Pacific Northwest" region described in Section 4(d) of the Federal Columbia Transmission System Act of 1974, 16 U.S.C. Section 838b(d), and (iv) will be necessary, used or useful in the provision by Bonneville of wholesale transmission services to utilities that serve retail electric consumers within the State, including facilities that enhance the operations and reliability of the Federal transmission system or otherwise promote Bonneville's ability to provide transmission service to such utilities at economical and stable rates. Transmission facilities to be financed with the proceeds of any such Revenue Bond, as such term is described herein, are referred to herein collectively as "Projects" (or in the singular, as a "Project"), and the Federal transmission system is referred to herein as the "Federal System." A Project may consist of any number of separate component transmission facilities, as identified or designated by the Parties.

(e) Participation by the Authority in Lease Commitments is expected to involve the Authority borrowing funds to pay the cost of acquiring, designing, constructing, installing, testing and/or energizing the related Projects through the issuance of one or more short-term notes (each a "Note") or one or more series of long- or short-term revenue bonds (each a "Bond") in connection with one or more identified or designated Projects. Such a Note or Bond will be secured solely by Bonneville's lease rental payments and funds derived in connection with such lease rental payments, as further described herein, and is referred to herein as a "Revenue Bond."

(f) If the Parties agree to participate in a Proposed Transaction, as defined herein, it is expected that the Authority will take all such actions as are necessary or desirable to timely authorize the issuance of one or more related Revenue Bonds, including the adoption of an authorizing resolution if necessary for the issuance thereof (a "Resolution"). Each Revenue Bond will be issued for the general purposes of financing the cost of acquiring, designing, constructing, installing, testing and/or energizing a related Project or related Projects and such other purposes as further described in the related Resolution. As used in this Master Memorandum of Intent, the term "Proposed Transaction" means the proposed issuance by the Authority of one or more Revenue Bonds to finance one or more Projects (whether or not such Projects are identified or designated at the time of the agreement to participate and whether or not such Projects are constructed, proposed to be constructed or partially constructed) where the proposed Revenue Bond is, or the proposed Revenue Bonds are, to be secured by one or more

proposed Lease Commitments, together with all other proposed related agreements and documents necessary for the issuance by the Authority thereof. As used in this Master Memorandum of Intent, the term “financing” includes refinancing. A “Proposed Transaction” shall become a “Transaction” when, as and if the Authority consummates such Proposed Transaction by entering into a contract to issue, or a contract that requires the issuance of, one or more Revenue Bonds. A Party may at any time for any reason cease participation in a Proposed Transaction by so notifying the other Party. Upon the cessation of participation in a Proposed Transaction, the Authority will cease to incur further expenses therefor.

(g) The Authority has reviewed the forms of Lease Commitments and the forms of related agreements and financing documents and believes that it would be willing and able to enter into similar arrangements in the future.

(h) The Authority deems it necessary and advisable that it take such action as may be required under the Act and any Resolution to authorize and issue Revenue Bonds to finance the costs of the Projects and lease the Projects to Bonneville.

(i) The Authority finds that the citizens of the State rely on the Federal System for electric power service and will rely on the Projects as integrated with the other facilities of the Federal System, and such Federal System includes electric transmission lines, substations and other facilities that are located both within and without the geographic boundaries of the State. The Authority further finds that its participation in Lease Commitments with Bonneville and the issuance of Revenue Bonds to finance the costs of Projects that are located within and without the boundaries of the State and in Proposed Transactions and Transactions are consistent with and in furtherance of the purposes set forth in Section 67-8902 of the Act, and constitute or will constitute valid public purposes.

(j) Bonneville wishes to proceed with the preparation of necessary plans and to incur expenses in connection with Proposed Transactions. As provided herein, Bonneville shall pay, or suffer or cause to be paid, certain expenses of the Authority to assure that the Authority will be capable of participating in Proposed Transactions and to consummate such Proposed Transactions so that they become Transactions, in each case upon terms acceptable to Bonneville and the Authority.

(k) The Parties consider it appropriate that the actions contemplated hereunder be the subject of this Master Memorandum of Intent and that this Master Memorandum of Intent shall apply to Proposed Transactions if and when the Authority’s participation is requested by Bonneville and agreed to by the Authority.

(l) All references in this Master Memorandum of Intent to the Authority shall be deemed to include where appropriate its elected and appointed officials, employees and agents.

