



Electric Sample Form 79-1138

Sheet 1

Power Purchase and Sale Agreement - Contract for Eligible CHP Facilities With a Power Rating of Less Than 500 kW

**Please Refer to Attached
Sample Form**



DISTRIBUTION:

- XXXX
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- _____

REFERENCE:

POWER PURCHASE AND SALE AGREEMENT
CONTRACT FOR ELIGIBLE CHP FACILITIES
WITH A POWER RATING OF LESS THAN 500
KW

PREAMBLE

This Power Purchase and Sale Agreement (this “Agreement”) by and between [Buyer’s name], a California corporation (“Buyer”), and [Seller’s name], a [Seller’s form of business entity and state of registration] (“Seller”), is dated as of [Date of execution] (the “Effective Date”). Buyer and Seller are sometimes referred to in this Agreement individually as a “Party” and jointly as the “Parties.” Unless the context otherwise specifies or requires, initially capitalized terms used in this Agreement have the meanings set forth in Exhibit A. Exhibits A through G inclusive are hereby incorporated into and made a part of this Agreement.

RECITALS

- A. On June 26, 2008, the CPUC opened Rulemaking 08-06-024 to implement Assembly Bill 1613 (codified in California Public Utilities Code Section 2840 et. seq.), which establishes the Waste Heat and Carbon Emissions Reductions Act (the “Act”).
- B. Buyer is required to offer this Agreement to Seller in order to fulfill its obligations under the Act and the Decisions issued in Rulemaking (“R.”) 08-06-024 (“AB 1613 Decisions”), and Seller desires to accept such offer and enter into this Agreement.

The Parties, intending to be legally bound, agree as follows:

{Buyer Comment: If the Term is greater than or equal to five years and if the Generating Facility provides baseload generation, before executing this Agreement, Seller must provide to Buyer documentation evidencing its compliance with the Greenhouse Gas Emissions Performance Standard set forth in D.07-01-039 and in subsequent CPUC rulings implementing D.07-01-039, and with any subsequent CPUC-established precondition to the execution of this Agreement.}

ARTICLE ONE. SPECIAL CONDITIONS

- 1.01 **Term.** The term of this Agreement (the “Term”) commences on [Date] (the “Term Start Date”) and ends on [Date] (the “Term End Date”). The Term Start Date must be on the first day of a calendar month. If the Generating Facility is (a) a New Eligible CHP Facility, the Term Start Date must occur within 18 months of the Effective Date, or (b) an Existing Eligible CHP Facility, the Term Start Date must occur within 6 months of the Effective Date. Subject to the limitation set forth in the immediately preceding sentence, Seller may change the Term Start Date set forth in this Section 1.01 by providing Notice to Buyer at least three months before such Term Start Date. The Term must be no less than one year and no more than 10 years.
- 1.02 **Generating Facility.** The name of the Generating Facility is [Generating Facility name], which is [a New Eligible CHP Facility] [an Existing Eligible CHP Facility], and which is further described in Exhibit G. The Generating Facility is located at [Generating Facility address], which must be located within Buyer’s service territory.

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- 1.03 As-Available Contract Capacity; Power Rating. The As-Available Contract Capacity equals [] kW. (The As-Available Contract Capacity must be less than 500 kW.) The Power Rating of the Generating Facility must be less than 500 kW. Seller has no obligation under this Agreement to produce or deliver firm energy or capacity.
- 1.04 Site Host Load. The Site Host Load is expected to equal, on average, [] kW. The amount of electric energy to be used to serve the Site Host Load is expected to equal, on average, [] kWh per Term Year, which amount may change from time to time; *provided, however*, that the As-Available Contract Capacity shall always be less than 500 kW.
- 1.05 Expected Term Year Energy Production. The Expected Term Year Energy Production for each Term Year equals [] kWh. The actual energy production of the Generating Facility may change from time to time; *provided, however*, that the Expected Term Year Energy Production may not exceed the As-Available Contract Capacity at 100% capacity factor applied over the Term Year.
- 1.06 Delivery Point. The delivery point is the point where Seller's facilities connect with facilities owned by Buyer (the "Delivery Point"). Seller shall convey to Buyer and Buyer shall accept the Power Product at the Delivery Point. Title to and risk of loss related to the Power Product shall transfer from Seller to Buyer at the Delivery Point. Buyer shall pay any transmission or distribution costs, exclusive of line losses (if any) and interconnection costs, to deliver the power from the Delivery Point to the point of interconnection between the Buyer's distribution or transmission facilities and the CAISO- Controlled Grid (Interconnection Point); Seller shall be responsible for interconnection costs, including necessary facility upgrades (consistent with Applicable Laws and the Interconnection Agreement) and any line losses from the Delivery Point to the Interconnection Point. Any line losses incurred or avoided from the Delivery Point to the Interconnection Point shall be determined as part of the interconnection process.
- 1.07 Power Product Prices.
- (a) Monthly Contract Payment for the Power Product shall be calculated in accordance with Exhibit B.
 - (b) If the Generating Facility is interconnected pursuant to a FERC-jurisdictional interconnection tariff and Seller is not yet able to provide Resource Adequacy Benefits in compliance with applicable CPUC and CAISO Resource Adequacy requirements, pending Seller's provision of such benefits the Monthly Contract Payment for Power Product shall be calculated in accordance with Exhibit B(1).
 - (c) A Generating Facility subject to paragraph 1.07(b) that becomes able to provide Resource Adequacy Benefits in compliance with applicable CPUC and CAISO Resource Adequacy requirements shall provide Buyer with written notice and reasonable evidence thereof.
 - (d) Starting on the first day of the calendar month following the date on which notice was given pursuant to subsection 1.07(c), Seller shall be paid the monthly contract price for the Power Product as set forth in Exhibit B.
- 1.08 Scheduling Coordinator. Buyer may elect to become the Scheduling Coordinator under this Agreement by providing 30 days prior notice to Seller. If Buyer elects to become the Scheduling Coordinator under this Agreement, Buyer shall take all steps necessary to be authorized as the Scheduling Coordinator during the Term (or remaining portion thereof, as applicable) and Seller shall cooperate with Buyer in good faith to assure that Buyer is authorized as the Scheduling Coordinator during the Term (or remaining portion thereof, as applicable). If Buyer elects to become the Scheduling Coordinator under this Agreement, in accordance with Section 4.01, Buyer shall invoice to Seller and set off against future payments to Seller a fee (the "SC Set-Up Fee") equal to the costs Buyer incurs as a result of the Generating Units or the Generating Facility

registration, as applicable, as well as installation, configuration, and testing of all equipment and software necessary, in Buyer's sole discretion, to Schedule the Generating Unit or the Generating Facility, as applicable. Such Buyer's invoice to Seller shall provide a detailed accounting of all costs and charges encompassed in the SC Set-Up Fee. The actual cost will be a simple pass-through to Seller of Buyer's actual costs. If Buyer elects to become the Scheduling Coordinator under this Agreement, Buyer estimates that the SC Set-up Fee for this Agreement will equal \$2,000.00 or less.

- 1.09 GHG Emissions Allowances. Seller elects one of the following: ___(a) ___(b), provided however, that this Section 1.09 shall not be applicable when the Monthly Contract Payment is calculated in accordance with Exhibit B (1).
- (a) Seller shall manage its own GHG Emissions Allowances and request reimbursement from Buyer for such GHG Emissions Allowances in accordance with Section 3.03; or
- (b) To have Buyer purchase GHG Emissions Allowances on behalf of Seller upon the CPUC's issuance of guidelines on the mechanics of Buyer's obligations to purchase GHG Emissions Allowances pursuant to CPUC Decision 09-12-042 (as modified by CPUC Decisions 10-04-055, 10-12-055, and 11-04-033). Until such time, Seller shall manage its own GHG Emissions Allowances and request reimbursement from Buyer for such GHG Emissions Allowances in accordance with and subject to the requirements of Sections 3.03(b) and (c).
- 1.10 Decertification from AB 1613 Program. In the event of Seller's default pursuant to Section 6.01(b)(vi) due to CEC decertification under the Public Utilities Code 2843, so long as at the time of default, Seller demonstrates qualifying facility status under PURPA and notwithstanding Section 2.02(b), upon termination of this Agreement, Seller's continued conveyance of Power Product and acceptance of payment shall constitute Seller's acceptance of any applicable mandatory must-purchase contract available to qualifying facilities under PURPA. Seller shall be paid the short run avoided cost rate for energy and as-available capacity applicable under such contract at the time of decertification.

ARTICLE TWO. SELLER'S SATISFACTION OF OBLIGATIONS; TERMINATION

- 2.01 Seller's Satisfaction of Obligations before the Term Start Date. Before the Term Start Date, Seller must demonstrate to Buyer that Seller has satisfied all of the requirements necessary for Seller to Operate the Generating Facility in accordance with the terms of this Agreement (including Section 7.10), Applicable Law, the CAISO Tariff (to the extent applicable), and any other applicable tariff, legal, and regulatory requirements.
- 2.02 Termination Rights of the Parties.
- (a) Termination Rights of Seller. Seller has the right to terminate this Agreement on Notice if Seller's Site Host relocates its business outside the State of California or terminates its business operations in California; *provided, however*, that if Seller terminates this Agreement in accordance with this Section 2.02(a), Seller (or any entity over which Seller or any owner or manager of Seller exercises Control) agrees to waive any right it may have under the Act to enter into any new agreement to sell energy, capacity, or attributes from the Generating Facility to Buyer or any other California investor-owned utility for a period of one year from the effective date of such termination. The termination of this Agreement becomes effective five Business Days after Seller delivers such Notice.
- (b) Event of Default. Except as provided in Section 1.10, in the event of an uncured Event of Default or an Event of Default for which there is no opportunity for cure permitted in this Agreement, the Non-

Defaulting Party may, at its option, terminate this Agreement as set forth in Section 6.03 and, if the Non-Defaulting Party is Buyer, then Seller (or any entity over which Seller or any owner or manager of Seller exercises Control) agrees to waive any right it may have under the Act to enter into any new agreement to sell energy, capacity or attributes from the Generating Facility to Buyer or any other California investor-owned utility for a period of one year following the date of such termination.

- (c) End of Term. This Agreement terminates at midnight of (i) the Term End Date, or (ii) a termination date agreed to in writing by the Parties.
- (d) Rights and Obligations Surviving Termination. The rights and obligations of the Parties that are intended to survive a termination of this Agreement are all such rights and obligations that this Agreement expressly provides survive such termination as well as those rights and obligations arising from either Parties' covenants, agreements, representations or warranties applicable to, or to be performed, at, before or as a result of the termination of this Agreement.

ARTICLE THREE. SELLER'S OBLIGATIONS

- 3.01 Conveyance of the Product. During the Term, Seller shall provide and convey the Product to Buyer in accordance with the terms of this Agreement, and Buyer shall have the exclusive right to the Product. Seller shall, at its own cost, take all reasonable actions and execute all documents or instruments that are reasonable and necessary to effectuate the use of the Green Attributes, Capacity Attributes and Resource Adequacy Benefits for Buyer's benefit throughout the Term.
- 3.02 Resource Adequacy. In accordance with Public Utilities Code section 2841(f), Seller grants, pledges, assigns and otherwise commits to Buyer the generating capacity of the Generating Facility to the extent necessary in order for Buyer to count such generating capacity to meet its Resource Adequacy obligations under any Resource Adequacy Ruling. Seller shall comply with CPUC and CAISO requirements to provide Resource Adequacy Benefits; provided however,
 - (i) If such requirements could interfere with the Operations of Seller, Seller shall be entitled to challenge such requirements with the CPUC or other relevant agency. Absent a ruling or other action granting a stay, Seller's compliance shall be required pending resolution of the challenge.
 - (ii) If Seller interconnects the Generating Facility pursuant to a non-FERC-jurisdictional interconnection tariff, Seller shall not be required to provide Resource Adequacy Benefits, and Buyer's total obligation to obtain Resource Adequacy Benefits pursuant to the Resource Adequacy Rulings with respect to the service area of Buyer will be decreased by the Generating Facility's generating capacity, provided that, if the outcome of any CPUC proceeding requires Seller to obtain a deliverability study, Seller shall promptly obtain such deliverability study and provide it to Buyer upon the completion of such deliverability study.
 - (iii) Following the outcome of the distribution interconnection issues proceeding (R.11-09-011), the Resource Adequacy proceedings (R.09-10-032), and any future CAISO stakeholder process addressing deliverability, a deliverability study may be required for all AB 1613 resources. The CPUC has reserved the right to require appropriate amendments to this Agreement as necessary to address full capacity deliverability issues. The Parties agree to comply with any such CPUC requirement.

