

SOLANO IRRIGATION DISTRICT AND
PACIFIC GAS AND ELECTRIC COMPANY

MONTICELLO POWER PURCHASE CONTRACT

THIS CONTRACT entered into as of this 1st day of September 1981, by and between PACIFIC GAS AND ELECTRIC COMPANY, hereinafter referred to as "Pacific," and SOLANO IRRIGATION DISTRICT, hereinafter referred to as "Solano."

W I T N E S S E T H :

WHEREAS, on April 25, 1980, the parties hereto entered into a Memorandum of Understanding, as amended, contemplating the construction by Solano of its Monticello Power Project and the purchase by Pacific of electric power generated by Solano at that project;

WHEREAS, Solano has completed preliminary steps necessary to provide for the said construction; and

WHEREAS, it is timely to enter into this Power Purchase Contract ("Contract") in order to provide for said construction and power purchases.

NOW THEREFORE, it is mutually agreed by and between the parties hereto as follows:

1. This Contract includes Appendix A, Definitions; Appendix B, Requirements and General Specifications for the Monticello Power Project; Appendix C, Operation and Maintenance Requirements; Appendix D, Memorandum of Understanding, as amended; and Appendix E, Power Purchase Payment Schedule. For clearness, words or phrases defined in Appendix A are underlined in the text.

2. Solano shall construct, at its own risk and expense, and shall be the sole owner (under Federal Energy Regulatory Commission License) of the Project. Solano shall design, construct, purchase, and install all structures, equipment, and facilities to meet the requirements and specifications of Appendix B. The Project shall be substantially equal in quality and design of materials, and in equipment and facilities provided, to those which Pacific has installed in its Battle Creek Hydroelectric System. Pacific shall make available to Solano for inspection, at Pacific's San Francisco office, plans, and specifications of said plants of Pacific, and Solano may inspect any of such plants.

Solano shall submit to Pacific from time to time, as soon as possible, all drawing designs, plans, and specifications of all portions of the Project and terms of contracts relating to the construction and operation of the Project. Pacific shall be provided this information so that it has a reasonable time period in which to perform an adequate review. Pacific shall have the right to inspect all work performed by or for Solano in constructing elements of the Project. Neither approval of, nor failure by Pacific to approve, any plans or specifications, or inspections of any work hereunder, shall relieve Solano of the responsibility of meeting the requirements and general specifications set forth in Appendix B, nor shall Pacific, because of its approval of, comment upon, or failure to review such plans, specifications, contracts, or work be responsible to Solano or anyone else for strength, details of design, adequacy, or capability of any structure, facility or work. Solano shall keep Pacific fully and promptly informed of all matters pertaining to the Project. Such information shall include, but not be limited to, the information specified above in this paragraph, and all agreements, license applications, correspondence, and data relating to the financing and licensing of the Project.

Solano shall include provisions substantially as follows in all cost reimbursable contracts entered into for the construction of the Project; (1) the contractor shall make its books and records relating to the items used for the determination of billings available for review by Solano or its representatives, and by Pacific, (2) after resolution of any billing dispute where Solano is due a refund, such refund shall be made to Solano including interest, and (3) interest shall be compounded monthly, and the rate used shall be the first of the month prime rate(s) of the Bank of America National Trust and Savings Association plus one-half of one percent, but not in excess of what is permitted by law, and shall accrue from the due date of the billing for the month under dispute until the payment date of the dispute.

Solano shall use all reasonable efforts to resolve billing disputes with such contractors promptly.

3. Solano shall acquire and, to the extent that it can do so with money available from payments made by Pacific pursuant to Paragraph 9(b), 10 and Appendix C-5 and from money available in the operation and maintenance fund as provided in Paragraph 10 and Appendix C-IV, maintain ownership of all lands, easements, flowage rights, water rights, federal and state licenses and permits, and all other rights and privileges necessary for the foregoing

purposes and for the operation and maintenance of Project works and facilities in accordance with Appendix C. Solano shall not voluntarily convey, transfer or in any manner encumber any of such rights without the written consent of Pacific.

4. On and after the Full Operation Date, Solano, to the extent that it can do so with money available from payments by Pacific pursuant to Paragraph 9(b), 10 and Appendix C-5 and from moneys otherwise available in the operation and maintenance fund as provided in Paragraph 10 and Appendix C-IV, (a) shall operate, maintain, repair, and carry third-party bodily injury and property damage liability insurance and property insurance on the Project, substantially in accordance with the practice followed by Pacific with respect to its hydroelectric projects under Federal Energy Regulatory Commission License, and at Pacific's request shall carry mechanical breakdown and use and occupancy insurance on the Project to the extent reasonably available; (b) shall replace structures, facilities, and equipment of the Project whenever they no longer are capable of reliably or economically performing the service for which they were designed; and (c) shall operate such switching facilities as Pacific shall install from time to time at the power plant of the Project, including switching operations as requested by Pacific.