(2) Undertakings on the Part of the Authority. The Authority agrees and represents as follows:

(a) Upon its agreement to participate in a Proposed Transaction, the Authority will use reasonable efforts to (i) authorize and cause the issuance of a related Revenue Bond by the date that is mutually agreed upon by the Authority and Bonneville in connection with the related Project or Projects, and (ii) to adopt such proceedings and authorize the execution of such documents as may be necessary and advisable for the authorization, issuance, sale and delivery of a related Revenue Bond, and for the ownership by the Authority, and the leasing by the Authority to Bonneville of, the related Project or Projects, (iii) execute and deliver one or more letters of representation to the effect that, among other things, a related Revenue Bond, and a Lease Commitment, and other agreements of the Authority in connection with issuance of the Revenue Bond, are valid and enforceable obligations of the Authority and, if applicable, to the effect that information furnished by and relating to the Authority in the official statement or other disclosure document for the Revenue Bond does not contain material misstatements or omit any information necessary to make the information contained in such disclosure not misleading in any material respect, and (iv) take such other actions relating to a Proposed Transaction and the issuance of a related Revenue Bond as may be necessary or desirable, all as authorized by law and as mutually satisfactory to Bonneville and the Authority.

If the Authority has a material objection to a Proposed Transaction, or a material concern affecting its willingness or ability to continue its participation in a Proposed Transaction or to consummate a Proposed Transaction, the Authority shall promptly inform Bonneville of the objection or concern to enable Bonneville to seek to resolve the objection or concern or to seek alternative arrangements.

(b) The Authority will not, and will not seek to

(i) use or encumber the assets comprising a Project or pledge, use or encumber the lease rental payments or other revenue derived directly or indirectly under a Lease Commitment (including but not limited to investment earnings) or the monies held in the funds and accounts established in connection with a Transaction and the issuance of a related Revenue Bond, in all cases, to meet any obligation of the Authority apart from those arising in connection with the related Transaction, including but not limited to an obligation of the Authority arising under a related Lease Commitment, construction agreement, loan agreement, credit agreement or similar agreement, or bond purchase agreement;

(ii) assign, pledge or otherwise transfer any of its rights or interests in any document or agreement in connection with a Transaction and the issuance of a related Revenue Bond, including but not limited to a Lease Commitment, construction agreement, Resolution, as defined herein, Indenture, as defined herein, loan agreement, credit agreement or similar document, and bond purchase

agreement, in all cases, without first obtaining the written consent of Bonneville;
and

(iii) exercise any of its other rights in any document or agreement entered into in connection with a Transaction and the issuance of a related Revenue Bond, including but not limited to a Lease Commitment, construction agreement, Resolution, as defined herein, Indenture, as defined herein, loan agreement, credit agreement or similar agreement, and bond purchase agreement, without first consulting with Bonneville or if required by the related documents without first obtaining the written consent of Bonneville.

Notwithstanding anything in this Section 2(b) hereof to the contrary, the Authority may use moneys derived in its own name or account under a Transaction (such as the Lump Sum Participation Payments and Annual Participation Payments, as described in Section 3 hereof) for any lawful purpose of the Authority (including to meet lawful obligations incurred other than in connection with a Transaction, a Proposed Transaction, or this Master Memorandum of Intent).

(c) In connection with a Proposed Transaction and its consummation into a Transaction, the Authority will appoint an attorney or firm of attorneys to serve as its general counsel (“Issuer’s Counsel”) and a nationally recognized public finance counsel (“Bond Counsel”). Among other things, Issuer’s Counsel and Bond Counsel will seek to provide customary opinions necessary to complete a closing of the related Revenue Bond, including but not limited to, opinions to the effect that (i) the Authority is duly organized and validly existing under the laws of the State, (ii) the Resolution therefor was duly adopted and the applicable Lease Commitment or Lease Commitments, the Indenture and other agreements to which the Authority is a party were duly authorized, executed and delivered, and are in full force and effect and have not been amended, modified or superseded, (iii) the related Revenue Bond and the applicable Lease Commitment or Lease Commitments and any other agreements of the Authority in connection with the Revenue Bond or the issuance thereof are valid and enforceable in accordance with their respective terms, (iv) there is no conflict with the Authority’s then-existing bond and debt obligations, (v) there is no undisclosed litigation pending or threatened against the Authority, (vi) if applicable, the information relating to the Authority and certain other matters in the official statement or other offering document for a Revenue Bond does not contain material misstatements or omit any information necessary to make the information contained in such disclosure not misleading in any material respect, and (vii) if applicable and requested by Bonneville, interest on a Revenue Bond is exempt from State income tax (“Tax-Exemption Opinion”). The foregoing opinions will be subject to standard qualifications. Bonneville agrees that Chapman and Cutler LLP is nationally recognized public finance counsel for purposes of this Section 2(c) and has no objection to Chapman and Cutler LLP acting as Bond Counsel.