3.03 GHG Emissions Compliance Costs.

(a) Direct GHG Compliance Costs.

- (i) During the Term, Buyer shall reimburse Seller for any Direct GHG Compliance Costs, other than GHG Emissions Allowances, which are separately addressed in the sections below, attributable to the Generating Facility for GHG emissions associated with the Power Product, within forty-five (45) days of Buyer's receipt from Seller of documentation, in form and substance acceptable to Buyer, establishing that:
 - (1) Seller is actually liable for the Direct GHG Compliance Costs for GHG emissions attributed to the Power Product; and
 - (2) Direct GHG Compliance Costs were imposed upon Seller by an authorized Governmental Authority with jurisdiction to impose Direct GHG Compliance Costs where the Generating Facility is located, or which otherwise has jurisdiction over Seller or the Generating Facility.
- (ii) Buyer is not liable for reimbursement to Seller for Direct GHG Compliance Costs for GHG emissions associated with the Power Product if the GHG emissions for which Seller seeks reimbursement exceed the GHG Emissions Cap and based on the actual delivered Power Product.
- (iii) The Generating Facility's GHG emissions shall be allocated between the useful thermal output, the electricity consumed on-site, and the exported Power Product based on the relative BTU content of the end product consistent with Form CEC-2843, as amended.

(b) GHG Allowance Costs. Buyer shall bear the cost of GHG Emissions Allowances for GHG emissions attributable to the Generating Facility and associated with the Power Product through either reimbursement, or direct procurement, as indicated at Section 1.08, provided that:

- (i) Seller is actually required to procure such GHG Emissions Allowances for GHG emissions attributed to the Power Product;
- (ii) Such GHG Emissions Allowances compliance requirements were imposed upon Seller by an authorized Governmental Authority with jurisdiction to impose GHG Emissions Allowances requirements where the Generating Facility is located, or which otherwise has jurisdiction over Seller or the Generating Facility;
- (iii) The Generating Facility's GHG emissions, less any Free Allowance for which the Generating Facility is eligible, shall be allocated between the useful thermal output, the electricity consumed on-site, and the exported Power Product based on the relative BTU content of the end product consistent with Form CEC-2843, as amended;
- (iv) Buyer's responsibility for GHG Emissions Allowances is limited to GHG emissions associated with the Power Product for which the Seller or the Generating Facility was not eligible to receive Free Allowances; and
- (v) Buyer's responsibility for GHG Emissions Allowances will not exceed the GHG Emissions Cap based on the actual delivered Power Product.

- (c) Reimbursement of Seller for GHG Emissions Allowances. If Seller has elected to manage its own GHG Emissions Allowances in Section 1.09, then, during the Term, Buyer shall reimburse Seller to the extent of Buyer's responsibility for GHG Emissions Allowances in accordance with Section 3.03(b) ("applicable quantity") within forty-five (45) days of Buyer's receipt from Seller of documentation, in form and substance acceptable to Buyer, requesting reimbursement. If the CPUC has specified an index for use in determining the price to be paid for GHG Emissions Allowances, in no event shall Buyer's total payment to Seller for the applicable quantity exceed the total payment that would be due to Seller if the applicable quantity were purchased at the index price at the relevant time period.
 - (d) Buyer's Purchase of GHG Emissions Allowances. If Seller has elected to have Buyer purchase GHG Emissions Allowances for the Generating Facility in Section 1.09, then, during the Term and upon the CPUC's issuance of guidelines on the mechanics of Buyer's obligations to purchase GHG Emissions Allowances pursuant to the AB 1613 Decisions, Buyer shall purchase GHG Emissions Allowances for Seller for the applicable quantity for the remainder of the Term in accordance with and subject to such guidelines, as may be revised from time to time.
 - (e) This Section 3.03 shall not be applicable during any portion of the Term during which the Monthly Contract Payment is calculated in accordance with Exhibit B (1).
- 3.04 Exclusive Rights. Notwithstanding anything to the contrary in this Agreement, as of the Effective Date and until the Term End Date, Seller may not use, provide or convey any of the Product to any Person other than Buyer.
- 3.05 Site Control. Within 60 days of the Effective Date and until the Term End Date, Seller shall have Site Control.
- 3.06 Permits. Seller shall obtain and maintain all Permits necessary for the Seller to Operate the Generating Facility and to deliver electric energy from the Generating Facility to the Delivery Point.
- 3.07 Interconnection. Seller shall, at its own cost, obtain and maintain all interconnection rights and an interconnection agreement and any related Governmental Authority approval(s) required to enable interconnection with Buyer's electric system and Parallel Operation of the Generating Facility.
- 3.08 CAISO Relationship. If Seller is interconnected pursuant to a FERC-jurisdictional interconnection tariff, then Seller shall comply with all applicable provisions of the CAISO Tariff, including securing and maintaining in full force all CAISO agreements, certifications and approvals required in order for the Generating Facility to comply with the CAISO Tariff.
- 3.09 Generating Facility Modifications. Seller shall provide at least 30 days advance Notice to Buyer before making any material modification to the Generating Facility, which Notice will include a description of any change in actual energy production of the Generating Facility and in the Site Host Load anticipated as a result of the modification. Notwithstanding the foregoing, Seller shall make no modification to the Generating Facility that would prevent Seller from complying with the terms of this Agreement.
- 3.10 Metering.
- (a) CAISO-Approved Meter. Seller shall, at its own cost, install, maintain and test the CAISO-Approved Meter pursuant to the CAISO Tariff or other applicable metering requirements, and each CAISO-Approved Meter shall have net energy capability as required under Public Utilities Code Section 2840.2(b)(2).

- (b) Check Meter. Buyer may, at its sole cost, furnish and install one or more Check Meters, as applicable, on the high voltage side of the substation associated with the Generating Facility or, if there is not enough space at such substation to install the Check Meter, any other location mutually agreeable to the Parties. The Check Meter shall be interconnected with Buyer's communication network to permit (i) periodic, remote collection of revenue quality meter data, and (ii) back-up real time transmission of operating-quality meter data through the Telemetry System. Buyer shall test and recalibrate the Check Meter at least once every Term Year. The Check Meter will be locked or sealed, and the lock or seal may only be broken by a Buyer representative. Seller has the right to be present whenever such lock or seal is broken. Buyer shall replace the Check Meter battery at least once every 36 months; *provided, however*, if the Check Meter battery fails, Buyer shall promptly replace such battery.
 - (c) Use of Check Meter for Back-Up Purposes. Buyer may compare the Check Meter data to the CAISO-Approved Meter data. If the deviation between the CAISO-Approved Meter data (after adjusting for any compensation factors introduced by the CAISO into the CAISO Approved Meter) and the Check Meter data for any comparison is greater than 0.3%, Buyer shall provide Notice to Seller of such deviation and the Parties shall mutually arrange for a meter check or recertification of the Check Meter or CAISO-Approved Meter, as applicable. Each Party shall bear its own costs for any meter check or recertification. Testing procedures and standards for the Check Meter will be the same as for a comparable Buyer-owned meter. Seller shall have the right to have representatives present during all such tests. For the avoidance of doubt, the Check Meter is intended to be used for back-up purposes in the event of a failure or other malfunction of the CAISO-Approved Meter, and Check Meter data shall only be used to validate the CAISO-Approved Meter data and, in the event of a failure or other malfunction of the CAISO-Approved Meter, in place of the CAISO-Approved Meter until such time that the CAISO-Approved Meter is checked or recertified.
- 3.11 Provision of Information. Seller shall promptly provide to Buyer all documents reasonably requested by Buyer relating to the Generating Facility (including site plan drawings and single-line diagrams), the administration of this Agreement, or in order for Buyer to comply with any discovery or data request for information from the CPUC, CEC, FERC, any court, administrative agency, legislative body or other tribunal.
- 3.12 Operation. Seller shall:
- (a) Operate the Generating Facility in accordance with Prudent Electrical Practices;
 - (b) If Seller is interconnected pursuant to a FERC-jurisdictional interconnection tariff, comply with the requirements set forth in Exhibit C and Exhibit D that relate to participating generator obligations under the CAISO tariff;
 - (c) Use its commercially reasonable efforts to Operate the Generating Facility so that the Power Product conforms with the Forecast provided in accordance with Exhibit C;
 - (d) Pay the CAISO Charges for which it is responsible under Exhibit E;
 - (e) Use reasonable efforts to respond to any instruction issued by the CAISO or the Transmission Provider or delivered to Seller by Buyer in response to an Emergency;
 - (f) On an annual basis from the Effective Date, provide electronically or in hard copy to Buyer, within 20 days of a request by Notice from Buyer, the following annualized operating records: total annual electricity generation (MWh/year), total annual useful thermal output (MMBtu/year), total annual

fuel use (MMBtu-HHV), and fuel conversion factor (pounds of CO₂ per million BTU). Seller shall also maintain and provide electronically or in hard copy to Buyer, within 20 days of a request by Notice from Buyer but not more than once per month, a copy of daily operating records limited to real power production, changes in operating status, and unusual conditions found during inspections.;

- (g) Keep all Operating records to the extent required of an Eligible CHP Facility by any applicable CPUC or CEC order;
- (h) If Buyer has elected to become Scheduling Coordinator pursuant to Section 1.08, at least 75 days before the Term End Date or as soon as practicable before the date of an early termination of this Agreement, (i) submit to the CAISO the name of the Scheduling Coordinator that will replace Buyer, and (ii) cause the Scheduling Coordinator that will replace Buyer to submit a letter to the CAISO accepting the designation as Seller's Scheduling Coordinator; and
- (i) Comply with all NERC reliability standards and requirements applicable to the generator owner and generator operator of the Generating Facility, if any.

3.13 Fuel Supply. Seller shall supply all fuel required for the Power Product and any testing of the Generating Facility.

3.14 Power Product Curtailments at Request of Scheduling Coordinator, Transmission Provider, or CAISO. Seller shall promptly curtail the production of the Power Product upon receipt of a notice or instruction from Seller's Scheduling Coordinator, the Transmission Provider, or the CAISO; *provided, however*, that if Buyer has elected to become Scheduling Coordinator pursuant to Section 1.08, Buyer, in its role as Scheduling Coordinator, shall issue such an instruction only when Buyer is expressly directed to curtail production of the Power Product by the CAISO or where Buyer reasonably believes that curtailment of the Power Product is required to comply with (a) its maintenance requirements and operating orders, (b) a CAISO Declared Over-Generation Condition, or (c) an Emergency. Whenever practicable, Buyer will use commercially reasonable efforts to provide Seller reasonable advance notice of the possibility that a reduction or interruption of deliveries may be required.