5. Pacific shall construct, own, operate, and maintain at its own risk and expense transmission lines required to transmit the power generated by the power plant of the Project into Pacific's transmission network. Pacific shall acquire, in a form acceptable to Pacific, all lands, easements, federal and state permits, and all other rights and privileges necessary to carry out its obligations under this paragraph and use its best efforts to complete said lines prior to completion of the Project by Solano. Failure by Pacific to complete said lines pursuant to Paragraph 6 shall not relieve Pacific of its obligations to make payments under Paragraphs 9(a), 9(b), 10 and Appendix C-5.

6. Solano shall schedule the date of synchronizing the generating units with the transmission system and notify Pacific thereof in writing at least six months in advance of the scheduled date. Pacific shall complete the transmission line to the power plant prior to the scheduled date of synchronization.

7. Solano shall sell and deliver to Pacific during the Term of Contract all the electric capacity and energy generated by the power plant of the Project, except the capacity and energy delivered by Solano for Project Power

Plant Use and except for the right to retain up to 20% of the power for pumping requirements within Solano's own boundaries, subject to the conditions in the portion of Appendix D entitled "Solano Use of Project Power." Delivery of capacity and energy to Pacific shall be at Solano's high voltage disconnect switch at the Project, except for such capacity and energy as Pacific shall request to be delivered to it for transmission at generator voltage, in which case such protective devices as Solano deems necessary shall be installed at Pacific's expense.

8. Pacific shall pay Solano 14 mills per kilowatt-hour for Net Project Generation delivered to Pacific hereunder prior to the Full Operation Date.

9. Following the Full Operation Date and during the Term of Contract, Pacific shall pay Solano for all benefits derived hereunder, including capacity and energy delivered, all of the following:

(a) (i) Semiannually amounts in accordance with the attached Power Purchase Payment Schedule, Appendix E. No reduction or increase in, or termination of said payments shall result from early retirement, retirement at a discount, refunding, or refinancing of Project Bonds.

(ii) In lieu of all or part of that part of the payment made pursuant to subparagraph (a) (i) attributable to principal on the term Project Bonds (as opposed to the serial Project Bonds), Pacific may (A) deliver to Solano term Project Bonds theretofore issued by Solano and acquired by Pacific, (B) deliver such documentation of the price at which such term Project Bonds were acquired by Pacific as Solano may reasonably require, and (C) pay to Solano one-half the difference between (1) the aggregate principal amount of such term Project Bonds and (2) the aggregate price, including brokerage and other expenses and including accrued interest, at which such term Project Bonds were acquired by Pacific. Any such delivery of term Project Bonds shall be credited against such payment to be made pursuant to subparagraph (a)(i) above in the amount of such aggregate principal amount of the term Project Bonds so delivered plus interest accrued thereon and to accrue thereon up to the date of the next interest payment thereon. Any such delivery of term Project Bonds by Pacific shall be made to the bond trustee as agent for Solano and for Solano's benefit; provided, that the bond trustee shall hold bonds so delivered as Pacific's escrow agent until the date the applicable Paragraph 9(a) payment is due, and on that date deliver them and the title thereto to Solano on the condition that Pacific receives full credit

against the applicable Paragraph 9(a) payment when the balance of the said payment is made by Pacific.

(b) Monthly, a sum estimated as being necessary to pay the costs of repair, operation, and maintenance of the Project pursuant to Paragraphs 3 and 4, and Appendices C and D. Such costs shall include, but not be limited to insurance, taxes, trustee fees, annual audit, and fees of regulatory agencies having jurisdiction. Costs shall be budgeted annually by the parties, and the said estimated amounts shall be made in monthly installments; provided, such monthly payments shall not be made when the balance in the operation and maintenance fund established pursuant to Appendix C is greater than the monthly payment to be made.

(c) Annually, on each anniversary of the end of the Quarter in which the Full Operation Date of the Project occurred, an amount equal to a payment factor of 14 mills per kilowatt hour, adjusted each Quarter, as described in the "Adjustment Provision" of Appendix D, multiplied by the Net Project Generation delivered to Pacific during each corresponding Quarter in the preceding 12-month period.

(d) Annually in accordance with the terms of Paragraph 9(c), an extra amount equal to a payment factor of 0.40 mills per kilowatt hour of Net Project Generation adjusted as provided in the "Adjustment Provision" of Appendix D; provided that such extra amount shall not be paid until after the North Bay Aqueduct is completed and operational and after Solano certifies in writing to Pacific that such payment is to be reimbursement for a Project related expense to be borne by Solano.

(e) Commencing January 1, 2020, Pacific shall become obligated for variable semiannual power purchase payments which shall continue until termination of this Contract. The variable payments shall be in an amount computed by multiplying the Net Project Generation by \$0.0307 and shall be due for periods ending June 30 and December 31 each year.