(d) If Bonneville requests that the Authority seek to obtain a Tax-Exemption Opinion from Bond Counsel, Bonneville acknowledges that Bond Counsel may condition the delivery of such an Opinion on the provision by Bonneville of representations and covenants that will assure Bond Counsel that the requirements of applicable State tax law are and will be met.

(e) Absent Bonneville's consent and so long as any Revenue Bond is outstanding as provided in an applicable Resolution or Indenture, the Authority shall not incur contractual obligations or enter into debt obligations that are or purport to be a claim on general revenues or general assets of the Authority and the Authority shall assure that all debt obligations of the Authority apart from Revenue Bonds shall be special revenue obligations secured solely by revenues apart from the revenues and funds arising under a Lease Commitment. If (i) the Authority expects to issue special revenue obligations apart from Revenue Bonds, (ii) the Authority is in material breach or default under any contract apart from the contracts entered into in connection with a Transaction, or (iii) litigation involving the Authority is joined or threatened for any matter whatsoever, then, in each case the Authority shall promptly so notify Bonneville. Nothing in this Section 2(e) shall preclude the Authority from using moneys derived in its own name or account under a Transaction (such as the Lump Sum Participation Payments and Annual Participation Payments, as described in Section 3 hereof) for any lawful purpose of the Authority (including to meet lawful obligations incurred other than in connection with a Transaction, a Proposed Transaction, or this Master Memorandum of Intent).

(3) Undertakings on the Part of Bonneville. Subject to the conditions above stated, Bonneville agrees as follows:

(a) In connection with a Proposed Transaction, Bonneville will cooperate with the Authority for the approval of all of the terms and conditions of the issuance and sale of the Revenue Bond, and, if applicable, the assumption by the Authority of the ownership of transmission facilities theretofore owned by another entity to enable the Authority to lease the facilities to Bonneville as one or more Projects (as designated or identified by the Parties) in connection with a refinancing thereof.

(b) Lump Sum Participation Payments for Transactions.

(i) Some Transactions may involve (A) the issuance by the Authority of a Revenue Bond that is a Note to or on account of a bank or financial institution in connection with a Master Memorandum Agreement that is entered into between the Authority and Bonneville under which Master Memorandum Agreement the Authority will lease one or more Projects to Bonneville under individual Lease Commitments, (B) provisions being made for the making of one or more draws against the Note, and (C) the term for a Lease Commitment being seven (7) years or less.

- (ii) Some Transactions may involve (A) the issuance by the Authority of a Revenue Bond that is a Note to or on account of a bank or financial institution in connection with a Lease Agreement that is entered into between the Authority and Bonneville under a single Lease Commitment for one Project to be leased by the Authority to Bonneville, (B) provisions being made for the making of one or more draws against the Note, and (C) the term for the Lease Commitment being (7) years or less.
- (iii) Some Transactions may involve the issuance by the Authority of one or more long-term or short-term, publicly-issued Revenue Bonds to finance the cost of construction of one or more Projects.
- (iv) Some Transactions may involve the issuance by the Authority of long-term or short-term, publicly-issued Revenue Bonds to refinance the cost of construction of one or more transmission facilities whether or not originally leased to Bonneville by the Authority or another entity.

For each Transaction other than the first Transaction, the Authority will receive from the related Revenue Bond proceeds a “Lump Sum Participation Payment,” in the Authority’s own name and for its own account, in the amount, unless agreed otherwise to by the Parties, of one hundred and twenty-five thousand dollars (\$125,000.00). For the first Transaction only, the Authority will receive from the related Revenue Bond proceeds a Lump Sum Participation Payment of one hundred and seventy-five thousand dollars (\$175,000.00), which includes fifty thousand dollars (\$50,000.00) for legal work performed by Bond Counsel prior to September 1, 2013 relating to the possible participation by the Authority with Bonneville in developing or financing electric transmission facilities. In any case, the Authority will be entitled to a Lump Sum Participation Payment only upon the issuance and sale of the related Revenue Bond or Revenue Bonds and the availability of the proceeds thereof for such purpose.