3.15 Eligible CHP Facility Status.

- (a) To the extent required by Applicable Law, administration of this Agreement or program eligibility guidelines established by the CEC within thirty (30) Business Days following the Term Start Date or Notice from Buyer, Seller shall provide to Buyer certification from the CEC that the Generating Facility meets the applicable operating and efficiency standards for Eligible CHP Facilities for the applicable year.
- (b) Seller shall take all necessary steps, including making or supporting timely filings with the appropriate Governmental Authority in order to maintain certification of the Eligible CHP Facility status of the Generating Facility throughout the Term.
- (c) Seller shall provide to Buyer copies of all documentation, including calculations and verifiable supporting data provided to the appropriate Governmental Authority, which demonstrates the compliance of the Generating Facility with the Eligible CHP Facility operating and efficiency standards for the applicable year. Notwithstanding the foregoing, Seller shall provide Buyer with a copy of its Annual Performance Reporting Forms (CEC Form 2843 or its successor) within 5 days of submission to the CEC.

- (d) Seller, unless a public agency, shall take all necessary steps, including making or supporting timely filings with FERC in order to maintain the qualifying facility status of the Generating Facility as required by 18 CFR §292.201, et seq., throughout the Term.
 - (e) Within 30 Business Days following the end of each year, and within 30 Business Days following the Term End Date, each QF Seller shall provide to Buyer a copy of a FERC order waiving for the Generating Facility the applicable operating and efficiency standards for qualifying cogeneration facilities, as contemplated in 18 CFR Part 292, Section 292.205, “Criteria for Qualifying Cogeneration Facilities”, for the applicable year, if Seller has received such order from the FERC.
- 3.16 Notice of Cessation or Termination of Service Agreements. Seller shall provide Notice to Buyer within one Business Day if there is a termination of, or cessation of service under, any agreement required in order for the Generating Facility to (a) interconnect with the Transmission Provider’s electric system, (b) transmit and deliver electric energy to the Delivery Point, or (c) own and operate any CAISO-Approved Meter.
- 3.17 Buyer’s Access Rights. Buyer has the right to examine the Site, the Generating Facility and the Operating records for any purpose connected with this Agreement upon providing Seller with reasonable advance Notice under the circumstances.
- 3.18 Planned Outages. Seller shall schedule and utilize all planned outages in accordance with the procedures and subject to the limitations set forth in Exhibit D.
- 3.19 Seller Ownership and Control of Generating Facility. Seller agrees, that, in accordance with FERC Order No. 697, upon request of Buyer, Seller shall submit a letter of concurrence in support of an affirmative statement by Buyer that the contractual arrangement set forth in this Agreement does not transfer “ownership or control of generation capacity” from Seller to Buyer as the term “ownership or control of generation capacity” is used in 18 CFR Section 35.42. Seller also agrees that it will not, in filings, if any, made subject to Order Nos. 652 and 697, claim that the contractual arrangement set forth in this Agreement conveys ownership or control of generation capacity from Seller to Buyer.
- 3.20 Allocation of Availability Incentive Payments and Non-Availability Charges. If the Generating Facility is subject to the terms of the Availability Standards, Non-Availability Charges, and Availability Incentive Payments as defined and provided for by the CAISO Tariff, any Availability Incentive Payments will be for the benefit of Seller and for Seller’s account and any Non-Availability Charges will be the responsibility of Seller and for Seller’s account.

ARTICLE FOUR. BUYER’S OBLIGATION TO PAY

- 4.01 Obligation to Pay.
- (a) For Seller’s full compensation under this Agreement, during the Term, Buyer shall make a monthly payment (a “Monthly Contract Payment”) calculated in accordance with Exhibit B or Exhibit B (1), as determined pursuant to Section 1.07 *provided, however*, Buyer is not obligated to issue a payment to Seller until the amount due to Seller pursuant to this Agreement exceeds fifty dollars (\$50.00) after set-offs and adjustments in accordance with this Agreement. Buyer shall adjust each Monthly Contract Payment in accordance with the terms of this Agreement, including making adjustment for the fees set forth in Section 1.08 and any CAISO Charges.
 - (b) Subject to Section 4.01(a), Buyer shall provide a payment statement within 30 days after the last Business Day of each calendar month, which statement shall include Buyer’s payment to Seller and a calculation thereof.

- (c) If Buyer determines that a calculation of Metered Energy is incorrect as a result of an inaccurate meter reading or the correction of data by the CAISO, Buyer shall recompute the Metered Energy quantity for the period of the inaccuracy based on an adjustment of such inaccurate meter reading. Buyer shall then recompute any payment or payment adjustment affected by such inaccuracy. Any amount due from Buyer to Seller or Seller to Buyer, as the case may be, shall be made as an adjustment to a subsequent monthly statement that is calculated after Buyer's recomputation using corrected measurements. If the recomputation results in a net amount owed to Buyer after offsetting any amounts owing to Seller as shown on a subsequent monthly statement, any such additional amount still owing to Buyer shall be shown as an adjustment on Seller's statement until such amount is fully collected by Buyer.
- (d) Buyer may deduct amounts that would otherwise be due to Seller under this Agreement from any amounts owing and unpaid by Seller to Buyer arising out of or related to any other agreement, tariff, obligation or liability pertaining to the Generating Facility.
- (e) Except as otherwise provided for in this Agreement, if, within 90 days of receipt of Buyer's payment statement, Seller does not give Notice to Buyer of an error, then Seller shall be deemed to have waived any error in Buyer's statement, computation and payment and the statement shall be conclusively deemed correct and complete. If Seller timely identifies an error in Seller's favor and Buyer agrees that the identified error occurred, Buyer shall reimburse Seller for the amount of the underpayment caused by the error and add the underpayment to a subsequent monthly statement that is calculated. If Seller identifies an error in Buyer's favor and Buyer agrees that the identified error occurred, Seller shall reimburse Buyer for the amount of overpayment caused by the error and Buyer shall apply the overpayment to a subsequent statement that is calculated. If the recomputation results in a net amount still owing to Buyer after applying the overpayment, a subsequent statement shall show a net amount owing to Buyer.
- (f) Notwithstanding anything to the contrary in this Agreement, if any payment statement shows amounts owed by Seller to Buyer, Buyer may, at its option, apply this net amount owing to Buyer in any subsequent monthly statements to Seller or invoice Seller for such amount, in which case Seller must pay the amount owing to Buyer within 20 days of receipt of such invoice.
- (g) Notwithstanding anything to the contrary in this Agreement, for the entire period during which Seller fails to materially comply with any provision set forth in Exhibit C, Seller shall be responsible for all applicable CAISO Charges; *provided, however*, that if Seller complies fully with Exhibit C, Buyer shall pay all CAISO Charges (except those CAISO Charges for which Seller is responsible under Exhibit E) for up to, but not including, 500 kW of deviation of Seller's Forecast from the Metered Energy, and Seller shall be responsible only for applicable CAISO Charges attributable to such deviations of 500 kW or more.

ARTICLE FIVE. FORCE MAJEURE

- 5.01 No Default for Force Majeure. Neither Party will be in default in the performance of any of its obligations set forth in this Agreement, except for obligations to pay money, when and to the extent failure of performance is caused by Force Majeure.
- 5.02 Requirements Applicable to the Claiming Party. If a Party, because of Force Majeure, is rendered wholly or partly unable to perform its obligations when due under this Agreement, such Party (the "Claiming Party") shall be excused from whatever performance is affected by the Force Majeure to the extent so affected. In order to be excused from its performance obligations under this Agreement by reason of Force Majeure:

- (a) The Claiming Party, within 14 days after the initial occurrence of the claimed Force Majeure, must give the other Party Notice describing the particulars of the occurrence; and
- (b) The Claiming Party must provide timely evidence reasonably sufficient to establish that the occurrence constitutes Force Majeure as defined in this Agreement.

The suspension of the Claiming Party's performance due to Force Majeure may not be greater in scope or longer in duration than is required by such Force Majeure. In addition, the Claiming Party shall use diligent efforts to remedy its inability to perform. When the Claiming Party is able to resume performance of its obligations under this Agreement, the Claiming Party shall give the other Party prompt Notice to that effect.

- 5.03 Termination. The non-Claiming Party may terminate this Agreement on at least five (5) Business Days' prior Notice, in the event of Force Majeure which materially interferes with such Party's ability to perform its obligations under this Agreement and which extends for more than 365 consecutive days, or for more than a total of 365 days in any consecutive 540-day period.

ARTICLE SIX. EVENTS OF DEFAULT; REMEDIES

- 6.01 Events of Default. An "Event of Default" means the occurrence of any of the following:

- (a) With respect to either Party (a "Defaulting Party"):
 - (i) Any representation or warranty made by such Party in this Agreement is false or misleading in any material respect when made or when deemed made or repeated if the representation or warranty is continuing in nature, if such misrepresentation or breach of warranty is not remedied within 10 Business Days after Notice from the Non-Defaulting Party to the Defaulting Party;
 - (ii) Except for an obligation to make payment when due, the failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default or to the extent excused by a Force Majeure) if such failure is not remedied within 30 days after Notice of such failure is provided by the Non-Defaulting Party to the Defaulting Party, which Notice sets forth in reasonable detail the nature of the Event of Default;
 - (iii) A Party fails to make when due any payment (other than amounts disputed in accordance with the terms of this Agreement) due and owing under this Agreement and such failure is not cured within five Business Days after Notice is provided by the Non-Defaulting Party to the Defaulting Party of such failure;
 - (iv) A Party becomes Bankruptor
 - (v) A Party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to, another Person and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee Person fails to assume all the obligations of such Party under this Agreement either by operation of law or pursuant to an agreement reasonably satisfactory to the other Party

- (b) With respect to Seller:
- (i) The total quantity of Metered Energy in any Term Year is less than 10% of the Expected Term Year Energy Production;
 - (ii) Seller delivers, Schedules, or attempts to deliver or Schedule at the Delivery Point for sale under this Agreement, electric energy that was not generated by the Generating Facility;
 - (iii) The Term Start Date does not occur within 18 months of the Effective Date, if Seller is a New Eligible CHP Facility, or within 6 months of the Effective Date, if Seller is an Existing Eligible CHP Facility; *provided, however*, that this 18-month or 6-month period shall be extended on a day-for-day basis for any delay caused solely by Buyer's failure to perform its obligation(s) under this Agreement or excused solely as a result of Force Majeure as to which Seller is the Claiming Party (subject to Section 5.03), as to which, in either case, Seller has notified Buyer of the new expected Term Start Date;
 - (iv) Termination of, or cessation of service under, any agreement necessary for the interconnection of the Generating Facility to the Transmission Provider's electric system or for metering the Metered Energy, and such service is not reinstated, or alternative arrangements implemented, within 120 days after such termination or cessation;
 - (v) Seller materially fails to comply with any provision of Exhibit C and such failure is not cured within 30 days after Notice is provided by Buyer to Seller; or
 - (vi) Subject to Section 3.15, Seller fails to maintain its status as an Eligible CHP Facility during the Term.

6.02 Site Host Changes. Notwithstanding Section 6.01 above, with respect to Seller, an Event of Default shall not include (a) cessation of operation by the Site Host, or (b) the inability of Site Host to use the waste heat from the Generating Facility in a manner that is consistent with the requirements of the Act. If the Site Host ceases operation or is unable to use the waste heat from the Generating Facility in a manner that is consistent with the Act for a period of 365 days or more, either Party may terminate this Agreement. If Seller terminates this Agreement pursuant to this Section 6.02, then Seller (or any entity over which Seller or any owner or manager of Seller exercises Control) agrees to waive any right it may have under the Act to enter into any new agreement to sell energy, capacity, or attributes from the Generating Facility to Buyer or any other California investor-owned utility for a period of one following the effective date of such termination.

6.03 Early Termination. If an Event of Default has occurred, there will be no opportunity for cure except as specified in Section 6.01. The Party not in default (the "Non-Defaulting Party") will have the right to (a) designate by no more than twenty (20) days' Notice to the Defaulting Party a date for the early termination of this Agreement (an "Early Termination Date"), (b) immediately suspend performance under this Agreement, and (c) pursue all remedies available at law or in equity against the Defaulting Party (including monetary damages), subject to the terms of this Agreement.

ARTICLE SEVEN. MISCELLANEOUS

7.01 Representations, Warranties and Covenants. On the Effective Date, each Party represents, warrants, and covenants to the other Party that:

- (a) It is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;

- (b) It has or will timely acquire all regulatory authorizations necessary for it to legally perform its obligations under this Agreement;
- (c) The execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any Applicable Laws;
- (d) This Agreement constitutes a legally valid and binding obligation enforceable against it in accordance with its terms;
- (e) There is not pending, or to its knowledge, threatened against it or, in the case of Seller, any of its Affiliates, any legal proceeding that could materially adversely affect its ability to perform under this Agreement;
- (f) It is acting for its own account, and its decision to enter into this Agreement is based on its own judgment, not in reliance upon the advice or recommendations of the other Party and it is capable of assessing the merits of and understanding, and understands and accepts the terms, conditions and risks of this Agreement; and
- (g) It has not relied on any promises, representations, statements or information of any kind that are not contained in this Agreement in deciding to enter into this Agreement.

7.02 Additional Representations, Warranties, and Covenants by Seller. Seller represents, warrants and covenants to Buyer that:

- (a) It does not, and will not (i) convey, transfer, allocate, designate, award, report or otherwise provide any or all of the Product, or any portion thereof, or any benefits derived therefrom, to any party other than Buyer, or (ii) start-up or Operate the Generating Facility per instruction of or for the benefit of any third party, except in order to satisfy the Site Host Load, or as required by other Applicable Laws.
- (b) Throughout the Term: (i) it or its subcontractors will own or lease and Operate the Generating Facility; (ii) it will deliver the Product to Buyer free and clear of all liens, security interests, Claims and encumbrances or any interest therein or thereto by any Person; (iii) it will hold the rights to all of the Product; (iv) the Generating Facility will maintain its qualification as an Eligible CHP Facility; and (v) the Generating Facility will meet all applicable greenhouse gas emissions standards, as such standards may change from time to time.
- (c) As of the Effective Date, there is not pending, or to its knowledge, threatened against it or any of its Affiliates, any legal proceeding that could materially adversely affect its ability to perform under this Agreement.

7.03 Indemnity.

- (a) Each Party as indemnitor shall defend, save harmless and indemnify the other Party and the directors, officers, employees, and agents of such other Party against and from any and all loss, liability, damage, Claim, cost, charge, demand, or expense (including any direct, indirect, or consequential loss, liability, damage, Claim, cost, charge, demand, or expense, including reasonable attorneys' fees) for injury or death to Persons, including employees of either Party, and physical damage to property including property of either Party arising out of or in connection with the negligence or willful misconduct of the indemnitor relating to its obligations under this Agreement.

This indemnity applies notwithstanding the active or passive negligence of the indemnitee. However, neither Party is indemnified under this Agreement for its loss, liability, damage, Claim, cost, charge, demand or expense to the extent resulting from its own gross negligence or willful misconduct.

- (b) Each Party releases and shall defend, save harmless and indemnify the other Party from any and all loss, liability, damage, Claim, cost, charge, demand or expense arising out of or in connection with any breach made by the indemnifying Party of its representations, warranties and covenants in Section 7.01 and Section 7.02. Notwithstanding anything to the contrary in this Agreement, if Seller fails to comply with the provisions of Section 7.10, Seller shall, at its own cost, defend, save harmless and indemnify Buyer, its directors, officers, employees, and agents, assigns, and successors in interest, from and against any and all loss, liability, damage, Claim, cost, charge, demand, or expense of any kind or nature (including any direct, indirect, or consequential loss, damage, Claim, cost, charge, demand, or expense, including reasonable attorneys' fees and other costs of litigation), resulting from injury or death to any Person or damage to any property, including the personnel or property of Buyer, to the extent that Buyer would have been protected had Seller complied with all of the provisions of Section 7.10. The inclusion of this Section 7.03(b) is not intended to create any express or implied right in Seller to elect not to provide the insurance required under Section 7.10.
- (c) Each Party shall defend, save harmless and indemnify the other Party against any taxes imposed by any Governmental Authority on or with respect to the Generating Facility, Monthly Contract Payments made by Buyer to Seller, or the Power Product before the Delivery Point, including ad valorem taxes and other taxes attributable to the Generating Facility, the Site or land rights or interests in the Site or the Generating Facility for which such indemnifying Party is responsible.
- (d) Seller shall defend, save harmless and indemnify Buyer against any penalty imposed upon Buyer as a result of Seller's failure to fulfill its obligations regarding Resource Adequacy Benefits as set forth in Sections 3.01 and 3.02.
- (e) All indemnity rights survive the termination of this Agreement for 12 months.

7.04 Assignment. Seller may not assign this Agreement or its rights under this Agreement without the prior written consent of Buyer, which consent may not be unreasonably withheld; *provided, however*, that Seller may, without the consent of Buyer (and without relieving Seller from liability hereunder), transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof to its Lender(s) in connection with any financing if (a) such Lender(s) assumes the payment and performance obligations provided under this Agreement with respect to Seller, (b) such Lender(s) agree in writing to be bound by the terms and conditions of this Agreement, and (c) Seller delivers such tax and enforceability assurance as Buyer may reasonably request.

7.05 Governing Law and Jury Trial Waiver. THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER ARE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. TO THE EXTENT ENFORCEABLE AT SUCH TIME, EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT.

7.06 Arbitration. Except for matters relating to specific performance, injunctive relief or other equitable remedies, the Parties agree to submit to arbitration any and all matters in dispute or controversy among them concerning the terms of this Agreement. Unless the Parties agree to alternative arrangements, the selection of arbitrators and the procedure shall be in accordance with the commercial arbitration rules then in effect of

the Judicial Arbitration and Mediation Services, Inc. Any award rendered shall be final and conclusive upon the Parties and a judgment thereon may be entered in the highest court of the forum, state or federal, having jurisdiction. The expenses of the arbitration shall be borne equally by the Parties; *provided, however*, that each Party shall pay for and bear the costs of its own experts, evidence and counsel's fees. Notwithstanding the rules and procedures that would otherwise apply to the arbitration, and unless the Parties agree to a different arrangement, the place of the arbitration will be in San Francisco, California.

7.07 Notices. All Notices shall be made in accordance with this Section 7.07 and Exhibit F. Notices (other than Forecasts and Scheduling requests) shall, unless otherwise specified in this Agreement, be in writing and may be delivered by hand delivery, first class United States mail, overnight courier service, electronic transmission or facsimile. Notices provided in accordance with this Section 7.07 are deemed given as follows: (a) Notice by facsimile, electronic transmission or hand delivery is deemed given at the close of business on the day actually received, if received during business hours on a Business Day, and otherwise are deemed given at the close of business on the next Business Day; (b) Notice by overnight first class United States mail or overnight courier service is deemed given on the next Business Day after such Notice is sent out; and (c) Notice by first class United States mail is deemed given two Business Days after the postmarked date. Notices are effective on the date deemed given, unless a different date for the Notice to go into effect is stated in another section of this Agreement.

7.08 General.

- (a) Except as may otherwise be provided in this Agreement, there is no warranty of merchantability or fitness for a particular purpose, and any and all implied warranties are disclaimed. Liability shall be limited to direct actual damages only, such direct actual damages shall be the sole and exclusive remedy and all other remedies or damages at law or in equity are waived unless expressly herein provided. Unless expressly provided for in this Agreement, neither Party shall be liable for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages. This Agreement will not be construed against any Party as a result of the preparation, substitution, or other event of negotiation, drafting or execution thereof. Except to the extent provided for in this Agreement, no amendment or modification to this Agreement is enforceable unless reduced to a writing signed by all Parties.
- (b) Each Party reserves all rights, claims and defenses with respect to this Agreement, the AB1613 Decisions, and any application for rehearing, petition for modification, petition for declaratory order, or appeal filed with respect to such decisions.
- (c) This Agreement supersedes all prior agreements, whether written or oral, between the Parties with respect to its subject matter and constitutes the entire agreement between the Parties relating to its subject matter.
- (d) If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.
- (e) Waiver by a Party of any default by the other Party will not be construed as a waiver of any other default.
- (f) The term "including" when used in this Agreement is by way of example only and will not be considered in any way to be in limitation.

- (g) The word “or” when used in this Agreement includes the meaning “and/or” unless the context unambiguously dictates otherwise.
- (h) Where days are not specifically designated as Business Days, they are calendar days. Where years are not specifically designated as Term Years, they are calendar years.
- (i) This Agreement will apply to, be binding in all respects upon and inure to the benefit of the successors and permitted assigns of the Parties.
- (j) Whenever this Agreement refers to any law, tariff, government department or agency, regional reliability council, Transmission Provider, or credit rating agency, the Parties agree that the reference also refers to any successor to such law, tariff or organization.
- (k) This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission, an Adobe Acrobat file or by other electronic means constitutes effective execution and delivery of this Agreement as to the Parties and may be used in lieu of the original Agreement for all purposes.
- (l) The headings used in this Agreement are for convenience and reference purposes only and will not affect its construction or interpretation. All references to “Sections” and “Exhibits” refer to the corresponding Sections and Exhibits of this Agreement. Unless otherwise specified, all references to “Sections” in Exhibits A through G refer to the corresponding Articles and Sections in the main body of this Agreement. Words having well-known technical or industry meanings have such meanings unless otherwise specifically defined in this Agreement.
- (m) This agreement at all times shall be subject to such modifications as the California Public Utilities Commission may direct from time to time in the exercise of its jurisdiction.

7.09 Confidentiality. Neither Party may disclose any Confidential Information to a third party, other than: (a) to such Party’s employees, Lenders, investors, attorneys, accountants or advisors who have a need to know such information and have agreed to keep such terms confidential; (b) to potential Lenders with the consent of Buyer, which consent will not be unreasonably withheld; (c) to Buyer’s Procurement Review Group, as defined in D.02-08-071, subject to any applicable limitations and subject to a protective order applicable to Buyer’s Procurement Review Group; (d) with respect to Confidential Information, the CPUC, the CEC or the FERC, under seal for any regulatory purpose, including policymaking, but only provided that the confidentiality protections from the CPUC under Section 583 of the California Public Utilities Code or other statute, order or rule offering comparable confidentiality protection are in place before the communication of such Confidential Information; (e) in order to comply with any Applicable Law or any exchange, Control Area or CAISO rule, or order issued by a court or entity with competent jurisdiction over the disclosing party; and (f) in order to comply with any Applicable Law, including applicable regulation, rule, subpoena, or order of the CPUC, CEC, FERC, any court, administrative agency, legislative body or other tribunal, or any discovery or data request of the CPUC. In connection with requirements, requests or orders to produce documents or information in the circumstances provided in Section 7.09(f), each Party shall use reasonable efforts to (i) notify the other Party before disclosing the Confidential Information, and (ii) prevent or limit such disclosure.

7.10 Insurance.

(a) General Liability Coverage.

- (i) Seller shall maintain during the performance hereof, General Liability Insurance of not less than \$1,000,000.00 if the Generating Facility's Nameplate is over 100 kW, \$500,000.00 if the Generating Facility's Nameplate is over 20 kW to 100kW or \$100,000.00 if the Generating Facility's Nameplate is 20 kW or below of combined single limit or equivalent for bodily injury, personal injury, and property damage as the result of any one occurrence.
- (ii) General Liability Insurance shall include coverage for Premises-Operations, Owners and Contractors Protective, Products/Completed Operations Hazard, Explosion, Collapse, Underground, Contractual Liability, and Broad Form Property Damage including Completed Operations.
- (iii) Such insurance shall provide for thirty (30) days written notice to Buyer prior to cancellation, termination, alteration, or material change of such insurance.

(b) Additional Insurance Provisions.