(c) Upon and after the agreement of the Parties to participate in a Proposed Transaction, and without regard to whether or not a Party ceases its participation in the Proposed Transaction or the Proposed Transaction is in fact consummated and becomes a Transaction, Bonneville shall be obligated to pay the Authority an amount equal to the out-of-pocket expenses that the Authority incurs for work reasonably related to the Proposed Transaction (the “Out-of-Pocket Expenses”). To obtain such payments, the Authority shall periodically, but not more frequently than monthly, submit itemized invoices in arrears to Bonneville. Bonneville shall pay such itemized invoices within thirty (30) calendar days of receipt; provided, that, at Bonneville’s request, the Authority will use best efforts to undertake all necessary proceedings to issue the related Revenue Bond in an amount sufficient to (i) reimburse Bonneville for its payments for Out-of-Pocket Expenses theretofore made to the Authority, and (ii) cover Out-of-Pocket Expenses that are or will be payable by Bonneville but which have not as of the date of

closing been paid. Out-of-Pocket Expenses include, without limitation, the reasonable fees and expenses of Bond Counsel and Issuer's Counsel in connection with a Proposed Transaction. Out-of-Pocket Expenses also include reasonable fees and expenses for Issuer's Counsel that the Authority incurs after September 1, 2013 in connection with the two initial Proposed Transactions described in Section 6 hereof, subject to the limitations set forth in Section 6(c) hereof; provided, that, for avoidance of doubt, such Out-of-Pocket Expenses include fees and expenses for Bond Counsel and Issuer's Counsel to review this Master Memorandum of Intent, to draft and review proposed financing, lease, and related documents, to prepare legal memoranda and opinions, to provide applicable advice, and to participate in conferences.

(d) In addition to the indemnification and hold harmless obligations of Bonneville under Section 5 hereof, in connection with a Transaction, a Lease Commitment (or other agreement between the Parties) will contain, to the satisfaction of the Authority, similar provisions to the effect that Bonneville will (i) fully indemnify and hold the Authority harmless from liabilities arising in connection with the Transaction, including but not limited to, liabilities arising from a related Project, a related Revenue Bond, and the related agreements and financing documents for the Transaction, and (ii) assure that no gap in the coverage of the indemnification provided by Bonneville will arise by virtue of a Proposed Transaction becoming a Transaction.

(e) Unless otherwise agreed by the Parties, the Annual Participation Payments for each Transaction will be ten thousand dollars (\$10,000.00) per year, as follows: (i) Annual Participation Payments will be payable to the Authority in its own name and for its own account; (ii) Annual Participation Payments will be payable for each calendar year in which one or more of the Lease Commitments for the Transaction remain in effect on January 1 of such calendar year; and (iii) the payment date for an Annual Participation Payment will be established to be not more than thirty (30) calendar days after January 1 of each calendar year for which an Annual Participation Payment is to be made. For clarity, Annual Participation Payments will be payable only if the related Transaction closes and, unless otherwise agreed by the Parties, will be payable solely from lease rental payments under one or more Lease Commitments.

(f) For a Revenue Bond that is subject to the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission ("SEC"), Bonneville, as an "Obligated Person" within the meaning of the Rule, will execute and deliver a Continuing Disclosure Certificate if required or applicable under the Rule, in a form and substance satisfactory to the Authority, Issuer's Counsel and Bonneville, and will provide information as and when specified in the Continuing Disclosure Certificate and will provide copies of all such filings to the Authority.

(g) In connection with a Proposed Transaction and its consummation into a Transaction, Bonneville will engage a nationally-recognized public finance law firm of Bonneville's choosing to provide (i) if applicable, an opinion to the effect that the information relating to Bonneville in the official statement or other offering document for

a Revenue Bond does not contain material misstatements or omit any information with respect to Bonneville necessary to make the information contained in such disclosure not misleading in any material respect, and (ii) an opinion that Bonneville's obligations under a Lease Commitment and any agreements of Bonneville in connection with a related Revenue Bond or the issuance thereof are valid and enforceable in accordance with their respective terms. The foregoing opinions will be subject to standard qualifications.

(4) General Provisions.

(a) Except as provided in Sections 2(a), 2(b), 2(e), 3(c), 4(e) and 5 hereof, all obligations arising under this Master Memorandum of Intent are conditioned upon the Parties agreeing to mutually acceptable terms and conditions in the agreements and documents involved in a Proposed Transaction.