- (i) Evidence of coverage described above in Section 7.10(a) shall state that coverage provided is primary and is not excess to or contributing with any insurance or self-insurance maintained by Buyer.
- (ii) Buyer shall have the right to inspect or obtain a copy of the original policy(ies) of insurance.
- (iii) Seller shall furnish the required certificates and endorsements to Buyer prior to commencing operation.
- (iv) All insurance certificates, endorsements, cancellations, terminations, alterations, and material changes of such insurance shall be issued and submitted to the following:

Pacific Gas and Electric Company
Attention: Manager, Insurance Department
300 Lakeside Drive
Oakland, CA 94612

7.11 Simple Interest Payments. Except as specifically provided in this Agreement, any outstanding and past due amounts owing and unpaid by either Party under the terms of this Agreement shall be eligible to receive a Simple Interest Payment calculated using the Interest Rate for the number of days between the date due and the date paid.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized representatives as of the Effective Date.

This agreement is effective when accepted and executed by PG&E.

_____ Seller's Name	_____ Buyer's Name
_____ 	A California Corporation

Seller's business registration

Buyer's business registration

Authorized by (Print)

Authorized by (Print)

Signature

Signature

Title

Title

Date

Date

EXHIBIT A ***Definitions***

For purposes of this Agreement, the following terms and variations thereof have the meanings specified or referred to in this Exhibit A:

“AB 1613 Decisions” means the decisions issued in R.08-06-024.

“Act” has the meaning set forth in the Recitals.

“Affiliate” means, with respect to a Party, any Person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with such Party. For purposes of this definition, “control” means the direct or indirect ownership of 50% or more of the outstanding capital stock or other equity interests having ordinary voting power.

“Agreement” has the meaning set forth in the Preamble.

“Applicable Law” means all constitutions, treaties, laws, ordinances, rules, regulations, interpretations, permits, judgments, decrees, injunctions, writs and orders of any Governmental Authority or arbitrator that apply to any Party, the Generating Facility or the terms of this Agreement.

“As-Available Contract Capacity” means the electric energy generating capacity that Seller provides on an as-available basis for the Power Product, as set forth in Section 1.03, as may be adjusted from time to time.

“Availability Incentive Payments” has the meaning set forth in the CAISO Tariff.

“Availability Standards” means the standard set forth in the CAISO Tariff setting forth criteria for determining if a Resource Adequacy Resource is subject to Non-Availability Charges or Availability Incentive Payments (each as defined in the CAISO Tariff), under the CAISO Tariff.

“Average Higher Heating Value MPR Heat Rate” means the heat rate equal to 6,924 Btu/kWh, or 6.924 MMBtu/MWh, per CPUC Resolution E-4298, which heat rate will be modified in this Agreement if there is any modification thereto by the CPUC or other authorized Governmental Authority.

“Bankrupt” means with respect to any Person, such Person:

- (a) Files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it (which petition is not dismissed within 90 days);
- (b) Makes an assignment or any general arrangement for the benefit of creditors;
- (c) Otherwise becomes bankrupt or insolvent (however evidenced);
- (d) Has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets; or
- (e) Is generally unable to pay its debts as they fall due.

“Business Day” means any day except a Saturday, Sunday, the Friday after the United States Thanksgiving holiday, or a Federal Reserve Bank holiday that begins at 8:00 a.m. and ends at 5:00 p.m. local time for the Party sending a Notice or payment or performing a specified action.

“Buyer” has the meaning set forth in the Preamble.

“Buyer Tariffs” means the entire body of effective rates, fees, rentals, charges, and rules collectively of PG&E, including title page, preliminary statement, service area maps, rate schedules, list of contracts and deviations, rules, and sample forms.

“CAISO” means the California Independent System Operator Corporation.

“CAISO-Approved Meter” means any revenue quality, electric energy measurement meter system(s), including all associated metering transformers and related appurtenances, as required by the CAISO (or, to the extent that the CAISO’s metering requirement does not apply, Prudent Electrical Practices) and furnished by Seller, and which (a) is designed, manufactured and installed in accordance with the CAISO’s metering requirements, or, to the extent that the CAISO’s metering requirements do not apply, Prudent Electrical Practices, and (b) is a time-of-use meter capable of measuring the net electric energy output from the Generating Facility.

“CAISO-Approved Quantity” means the total quantity of electric energy the Buyer Schedules with the CAISO and the CAISO approves in its final schedule which is published in accordance with the CAISO Tariff.

“CAISO Controlled Grid” has the meaning set forth in the CAISO Tariff.

“CAISO Declared Over-Generation Condition” means a CAISO-declared condition on the CAISO Controlled Grid where the sum of the desired generation output of all of Scheduling Coordinators in the Control Area, absent mitigation, would be greater than the system load.

“CAISO Charges” means the debits, costs, fees, penalties, sanctions, interest or similar charges, including imbalance energy charges, that are directly assigned by the CAISO to the CAISO Global Resource ID for the Generating Facility for, or attributable to, Scheduling, Availability Standards or deliveries from the Generating Facility under this Agreement.

“CAISO Global Resource ID” means the number or name assigned by the CAISO to the CAISO-Approved Meter.

“CAISO Revenues” means the credits, fees, payments, revenues, interest or similar benefits, including imbalance energy payments, that are directly assigned by the CAISO to the CAISO Global Resource ID for the Generating Facility for, or attributable to, Scheduling or deliveries from the Generating Facility under this Agreement.

“CAISO Tariff” means the California Independent System Operator Corporation Operating Agreement and Tariff, including the rules, protocols, procedures and standards attached thereto, as the same may be amended or modified from time to time and approved by the FERC.

“Capacity Attributes” means any and all current or future defined characteristics, certificates, tag, credits, ancillary service attributes, or accounting constructs, howsoever entitled, other than Resource Adequacy Benefits, attributed to or associated with the electricity generating capability of the Generating Facility.

“CARB” means the California Air Resources Board

“CEC” means the California Energy Commission.

“Check Meter” means the Buyer revenue-quality meter section or meter(s), which Buyer may furnish at its discretion, as set forth in Section 3.10(b), and will include those devices normally supplied by Buyer or Seller under the applicable utility electric service requirements.

“Claiming Party” has the meaning set forth in Section 5.02.

“Claims” means all third party claims or actions, threatened or filed and, whether groundless, false, fraudulent or otherwise, that directly or indirectly relate to the subject matter of an indemnity, and the resulting losses, damages, expenses, attorneys’ fees and court costs, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed before or after the termination of this Agreement.

“Confidential Information” means all oral or written communications exchanged between the Parties on or after the Effective Date relating to the implementation of this Agreement, including information related to Seller’s compliance with operating and efficiency standards applicable to an Eligible CHP Facility. Confidential Information does not include (i) information which is in the public domain as of the Effective Date or which comes into the public domain after the Effective Date from a source other than from the other Party, (ii) information which either Party can demonstrate in writing was already known to such Party on a non-confidential basis before the Effective Date, (iii) information which comes to a Party from a bona fide third-party source not under an obligation of confidentiality, or (iv) information which is independently developed by a Party without use of or reference to Confidential Information or information containing Confidential Information.

“Control” means the direct or indirect ownership of 20% or more of the outstanding capital stock or other equity interests having ordinary voting power

“CPUC” means the California Public Utilities Commission.

“Decision” means CPUC Decision (“D”) 07-09-040.

“Defaulting Party” has the meaning set forth in Section 6.01(a).

“Delivery Point” has the meaning set forth in Section 1.06.

“Direct GHG Compliance Costs” mean any taxes, charges or fees imposed by an authorized Governmental Authority with jurisdiction over the Seller or the Generating Facility, and levied directly on the Generating Facility for GHG emissions attributable to its Operations.

“Early Termination Date” has the meaning set forth in Section 6.03(a).

“Effective Date” has the meaning set forth in the Preamble.

“Eligible CHP Facility” means a facility, as defined by Public Utilities Code Section 2840.2, subdivisions (a) and (b) that, (1) meets the guidelines established by the California Energy Commission pursuant to Public Utilities Code §2843, and (2) meets the requirements of 18 Code of Federal Regulations §292.201, et seq., unless Seller is a public agency exempt from FERC jurisdiction under 16 United States Code (“USC”) §824(f).

“Emergency” means an actual or imminent condition or situation which (a) is defined and declared by the CAISO or Transmission Provider, (b) jeopardizes the integrity or reliability of the CAISO Controlled Grid or

Transmission Provider's electric system, (c) requires automatic or immediate manual action to prevent or limit loss of load or generation supply, or (d) poses a threat to public safety.

“Event of Default” has the meaning set forth in Section 6.01.

“Existing Eligible CHP Facility” means an Eligible CHP Facility that first commenced Operation on or after January 1, 2008 but before the Effective Date.

“Expected Term Year Energy Production” means the Metered Energy quantity expected to be produced by the Generating Facility during each Term Year, as set forth in Section 1.05.

“FERC” means the Federal Energy Regulatory Commission.

“Forced Outage” has the meaning set forth in the CAISO Tariff.

“Force Majeure” means any event or circumstance (that is not anticipated as of the Effective Date) to the extent beyond the control of, and not the result of the negligence of, or caused by, the Party seeking to have its performance obligation excused thereby, which by the exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome. Force Majeure does not include: (a) a failure of performance of any other Person, including any Person providing electric transmission service or fuel transportation to the Generating Facility, except to the extent that such failure was caused by an event that would otherwise qualify as a Force Majeure; (b) failure to timely apply for or obtain Permits or other credits required to Operate the Generating Facility (*provided, however*, that failure or delay in the granting of permits, to the extent such failure or delay is not caused by action or inaction of Seller, qualifies as a Force Majeure for purposes of this Agreement); (c) breakage or malfunction of equipment (except to the extent that such failure was caused by an event that would otherwise qualify as a Force Majeure); or (d) a lack of fuel of an inherently intermittent nature such as wind, water, solar radiation or waste gas or waste derived fuel.

“Forecast” means the monthly forecast of the total electric energy production of the Generating Facility (in MWh) when the Generating Facility is not PIRP-eligible, net of the Site Host Load and Station Use, or (b) the available total generation capacity of the Generating Facility (in MW) when the Generating Facility is PIRP-eligible, net of the Site Host Load and Station Use.

“Free Allowance” means any GHG Emissions Allowance freely allocated to Seller or the Generating Facility by CARB or an authorized Governmental Authority (or any entity authorized by such Governmental Authority).

“Generating Facility” means the Generating Unit(s) comprising Seller's power plant (as more particularly described in Section 1.02 and Exhibit G), including all other materials, equipment, systems, structures, features and improvements necessary to produce electric energy and thermal energy, excluding the Site, land rights and interests in land.

“Generating Unit” means one or more generating equipment combinations typically consisting of prime mover(s), electric generator(s), electric transformer(s), steam generator(s) and air emission control devices.

“Generation Operations Center” means the location of Buyer's real-time operations personnel.

“GHG” is an abbreviation for “greenhouse gas” which means emissions released into the atmosphere of carbon dioxide (CO₂), nitrous oxide (N₂O) and methane (CH₄), which are produced as the result of combustion or transport of fossil fuels. Other greenhouse gases may include hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF₆), which are generated in a variety of industrial processes. Greenhouse

gases may be defined or expressed in terms of a metric ton of CO₂-equivalent, in order to allow comparison between the different effects of gases on the environment; *provided, however*, that the definition of the term “Greenhouse Gas”, as set forth in the immediately preceding sentence, shall be deemed revised to include any update or other change to such term by the CARB or any other Governmental Authority

“GHG Emissions Allowance” means a limited tradable authorization (whether in the form of a credit, allowance, or other similar right), allocated to, issued to or purchased by, Seller, the Site Host or an Affiliate of Seller, which respect to the Generating Facility, to emit one metric ton of GHG, in accordance with a cap-and-trade program in California for the regulation of GHG, as established by CARB (and/or by a different Governmental Authority pursuant to federal or state legislation), and as applied to the GHG emitted by the Generating Facility.

“GHG Emissions Cap” means the product of (a) the rate for tonnes of CO₂ per MMBtu of natural gas, 0.0531 tonnes/MMBtu, times (b) the Average Higher Heating Value MPR Heat Rate in MMBtu/MWh.

“Governmental Authority” means (a) any federal, state, local, municipal or other government, (b) any governmental, regulatory or administrative agency, commission, or other authority lawfully exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power, or (c) any court or governmental tribunal.

“Green Attributes” means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, attributable to the generation from the Project, and its avoided emission of pollutants. Green Attributes include but are not limited to Renewable Energy Credits, as well as:

- (1) Any avoided emission of pollutants to the air, soil or water such as sulfur oxides (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO) and other pollutants;
- (2) Any avoided emissions of carbon dioxide (CO₂), methane (CH₄), nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change, or otherwise by law, to contribute to the actual or potential threat of altering the Earth’s climate by trapping heat in the atmosphere;
- (3) The reporting rights to these avoided emissions, such as Green Tag Reporting Rights.

Green Tag Reporting Rights are the right of a Green Tag Purchaser to report the ownership of accumulated Green Tags in compliance with federal or state law, if applicable, and to a federal or state agency or any other party at the Green Tag Purchaser’s discretion, and include without limitation those Green Tag Reporting Rights accruing under Section 1605(b) of The Energy Policy Act of 1992 and any present or future federal, state, or local law, regulation or bill, and international or foreign emissions trading program. Green Tags are accumulated on a MWh basis and one Green Tag represents the Green Attributes associated with one (1) MWh of energy.

Green Attributes do not include:

- (i) Any energy, capacity, reliability or other power attributes from the Project,
- (ii) Production tax credits associated with the construction or operation of the Project and other financial incentives in the form of credits, reductions, or allowances associated with the Project that are applicable to a state or federal income taxation obligation,

- (iii) Fuel-related subsidies or “tipping fees” that may be paid to Seller to accept certain fuels, or local subsidies received by the generator for the destruction of particular preexisting pollutants or the promotion of local environmental benefits, or
- (iv) Emission reduction credits encumbered or used by the Project for compliance with local, state, or federal operating and/or air quality permits.

If the Project is a biomass or biogas facility and Seller receives any tradable Green Attributes based on the greenhouse gas reduction benefits or other emission offsets attributed to its fuel usage, it shall provide Buyer with sufficient Green Attributes to ensure that there are zero net emissions associated with the production of electricity from the Project.

“High-Value Area” means a “Local Resource Adequacy” area based on the most recent CAISO Local Capacity Requirement Study adopted by the CPUC, as defined in Exhibit B, Section 6.

“Holidays” means “NERC Holidays” as defined in Exhibit B, Section 5. “Time of Delivery Periods and Allocation Factors.”

“Host Site” means the site at which the Site Host Load is consumed, including real property, facilities and equipment owned or operated by the Site Host or its Affiliates located at such site.

“Hour-Ahead Scheduling Deadline” means 30 minutes before the deadline established by the CAISO for the submission of schedules for the applicable hour.

“IFM” (i.e., the Integrated Forward Market) has the meaning set forth in the CAISO Tariff.

“Interest Rate” means an annual rate equal to the rate published in The Wall Street Journal as the “Prime Rate” (or, if more than one rate is published, the arithmetic mean of such rates) as of the date payment is due plus two percentage points; *provided, however*, that in no event shall the Interest Rate exceed the maximum interest rate permitted by Applicable Laws.

“Lender” means any financial institutions or successors in interest or assignees that provides development, bridge, construction, permanent debt or tax equity financing or refinancing for the Generating Facility to Seller.

“Location Bonus” is described in Section 6 of Exhibit B.

“Metered Amounts” means the quantity of electric energy, expressed in kWh, as recorded by (i) the CAISO-Approved Meter(s), which quantity may include compensation factors introduced by the CAISO into the CAISO-Approved Meter(s), or (ii) Check Meter(s), as applicable.

“Metered Energy” means the total electric energy expressed in kWh, in excess of Station Use and Site Host Load and measured by the CAISO-Approved Meter or Check Meter, after adjusting for any compensation factors introduced by the CAISO into the CAISO Approved Meter or Check Meters, as applicable, at the Generating Facility for the specified Metering Interval.

“Metering Interval” means the smallest measurement time period over which data are recorded by the CAISO-Approved Meters or Check Meters, as applicable.

“Monthly Contract Payment” has the meaning set forth in Section 4.01(a).

“NERC” means the North American Electric Reliability Corporation.

“New Eligible CHP Facility” means an Eligible CHP Facility that commences Operation after the Effective Date.

“Non-Availability Charges” has the meaning set forth in the CAISO Tariff.

“Non-Defaulting Party” has the meaning set forth in Section 6.03.

“Non-Peak Hours” means the hours specified in the definitions of “Shoulder” and “Night” TOD Periods in Exhibit B, “5. Time of Delivery Periods and Allocations Factors” or Exhibit B(1), “4. Time of Delivery Periods” as determined pursuant to Section 1.07.

“Notice” means notices, requests, statements or payments provided in accordance with Section 7.07 and Exhibit F.

“OMAR” means the Operational Metering Analysis and Reporting System operated and maintained by the CAISO as the repository of settlement-quality meter data or its successor.

“Operate”, “Operating” and “Operation” mean to provide all the operation, engineering, purchasing, repair, supervision, training, inspection, testing, protection, use management, improvement, replacement, refurbishment, retirement, and maintenance activities associated with operating the Generating Facility in order to produce the Power Product in accordance with Prudent Electrical Practices.

“Outage and Maintenance Schedule” has the meaning set forth in Section 2 of Exhibit D.

“Outage and Maintenance Schedule Submittal Requirements” describes the obligations of Seller to submit maintenance and planned outage schedules (as defined in the CAISO Tariff under WECC rules) to Buyer in accordance with Exhibit D.

“Parallel Operation” means the Generating Facility’s electrical apparatus is connected to the Transmission Provider’s system and the circuit breaker at the point of common coupling is closed. The Generating Facility may be producing electric energy or consuming electric energy at such time.

“Party” or “Parties” has the meaning set forth in the Preamble.

“Peak Months” means June, July, August and September.

“Permits” means all applications, approvals, authorizations, consents, filings, licenses, orders, permits or similar requirements imposed by any Governmental Authority, or the CAISO, in order to develop, construct, Operate, maintain, improve, refurbish or retire the Generating Facility or to Forecast or deliver the electric energy produced by the Generating Facility to Buyer.

“Person” or “Persons” means an individual, partnership, corporation, business trust, limited liability company, limited liability partnership, joint stock company, trust, unincorporated association, joint venture or other entity or a Governmental Authority.

“Physical Trade” has the meaning set forth in the CAISO Tariff.

“PIRP” (i.e., Participating Intermittent Resource Program) means the CAISO’s intermittent resource program initially established pursuant to Amendment No. 42 of the CAISO Tariff in Docket No. ER02-922-000, or any successor program that Buyer determines accomplishes a similar purpose.

“Power Product” means (a) the As-Available Contract Capacity and (b) all electric energy produced by the Generating Facility, net of all Station Use and any and all of the Site Host Load.

“Power Rating” means the electrical power output value indicated on the generating equipment nameplate.

“Product” means the Power Product, Green Attributes, Capacity Attributes and Resource Adequacy Benefits.

“Project” means the Generating Facility.

“Prudent Electrical Practices” means those practices, methods and acts that would be implemented and followed by prudent operators of electric generating facilities in the Western United States, similar to the Generating Facility, during the relevant time period, which practices, methods and acts, in the exercise of prudent and responsible professional judgment in the light of the facts known at the time a decision was made, could reasonably have been expected to accomplish the desired result consistent with good business practices, reliability and safety. Prudent Electrical Practices includes, at a minimum, those professionally responsible practices, methods and acts described in the preceding sentence that comply with the manufacturer’s warranties, restrictions in this Agreement, and the requirement of Governmental Authorities, WECC standards, the CAISO and Applicable Laws. Prudent Electrical Practices shall include taking reasonable steps to ensure that: (a) equipment, materials, resources and supplies, including spare parts inventories, are available to meet the Generating Facility’s needs; (b) sufficient operating personnel are available at all times and are adequately experienced, trained and licensed as necessary to Operate the Generating Facility properly and efficiently, and are capable of responding to reasonably foreseeable emergency conditions at the Generating Facility and Emergencies whether caused by events on or off the Site; (c) preventative, routine, and non-routine maintenance and repairs are performed on a basis that ensures reliable, long term and safe operation of the Generating Facility, and are performed by knowledgeable, trained and experienced personnel utilizing proper equipment and tools; (d) appropriate monitoring and testing are performed to ensure equipment is functioning as designed; (e) equipment is not operated in a reckless manner, in violation of manufacturer’s guidelines or in a manner unsafe to workers, the general public or the Transmission Provider’s electric system, or contrary to environmental laws, permits or regulations or without regard to defined limitations, such as flood conditions, safety inspection requirements, operating voltage, current, volt ampere reactive (VAR) loading, frequency, rotational speed, polarity, synchronization, and control system limits; and (f) equipment and components designed and manufactured to meet or exceed the standard of durability that is generally used for electric energy generation operations in the Western United States and will function properly over the full range of ambient temperature and weather conditions reasonably expected to occur at the Site and under both normal and emergency conditions.

“PPT” means Pacific Daylight time when California observes Daylight Savings Time and Pacific Standard Time otherwise.

“PURPA” means the Public Utility Regulatory Policies Act of 1978, Public Law, 95-617, codified at 16 United States Code (“USC”) §824a-3, as amended from time to time.

“Qualifying Facility” means an electric energy generating facility that complies with the qualifying facility definition established by PURPA and any FERC decisions, orders, and rules implementing PURPA, as amended from time to time, including 18 Code of Federal Regulations (“CFR”) Part 292.201, et seq., unless the Qualifying Facility is a public agency exempt from FERC jurisdiction under 16 USC §824(f).

“Real-Time Forced Outage” means a Forced Outage which occurs only after 5:00 p.m. PPT on the day before the Trading Day.

“Renewable Energy Credit” has the meaning set forth in Public Utilities Code Section 399.12(e)(2), as may be amended from time to time or as further defined or supplemented by Applicable Law.

“Resource Adequacy” means the procurement obligation of load serving entities, including Buyer, as such obligations are described in Resource Adequacy Rulings, as those obligations may be altered from time to time in the CPUC Resource Adequacy Rulemakings (R.) 04-04-003 and (R.) 05-12-013 or by any successor proceeding, and all other Resource Adequacy obligations established by any other entity, including the CAISO.

“Resource Adequacy Benefits” means the rights and privileges attached to the generating capacity of the Generating Facility that, in accordance with Public Utilities Code Section 2841(f), count toward satisfying Buyer’s Resource Adequacy obligations.

“Resource Adequacy Rulings” means CPUC Decisions 04-01-050, 04-10-035, 05-10-042, 06-06-024, 06-07-031 and any subsequent CPUC ruling or decision, or any other Resource Adequacy laws, rules or regulations enacted, adopted or promulgated by any applicable Governmental Authority, as such CPUC decisions, rulings, laws, rules or regulations may be Amended or modified from time to time during the Term.

“Schedule” means the action of the Scheduling Coordinator, or its designated representatives, of preparing a schedule based on Seller’s forecast and notifying, requesting, and confirming the CAISO-Approved Quantity with the CAISO, the electric energy delivered from the Generating Facility.

“Scheduled Amount” means the Day-Ahead Schedule comprised of the quantity (in MWh) of electric energy expected to be produced by the Generating Facility that is scheduled from Seller or Seller’s Scheduling Coordinator to Buyer in a Physical Trade in the IFM.

“Scheduling Coordinator” means an entity certified by the CAISO for the purposes of undertaking the functions specified by CAISO Tariff Section 2.2.6, as amended by FERC from time-to-time.