(b) The Authority understands and acknowledges that lease rental payments by Bonneville for a Project will be fixed upon execution of the related Lease Commitment.

(c) Each Party will assure, to its satisfaction, that the lease rental payments established in a Lease Commitment (i) will be in excess of amounts required to pay the principal of and the interest on, and redemption premium, if any, of, each related Revenue Bond (or, as the case may be, amounts drawn under a Revenue Bond that is a Note) as and when the same become due and payable, and (ii) to the extent not otherwise payable from the proceeds of a related Revenue Bond or another source as agreed to by the Parties, will also be sufficient to meet (A) the expenses related to the financing of the related Project or Projects and issuing a related Revenue Bond (including without limitation, trustees' fees, paying agents' fees, registration fees, financial accounting and consent fees, municipal bond insurance premiums or fees, letter of credit or other bank origination or credit fees, remarketing fees, reserve fund or surety bond premiums or fees, rating agency fees, and underwriters' costs, including costs in connection with the preparation and distribution of any official statement or other offering document), (B) the estimated ongoing costs and expenses to be borne by the Authority in participating in the related Project or Projects, (C) the Authority's expected ongoing administrative, accounting, and legal costs and expenses in connection with servicing each related Revenue Bond and participating in the related Project or Projects and the Lease Commitment or Lease Commitments, (D) Annual Participation Payments as hereinafter provided, and (E) specified reserve fund levels in amounts that are intended to be adequate to provide a source of funds for the Authority to pay unexpected expenses in connection with the related Project or Projects or each related Revenue Bond. All or portions of the foregoing cost and expense may be covered from Revenue Bond proceeds, as agreed by the Parties; provided, that, no such agreement shall be inconsistent with the applicable Resolution or other applicable financing documents.

(d) The Parties expect that the Authority may from time to time establish under resolutions, indentures, custodial agreements, credit agreements, loan agreements

or other agreements or documents, certain funds and accounts, and pledge the amounts therein to the payment of each related Revenue Bond, and the costs of the related Project or Projects or other costs in connection with a Transaction. Each such resolution, indenture, custodial agreement, credit agreement, loan agreement or other agreement or document is referred to herein as an "Indenture." The Parties intend that moneys in the funds and accounts established under an Indenture (i) which remain unspent after the defeasance of the lien or liens established by the related Indenture as provided therein (or final payment of each related Revenue Bond where defeasance is not specifically provided), and (ii) which are or will be in excess of the amounts necessary to cover when due the Authority's other costs and expenses in connection with the related Transaction and Annual Participation Payments therefor shall be repaid to Bonneville as overpayment of rent unless by agreement of the Parties the excess moneys are applied to or are committed to be applied to reduce any lease rental or other payments otherwise due by Bonneville under the related Lease Commitment or Commitments.

(e) Notwithstanding any other provision to the contrary in this Master Memorandum of Intent, neither a Revenue Bond nor the interest thereon will be or will become an obligation of any kind of the State, or a personal obligation of the elected or appointed officials, employees or agents of the Authority or the State, in each case within the meaning of any State constitutional or statutory provision whatsoever. A Revenue Bond and the interest thereon shall be a limited obligation of the Authority, payable solely from amounts under the applicable Indenture, which amounts are to be derived from Bonneville under the applicable Lease Commitment or Lease Commitments. A Revenue Bond will not be a general obligation of the Authority or a pledge of the faith and credit of the Authority or its elected or appointed officials, employees or agents or a debt or pledge of the faith and credit of the State. Notwithstanding any other provision to the contrary in this Master Memorandum of Intent, no assets of the Authority, apart from revenues and funds that are directly or indirectly made available by Bonneville with respect to a Project and made subject to the pledge and lien in the applicable Indenture in favor of the holder or holders of a related Revenue Bond, shall secure a Revenue Bond, and the debt service on a Revenue Bond shall be payable solely from funds derived directly or indirectly by Bonneville under the applicable Lease Commitment or Lease Commitments.

(f) A Lease Commitment and other documents with respect to the issuance of a Revenue Bond will contain such other provisions as may be required or permitted by law and as are mutually acceptable to the Parties.

(5) Indemnification for this Master Memorandum of Intent and for Proposed Transactions.