“SC Set-Up Fee” has the meaning set forth in Section 1.08.

“Seller” has the meaning set forth in the Preamble.

“Settlement Agreement” means that particular agreement dated October 8, 2010 which resolved certain issues pending in Rulemakings 99-11-022, 04-04-003 and 04-04-025 and was approved by CPUC decision D.10-12-035.

“Settlement Effective Date” means November 23, 2011, the date on which the Settlement Agreement became effective.

“Simple Interest Payment” means a dollar amount calculated by multiplying the: (a) dollar amount on which the Simple Interest Payment is based; by (b) the Interest Rate; by (c) the result of dividing the number of days in the calculation period by 360.

“Site” means the real property on which the Generating Facility is located, as further described in Section 1.02 and Exhibit G.

“Site Control” means that Seller (a) owns the Site, (b) is the lessee of the Site under a lease, the term of which begins on or before the Term Start Date and extends at least through the Term End Date, (c) is the holder of a right-of-way grant or similar instrument with respect to the Site, or (d) is managing partner or other Person authorized to act in all matters relating to the control and Operation of the Site and Generating Facility.

“Site Host” means any Person purchasing or otherwise using the Site Host Load or thermal energy output from the Generating Facility.

“Site Host Load” means the electric energy and capacity produced by or associated with the Generating Facility that serves electrical loads (that are not Station Use) of Seller or one or more third parties pursuant to California Public Utilities Code Section 218(b).

“SRAC” means the full short run avoided operating costs that are the basis of Buyer’s published electric energy prices, as well as the methodology describing, among other things, payment for GHG compliance costs and GHG charges, and certain reporting requirements with respect thereto, as approved by the CPUC in the Settlement Agreement, and as may be revised by the CPUC from time to time. Section 10 of the Settlement Agreement sets forth SRAC as in effect on the Settlement Effective Date.

“Station Use” means the electric energy produced by the Generating Facility that is used within the Generating Facility to power the lights, motors, control systems and other electrical loads that are necessary for Operation, including transformation losses to power such equipment and other necessary loads.

“Telemetry System” means a system of electronic components that interconnects the CAISO and the Generating Facility, all in accordance with the CAISO Tariff.

“Term” has the meaning set forth in Section 1.01.

“Term End Date” has the meaning set forth in Section 1.01.

“Term Start Date” has the meaning set forth in Section 1.01.

“Term Year” means a 12-month period beginning on the first day of the Term and each successive 12-month period thereafter.

“TOD Period” means the time of delivery period used to calculate the Monthly Contract Payment set forth in Exhibit B or Exhibit B(1), as determined by Section 1.07.

“Trading Day” means the day in which Day-Ahead (as defined in the CAISO Tariff) trading occurs in accordance with the WECC Preschedule Calendar (as found on the WECC’s website).

“Transmission Provider” means any Person responsible for the interconnection of the Generating Facility with the interconnecting utility’s electrical system or the CAISO Controlled Grid or transmitting the Metered Energy on behalf of Buyer from the Delivery Point to the CAISO-Controlled Grid.

“WECC” means the Western Electricity Coordinating Council.

*** End of Exhibit A ***

EXHIBIT B

This Exhibit B establishes the avoided cost price adopted and implemented by the CPUC in CPUC Decision 09-12-042 (as modified by CPUC Decisions 10-04-055, 10-12-055, and 11-04-033).

1. Monthly Contract Payment

Each Monthly Contract Payment is calculated on a calendar month basis in dollars as follows:

TOD Period payment 1st TOD Period +
TOD Period payment 2nd TOD Period +
TOD Period payment 3rd TOD Period +
Location Bonus

All TOD Period Payments shall be calculated as set forth in Section 2 of this Exhibit B.

The “1st TOD Period,” “2nd TOD Period,” and “3rd TOD Period” subscripts refer to the three TOD Periods that apply for the applicable calculation month, as set forth in Section 5 of this Exhibit B.

The Location Bonus, if applicable, shall be calculated as set forth in Section 6 of this Exhibit B.

2. TOD Period Payment Calculation

Each monthly TOD Period Payment is calculated in dollars, using the terms defined below, as follows:

(Fixed price component + Variable price component) * (TOD Factor) *
metered kWh exported during the TOD Period during the month

The Metered Energy per hour used for payments shall be limited to 500 kW times 1 hour. Additionally, once the Metered Energy delivered during any Term Year equals the As-Available Contract Capacity at 100% capacity factor applied over 8,760 hours, no further payments will be calculated or paid for the remaining TOD Periods within any remaining months of the current Term Year.

3. Fixed Price Component

The Fixed Price Component for all TOD Periods shall be the amount in the following table for the year of the Term Start Date. The fixed price component does not escalate during the term of the Agreement.

Year	\$/kwh
2012	0.02000
2013	0.02033
2014	0.02068
2015	0.02104
2016	0.02140
2017	0.02142
2018	0.02145

Year	\$/kwh
2019	0.02147
2020	0.02149
2021	0.02151
2022	0.02153
2023	0.02155

4. Variable Price Component Calculation

The Variable Price Component is calculated in dollars as follows:

$$[(\text{Monthly bidweek gas price} + \text{Intrastate gas transportation rate})/1,000,000 * \text{Heat Rate}] + \text{Variable O\&M}$$

- (a) Monthly bidweek gas price shall be calculated as the average of monthly bidweek gas price indices at PG&E Citygate as reported in Gas Daily, Natural Gas Intelligence, and Natural Gas Weekly
- (b) Intrastate gas transportation rate shall be the tariffed intrastate gas transportation rate for large electric generators as published in the PG&E Gas Tariffs G-EG and G-SUR.
- (c) Heat Rate, pursuant to the AB 1613 Decisions, shall be equal to:

6,924 Btu/kWh

- (d) Variable O&M shall be the amount in the following table for the year in which the payment is being calculated. For years after 2023, Variable O&M shall be the 2023 payment multiplied by 1.02, compounded for each year beyond 2023.

Variable O&M	
Year	\$/kwh
2012	0.00311
2013	0.00316
2014	0.00322
2015	0.00329
2016	0.00335
2017	0.00342
2018	0.00349
2019	0.00356
2020	0.00364
2021	0.00371
2022	0.00377
2023	0.00384

5. Time of Delivery Periods and Allocation Factors.

TOD Periods. The time of delivery periods (“TOD Periods”) specified below shall be referenced by the following designations:

Monthly Period	TOD PERIOD		
	1. Super-Peak	2. Shoulder	3. Night
A. June – September	A1	A2	A3
B. Oct. – Dec., Jan. & Feb.	B1	B2	B3
C. Mar. – May	C1	C2	C3

Monthly Period Definitions. The Monthly Periods are defined as follows:

- A. June – September;
- B. October, November, December, January and February; and
- C. March - May.

TOD Period Definitions. The TOD Periods are defined as follows:

1. **Super-Peak** (5x8) = hours ending 13 – 20 (Pacific Prevailing Time (PPT)) Monday – Friday (*except* NERC Holidays) in the applicable Monthly Period.
2. **Shoulder** = hours ending 7 – 12, 21 and 22 PPT Monday – Friday (*except* NERC Holidays); and hours ending 7 – 22 PPT Saturday, Sunday and all NERC Holidays in the applicable Monthly Period.
3. **Night** (7x8) = hours ending 1 - 6, 23 and 24 PPT all days (including NERC Holidays) in the applicable Monthly Period.

“NERC Holidays” mean the following holidays: New Year’s Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. Three of these days, Memorial Day, Labor Day, and Thanksgiving Day, occur on the same day each year. Memorial Day is the last Monday in May; Labor Day is the first Monday in September; and Thanksgiving Day is the fourth (4th) Thursday in November. New Year’s Day, Independence Day, and Christmas Day occur on the same date each year, but in the event any of these holidays occur on a Sunday, the “NERC Holiday” is celebrated on the Monday immediately following that Sunday; and if any of these holidays occur on a Saturday, the “NERC Holiday” remains on that Saturday. Notwithstanding anything to the contrary in this paragraph, NERC Holidays shall be calculated as “Shoulder” hours for all non-“Night” hours and any remaining hours shall be calculated as “Night” hours.

TOD Factors. In accordance with all other terms of this Exhibit B, the following Time of Delivery Factors (“TOD Factors”) shall be used in the TOD Period Payment Calculation for each of the specified TOD Periods in which Energy is delivered:

TOD FACTORS FOR EACH TOD PERIOD			
Period	1. Super-Peak	2. Shoulder	3. Night
A. June – September	2.38	1.12	0.59
B. Oct. – Dec.; Jan. & Feb.	1.10	0.94	0.66
C. Mar. – May	1.22	0.90	0.61

6. Location Bonus.

If the Generating Facility is located in a “High-Value Area” as set forth below, each Monthly Contract Payment for the entire Term shall receive a Location Bonus calculated as follows:

$$\text{Location Bonus} = \text{Sum of monthly TOD Periodn Payments} * 0.10$$

The Generating Facility shall be deemed to be located in a High-Value Area if it is interconnected to Buyer’s electric system at a location which, in the year of the Effective Date, is identified pursuant to CPUC D. 09-12-042 (as modified by other AB 1613 Decisions) as a “Local Resource Adequacy” area based on the most recent CAISO Local Capacity Requirement Study adopted by the CPUC.

*** End of Exhibit B***

EXHIBIT B (1)
Monthly Contract Payment Calculation

1. Monthly Contract Payment

Each Monthly Contract Payment is calculated on a calendar month basis in dollars as follows:

TOD Period Energy Payment_{1st TOD Period} +
 TOD Period Energy Payment_{2nd TOD Period} +
 TOD Period Energy Payment_{3rd TOD Period} +
 TOD Period Energy Payment_{4th TOD Period} +
 TOD Period Capacity Payment_{1st TOD Period} +
 TOD Period Capacity Payment_{2nd TOD Period} +
 TOD Period Capacity Payment_{3rd TOD Period} +
 TOD Period Capacity Payment_{4th TOD Period}

All TOD Period Energy Payments shall be calculated as set forth in Section 2 of this Exhibit B (1).

All TOD Period Capacity Payments shall be calculated as set forth in Section 3 of this Exhibit B (1).

The “1st TOD Period,” “2nd TOD Period,” “3rd TOD Period” and “4th TOD Period” subscripts refer to the four TOD Periods that apply for the calculation month, as set forth in Section 4 of this Exhibit B (1).

2. TOD Period Energy Payment Calculation.

(a) Each monthly TOD Period Energy Payment is calculated as follows:

$$\text{TOD PERIOD ENERGY PAYMENT, in dollars} = \sum_{\text{FirstHour}}^{\text{LastHour}} [(\text{EP}-\text{LA}) \times \text{APE} + \text{LA} \times \text{MA}]$$

Where:

EP = TOD Period Energy Price, stated in Section 2(b) of this Exhibit B (1), in dollars per kWh.

APE = The sum of the Allowed Payment Energy from the Generating Facility for each hour of the TOD Period, in kWh, as determined in accordance with Section 2(c) of this Exhibit B (1).

LA = Hourly Location Adjustment price, as set forth in SRAC.

MA = Metered Amounts for each hour of the applicable TOD Period, in kWh. Metered Amounts for any hour is equal to the sum of Metered Amounts for all Metering Intervals in that hour.

First Hour = First hour of the applicable TOD Period.

Last Hour = Last hour of the applicable TOD Period.

Once 120% of the Expected Term Year Net Energy Production is achieved, no additional hourly energy payments will be calculated for the remaining TOD Periods within any remaining months of the current Term Year.

- (b) Factor “EP” in Section 2(a) of this Exhibit B (1). The TOD Period Energy Price, in dollars per kWh, for any TOD Period shall be calculated pursuant to and as determined by the methodology set forth in SRAC.
- (c) Factor “APE” in Section 2(a) of this Exhibit B (1). The Allowed Payment Energy for each hour of each TOD Period of any month is calculated as follows:

APE = The sum of the Metered Energy when Buyer is Scheduling Coordinator or Scheduled Amounts when Buyer is not Scheduling Coordinator from the Generating Facility for each hour of the TOD Period, in kWh.

3. TOD Period Capacity Payment Calculation.

- (a) Each monthly TOD Period Capacity Payment is calculated on a calendar month basis as follows:

$$\text{TOD PERIOD CAPACITY PAYMENT in dollars} = \text{ACP} \times \text{CAF}$$

Where:

ACP = As-Available Capacity Payment for the TOD Period, as determined in accordance with Section 3(b) of this Exhibit B (1), in dollars per year.

CAF = The CPUC approved Capacity Payment Allocation Factor for the TOD Period in the year, based upon the formula adopted by the CPUC in D.01-03-067 and D.97-03-017. For purposes of this Agreement, the CPUC approved Capacity Payment Allocation Factors are as provided in the table below, allocated to each month of the season based on the proportion of the month’s hours in the TOD Period to the season’s hours in TOD Period, and may be updated per subsequent CPUC decision:

Capacity Payment Allocation Factors		
<i>Season</i>	<i>TOD Period</i>	<i>Factor</i>
Summer	Peak	0.7619
	Partial Peak	.0238
	Off Peak	.0002
	Super Off Peak	0.00000
Winter	Peak	N/A
	Partial Peak	0.2125
	Off Peak	0.0015
	Super Off Peak	0.00000

- (b) Factor “ACP” in Section 3(a) of this Exhibit B (1). The As-Available Capacity Payment shall be calculated pursuant to the following formula:

AS-AVAILABLE CAPACITY PAYMENT, in dollars

$$= AAC \times AACP$$

Where:

AAC = As-~~A~~available ~~C~~apacity for the TOD Period, as determined in accordance with Section 3(c) of this Exhibit B (1), in kWh per hour.

AACP= The As-~~A~~available ~~C~~apacity ~~P~~rice adopted by the CPUC in the Decision for the applicable year as set forth in the following table:

As-Aavailable Capacity Price	
<i>Year</i>	<i>Price \$/kW-yr</i>
2010	39.39
2011	41.22
2012	43.09
2013	45.00
2014	46.97
2015	48.98
2016	51.05
2017	53.16
2018	55.33
2019	57.56
2020	59.83
2021	62.17
2022	64.57
2023	67.02
2024	69.53
2025	72.11
2026	74.76
2027	77.46
2028	80.24

- (c) Factor “AAC” in Section 3(b) of this Exhibit B (1). The As-~~A~~available ~~C~~apacity for each TOD Period of each month is calculated as follows:

$$\text{AS-AVAILABLE CAPACITY, in kWh per hour} = \text{MAC}$$

Where:

MAC = The Maximum ~~A~~llowed ~~C~~apacity for the TOD Period as determined in Section 3(d) in this Exhibit B (1), in kWh per hour.

- (d) Factor “MAC” in Section 3(c) of this Exhibit B (1). The Maximum Allowed Capacity for each monthly TOD Period is calculated as follows:

$$\text{MAXIMUM ALLOWED CAPACITY, in kWh per hour} = \text{LE} / \text{PH}$$

Where:

LE = The sum of the Limited TOD Energy from the Generating Facility for all hours of the TOD Period, as determined in Section 3(e) of this Exhibit B (1), in kWh.

PH = The total number of hours in the TOD Period (period hours).

- (e) Factor “LE” in Section 3(d) of this Exhibit B (1). The Limited TOD Energy for each TOD Period of any month is calculated as follows:

$$\text{LIMITED TOD ENERGY, in kWh} = \sum_{\text{FirstHour}}^{\text{LastHour}} (E)_{\text{Hour}}$$

Where:

E = The lesser of: (i) Metered Energy for the applicable hour, in kWh; and (ii) Allowed Hourly Energy, as determined in Section 3(f) of this Exhibit B (1), in kWh.

First Hour = First hour of the applicable TOD Period.

Last Hour = Last hour of the applicable TOD Period.

Metered Energy for any hour is equal to the sum of Metered Energy for all Metering Intervals in that hour.

- (f) Factor “E” in Section 3(e) of this Exhibit B (1). The Allowed Hourly Energy is calculated as follows:

$$\text{ALLOWED HOURLY ENERGY in kWh} = 1 \text{ hour} \times \text{CC}$$

Where:

CC = The As-Available Contract Capacity, as set forth in Section 1.03, in kW.

4. Time of Delivery Periods.

SEASON AND TIME PERIOD			
Time Period	Period A – Summer	Period B - Winter	Applicable Days
	May 1 - October 31	November 1 - April 30	
Peak	Noon - 6:00 p.m.	NA	Weekdays except Holidays
Partial-Peak	8:30 a.m. – Noon	8:30 a.m. - 9:30 p.m.	Weekdays except Holidays
	6:00 p.m. - 9:30 p.m.		Weekdays except Holidays
Off-Peak	9:30 p.m. - 1:00 a.m.	9:30 p.m. - 1:00 a.m.	Weekdays except Holidays
	5:00 a.m. - 8:30 a.m.	5:00 a.m. - 8:30 a.m.	Weekdays except Holidays
	5:00 a.m. - 1:00 a.m.	5:00 a.m. - 1:00 a.m.	Weekends & Holidays
Super Off-Peak	1:00 a.m. - 5:00 a.m.	1:00 a.m. - 5:00 a.m.	All Days

*** End of Exhibit B(1) ***

EXHIBIT C

Seller’s Forecasting Submittal and Accuracy Requirements

1. General Requirements. The Parties shall abide by the Forecasting requirements and procedures described below and shall agree upon reasonable changes to these requirements and procedures from time to time as necessary to:
 - (a) Comply with the CAISO Tariff, as applicable, if Seller is interconnected pursuant to a FERC-jurisdictional interconnection tariff;
 - (b) Accommodate changes to their respective generation technology and organizational structure; and
 - (c) Address changes in the operating and scheduling procedures of Seller, Buyer, and if Seller is interconnected pursuant to a FERC-jurisdictional interconnection tariff, CAISO, including automated Forecast and outage submissions.

2. Forecast of Monthly Energy Deliveries.
 - (a) Using the following table, Seller shall provide Buyer a forecast of monthly Metered Energy and explain the basis of Seller’s Forecast, no later than Seller’s execution of this Agreement.

Monthly Metered Energy Delivery Forecast	
Month	Average Metered Energy (kWh)
January	
February	
March	
April	
May	
June	
July	
August	
September	
October	
November	
December	

- (b) If Buyer finds that Seller’s actual annual metered output a differs by at least twenty percent (20%) from Seller’s annual generation forecast, then Buyer may request, on an annual basis, that Seller provide an updated generation forecast schedule.

*** End of Exhibit C ***

EXHIBIT D

Outage and Maintenance Schedule Submittal Requirements

1. General Requirements. The Parties shall abide by the Outage and Maintenance Schedule Submittal Requirements described below and shall agree upon reasonable changes to these requirements and procedures from time to time, as necessary to (a) comply with the CAISO Tariff if Seller is interconnected pursuant to a FERC-jurisdictional interconnection tariff, (b) accommodate changes to their respective generation technology and organizational structure, and (c) address changes in the operating and scheduling procedures, including automated forecast and outage submissions, of Seller, Buyer and the CAISO, if Seller is interconnected pursuant to a FERC-jurisdictional interconnection tariff.
2. Outage and Maintenance Scheduling.
 - (a) Seller shall provide Buyer with its Outage and Maintenance Schedule, using the following table, and explain the basis for Seller’s schedule, no later than Seller’s execution of this Agreement.

Monthly Outage and Maintenance Schedule	
Month	kWh Unavailable due to Outage or Maintenance
January	
February	
March	
April	
May	
June	
July	
August	
September	
October	
November	
December	

- (b) In the event of an unscheduled outage or curtailment exceeding twenty-five (25) percent of the Power Rating (other than curtailments due to lack of motive force), Seller shall immediately notify Buyer of the necessity of such unscheduled outage or curtailment, the time when such has occurred or will occur, and the anticipated duration. Seller shall take all reasonable measures and exercise its best efforts to avoid unscheduled outage or curtailment, to limit the duration of such, and to perform unscheduled maintenance during Non-Peak hours.
3. Restriction on Planned Outages. During the Peak Months, Seller may schedule and utilize no more than 12 hours of outages per Peak Month, and only during the non-peak hours of the Peak Months.

*** End of Exhibit D **

EXHIBIT E
CAISO Charges

Subject to Section 4.01(g), Buyer shall pay all applicable CAISO Charges and receive all applicable CAISO Revenues; *provided, however*, if, on or after the Term Start Date:

1. The CAISO implements or has implemented any sanction or penalty related to Scheduling, outage reporting or generator Operation, and any such sanctions or penalties are imposed on the Generating Facility or to Buyer as Scheduling Coordinator for the Generating Facility due solely to the actions or inactions of Seller in violation of this Agreement, then such sanctions or penalties will be Seller's responsibility;
2. Seller or any third party dispatches any portion of the As-Available Contract Capacity for the benefit of any party other than Buyer or a Site Host in respect of the Host Site, then Seller shall indemnify, defend, and hold Buyer harmless against any CAISO Charges; or,
3. There is a CAISO or Transmission Provider declared Emergency and Seller fails to meet Seller's obligations associated with any CAISO or Transmission Provider instruction or request (as may be communicated by Buyer as Scheduling Coordinator), as the case may be, to curtail output, or reschedule a planned outage set to occur during an Emergency, then, in each case, Seller shall indemnify, defend, and hold Buyer harmless against any CAISO Charges associated with the failure to respond to such Emergency.
5. Buyer as Seller's Scheduling Coordinator is subject to either Non-Availability Charges or Availability Incentive Payments, or both, during a month within the Resource Adequacy Compliance Year, as defined by CAISO Tariff, then any such Non-Availability Charges or Availability Incentive Payments shall be offset and the net value shall be entered into Seller's account for the applicable month pursuant to Section 3.20.

*** End of Exhibit E ***

EXHIBIT F
Notice List

[SELLER'S NAME]	[BUYER'S NAME]
All Notices are deemed provided in accordance with Section 7.07 if made to the address, facsimile numbers or e-mail addresses provided below:	All Notices are deemed provided in accordance with Section 7.07 if made to the address, facsimile numbers or e-mail addresses provided below:
Contract Sponsor: Attn: Street: City: Phone: Facsimile: E-mail:	
Reference Numbers: Duns: Federal Tax ID Number:	
Contract Administration: Attn: Phone: Facsimile: E-mail:	
Forecasting: Attn: Control Room Phone: Facsimile: E-mail:	
Day-Ahead Forecasting: Phone: Facsimile: E-mail:	
Real-Time Forecasting: Phone: Facsimile: E-mail:	
Payment Statements: Attn: Phone: Facsimile: E-mail:	
CAISO Charges and CAISO Sanctions: Attn: Phone: Facsimile: E-mail:	

Payments: Attn: Phone: Facsimile: E-mail:	
Wire Transfer: BNK: ABA: ACCT:	
Credit and Collections: Attn: Phone: Facsimile: E-mail:	
With additional Notices of an Event of Default or Potential Event of Default to: Attn: Phone: Facsimile: E-mail:	
Lender: Attn: Phone: Facsimile: E-mail:	

*** End of Exhibit F ***

EXHIBIT G
Generating Facility and Site Description

1. Generating Facility Description.

{Buyer Comment: Provide description of the Generating Facility equipment, systems, control systems and features, including a site plan drawing and a one-line diagram, and the generator nameplate(s).}

2. Site Description.

{Buyer Comment: Provide a legal description of the Site, including the Site map.}

*** End of Exhibit G ***

(End of Simplified Contract for Less than 500 kW Eligible CHP Facility)