(a) Bonneville shall and hereby agrees to indemnify and hold the Authority harmless against and from all claims by or on behalf of any person, firm, corporation or other legal entity arising in any way from (i) the approval and execution of, and the action or inaction of the Authority under, this Master Memorandum of Intent; (ii) upon

the agreement of the Parties to participate in a Proposed Transaction, the approval of, execution of, and the action or inaction by, the Authority under such agreement to participate in such Proposed Transaction, including without limitation (A) the proposed offer, sale or issuance of a related Revenue Bond, (B) any omission or misstatements of any material fact in any offering document or any other liability arising from the proposed sale, issuance, marketing or administration of a related proposed Revenue Bond, (C) any audit or proceeding, inquiry of any federal, state or local regulatory or taxing authority relating directly or indirectly to a proposed Revenue Bond or that could adversely affect, if applicable, the tax-exempt status of the interest on a proposed Revenue Bond, (D) the conduct or management of, or from, any work or thing done related to the related Project or Projects, (E) any actions taken or not taken by the Authority relating to the Project or Projects, and (F) any condition related to the Project or Projects; (iii) any breach or default on the part of Bonneville in the performance of any of its obligations under this Master Memorandum of Intent or other agreement; (iv) any act or negligence of Bonneville or of any of its agents, contractors, servants, employees or licensees; (v) any act or negligence of any assignee or lessee of Bonneville, or of any agents, contractors, servants, employees or licensees of any assignee or lessee of Bonneville; and (vi) all claims, liabilities or losses arising in connection with the violation of any statute or regulation pertaining to the foregoing. Bonneville shall indemnify and hold the Authority and the Authority's elected or appointed officials, employees or agents (each referred to herein individually as an "Indemnified Party" and collectively as the "Indemnified Parties") harmless from any such claim arising as aforesaid, or in connection with any action or proceeding, or costs or fees incurred in any action or proceedings brought thereon whether at trial, on appeal, in bankruptcy proceedings or otherwise, and upon notice from an Indemnified Party, Bonneville shall defend such Indemnified Party or provide for its defense in any such action or proceeding at Bonneville's expense.

(b) Notwithstanding anything to the contrary contained in this Master Memorandum of Intent, Bonneville shall have no liability to indemnify or hold harmless an Indemnified Party against claims or damages resulting from its own gross negligence or willful misconduct, or for information specifically provided by the Authority and included in any offering document or preliminary or final official statement.

(c) In the event any claim is made against the Indemnified Parties for which indemnification may be sought from Bonneville under the foregoing provisions, the Indemnified Parties shall promptly give written notice thereof to Bonneville; provided, that, any failure to give or delay in giving such written notice shall not relieve Bonneville of its indemnification obligations as set forth above except to the extent such failure or delay prejudices Bonneville's ability to defend or settle such claim. Upon receipt of such notice, Bonneville shall assume the defense thereof in all respects and may settle such claim in such manner as it deems appropriate so long as there is no liability, cost or expense to the Indemnified Parties. Bonneville shall select legal counsel to represent the Indemnified Parties and shall not be responsible for the legal fees and expenses of any legal counsel retained by the Indemnified Parties without the written consent of

Bonneville, unless the Authority shall have reasonably concluded that there may be a conflict of interest between the Authority and Bonneville in the conduct of the defense of such action (in which case Bonneville shall not have the right to direct the defense of such act on behalf of the Authority but shall be responsible for the legal fees and expenses of the counsel retained by the Indemnified Parties whether incurred at trial, on appeal, in bankruptcy proceedings or otherwise).

(6) Agreement to Participate in Two Proposed Transactions. Bonneville hereby requests and the Authority hereby agrees to participate in two Proposed Transactions:

(a) A Proposed Transaction for a proposed substation to be located in Morrow County, Oregon. The Proposed Transaction is expected to result in the issuance of a Revenue Bond that is a Note by the Authority to or on account of a bank or financial institution in connection with a Lease Commitment that is entered into between the Authority and Bonneville. The Note is expected to be in a principal amount not to exceed one hundred million dollars (\$100,000,000.00). The Lease Commitment may enable construction of transmission facilities in addition to the proposed substation. The term for the Lease Commitment is expected to be seven (7) years or less. The Proposed Transaction is expected to close in calendar year 2014.

(b) A Proposed Transaction for the refinancing of one or more Projects now leased to Bonneville by Northwest Infrastructure Financing Corporation IV (NIFC IV). The Proposed Transaction is expected to result in the transfer of ownership of lease receivables and transmission facilities from NIFC IV to the Authority and the public issuance of one or more Revenue Bonds by the Authority in a principal amount not to exceed one hundred twenty million dollars (\$120,000,000.00), to fund the transfer of interests from NIFC IV to the Authority and certain other costs. The debt service of the related Revenue Bond or Revenue Bonds will be payable from one or more Lease Commitments and the final maturity of the Revenue Bond or Revenue Bonds is expected to be thirty (30) years or less. The Proposed Transaction is expected to close in calendar year 2014.

(c) The amount of Out-of-Pocket Expenses that are to be paid or reimbursed under Section 3(c) hereof for the Proposed Transaction described in Section 6(a) shall include only Out-of-Pocket Expenses incurred by the Authority on or after September 1, 2013 and shall not exceed (i) with respect to Bond Counsel, fifty-five thousand dollars (\$55,000.00), (ii) with respect to Issuer's Counsel, twenty thousand dollars (\$20,000.00) and (iii) with respect to the Authority, twenty-five thousand dollars (\$25,000.00) unless otherwise agreed by the Parties. The amount of Out-of-Pocket Expenses that are to be paid or reimbursed under Section 3(c) hereof for the Proposed Transaction described in Section 6(b) shall include only Out-of-Pocket Expenses incurred by the Authority on or after September 1, 2013 and shall not exceed in the aggregate one hundred thousand dollars (\$100,000.00).

(d) The Parties may from time to time agree to include Additional Proposed Transactions under this Master Memorandum of Intent. Such agreement shall be in writing and may be in any form (including an appendix or supplement to this Master Memorandum of Intent, an exchange of e-mails or other form) that sets forth (i) a description of the Project to be financed, (ii) the Lease Commitment or Revenue Bonds (or both) to be undertaken by the Authority and the expected amount and term or maturity thereof, (iii) the Authority's estimated Out-of-Pocket Expenses, including any limitations on the amount of such Expenses, and (iv) such other matters, if any, as may be agreed to by the Parties.

(7) Amendments. This Master Memorandum of Intent may be supplemented or amended only by written agreement of the Parties from time to time or in connection with any Revenue Bond issue.

(8) Execution in Counterparts. This Master Memorandum of Intent may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Authority and Bonneville have caused this Master Memorandum of Intent to be executed and delivered by their duly authorized officers as of, and this Master Memorandum of Intent shall take effect on, this 22ND day of NOVEMBER 2013.

IDAHO ENERGY RESOURCES AUTHORITY

By: E Robert Mooney
Name: E. Robert Mooney
Title: Chairman, Board of Directors

**UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY,
acting by and through the
ADMINISTRATOR of the
BONNEVILLE POWER ADMINISTRATION**


By: _____
Name: Elliot E. Mainzer
Title: Acting Administrator and
Chief Executive Officer

The Authority and Bonneville have caused this Master Memorandum of Intent to be executed and delivered by their duly authorized officers as of, and this Master Memorandum of Intent shall take effect on, this 22nd day of NOVEMBER 2013.

IDAHO ENERGY RESOURCES AUTHORITY

By: _____
Name: E. Robert Mooney
Title: Chairman, Board of Directors

**UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY,
acting by and through the
ADMINISTRATOR of the
BONNEVILLE POWER ADMINISTRATION**

By:  _____
Name: Elliot E. Mainzer
Title: Acting Administrator and
Chief Executive Officer

Idaho Energy Resources Authority					
BALANCE SHEET					
				As of	12.31.13
ASSETS					
Current Assets					
Checking/Savings					
Idaho Independent Bank - Operating Acct				5,495.07	
Total Checking/Savings				5,495.07	
Total Current Assets				5,495.07	
TOTAL ASSETS				5,495.07	
LIABILITIES & EQUITY					
Equity					
Retained Earnings				20,017.82	
Net Income				-14,522.75	
Total Equity				5,495.07	
TOTAL LIABILITIES & EQUITY				5,495.07	
PROFIT & LOSS					
January 1, 2013 - December 31, 2013					
Ordinary Income/Expense					
Income					
Income				0.00	
Total Income				0.00	
Expense					
Bank Fees					
Contract Services					
Admin & Assoc Mgmt Services				12,000.00	
Travel Reimbursement				92.25	12,092.25
Insurance					949.00
Website/Cloud					1,481.50
Total Expense					14,522.75
Net Income					(14,522.75)