In the event of a catastrophic failure in the Project after January 1, 2020, which failure precludes generation of energy upon which Pacific's variable semiannual power purchase payments are based, Solano, in its sole judgement, may terminate this Contract upon written notice to Pacific. The parties shall have no further obligation toward each other subsequent to the date of such termination.

10. Solano and Pacific agree that the Use of Dam Charge shall be paid by deposit into the operation and maintenance fund moneys by one or both parties as follows:

(a) If said charge is \$37,400 or less, Solano shall pay the entire amount.

(b) If said charge exceeds \$37,400, Solano shall pay that amount of said charge which is not paid by Pacific. Pacific shall pay a share of that amount of the Use of Dam Charge which is in excess of \$37,400. Pacific's share of the excess shall be as follows:

<u>Calendar Year of Project Operation</u>	<u>Pacific's Share of Excess Over \$37,400</u>
1	10%
2	20%
3	30%
4	40%
5 through 10	50%

(c) If said charge exceeds \$37,400, starting in the eleventh calendar year of Project operation, Solano and Pacific shall share the entire amount equally until Solano retains Project power for its own pumping requirements pursuant to Paragraph 7.

(d) If Solano retains Project power for its own pumping requirements pursuant to Paragraph 7, Solano shall pay said charge pursuant to Paragraph 10(a) or 10(c); however, in the event of a payment under Paragraph 10(c), Solano shall also pay a percentage of Pacific's share of the Use of Dam Charge corresponding to the percentage of Project power so retained.

(e) The \$37,400 amount in this paragraph will be increased or decreased by the corresponding percentage change that may be made to the initially established Use of Dam Charge according to the possible readjustment provisions of Section 10(e) of the Federal Power Act. However, if said percentage change exceeds the percentage change in the Paragraph 9(c) payment factor, then Solano and Pacific shall share equally in paying the excess percentage change increase in the Use of Dam Charge.

11. Payments under Paragraph 9(a) shall be due and payable each June 30 and December 31, or if either day falls on a weekend or banking holiday, on the last business day prior to that date for the semiannual periods ending on the

dates shown in the Power Purchase Payment Schedule, Appendix E. The first payment shall be prorated according to the ratio of the number of days for which payment is to be made to the number of days in the semiannual period for which payment otherwise would be due. Any delivery of term Project Bonds pursuant to Paragraph 9(a) (ii) shall be made not less than 60 days before the day the said payment would otherwise be due.

Payments under Paragraph 9(b) for each month or part thereof shall be due and payable on the first day of such month or other dates as agreed to by the parties.

Payments under Paragraph 9(c) and (d) shall be due and payable each year within 15 days after receipt of invoice by Pacific.

Payments under Paragraph 9(e) shall be due and payable within 15 days after receipt of invoice by Pacific.

Payments under Paragraph 8 shall be due and payable each month within 15 days after receipt of invoice by Pacific.

Payments under Paragraph 10 shall be due and payable as agreed by the parties to enable Solano to meet the payment schedule set forth by Federal Energy Regulatory Commission regulations.

12. (a) Subject to the provisions of Paragraph 17, Pacific's obligation under Paragraphs 9(a), 9(b) and 10 shall not be dependent upon all or any part of the Project continuing to be capable of operation, nor shall its obligation under Paragraphs 9(a), 9(b) and 10 be dependent upon the ability of Pacific to take energy produced by or made available from the Project. This provision, however, shall not be deemed to relieve Solano of any of its obligations hereunder.

(b) Pacific may offset against any amounts due from it to Solano hereunder any amounts due to Pacific from Solano by reason of this Contract or any breach thereof, except that no offset shall be applied by Pacific to reduce the payments due from it to Solano under the provisions of Paragraph 9(a).

13. Solano intends to finance construction of the Project by the sale and issuance of Project Bonds duly authorized by the electorate in accordance with the laws of California. Solano shall proceed diligently with all necessary action to have the Project Bonds authorized and to

complete such financing; provided, that Solano shall not be required to accept or agree to any conditions or obligations in connection with any such financing which it deems unreasonably burdensome. If Solano shall have proceeded diligently but shall not have completed such financing on terms satisfactory to it and awarded Project construction contracts within 90 days of the date of this Contract, this Contract shall thereupon terminate and neither party shall have any further obligation to the other under this Contract or be liable to the other by reason of any expenses incurred or obligations undertaken for the performance by it of this Contract or for any damages suffered as a result of the termination of this Contract. In the event of such termination, the parties shall confer and endeavor to reach a solution that will permit the Project to proceed, and Solano shall continue to be obligated to repay Pacific for advances of Development Costs, with interest, but only to the extent provided in Paragraph 8(c) of Appendix D.

As soon as possible, upon completion of Project financing acceptable to Solano and Pacific, each party shall sign a certificate to that effect. Such certificate shall be binding and conclusive upon Solano and Pacific; thereafter, there shall be no termination of any obligation under this Contract by reason of any provisions of this paragraph.

14. Solano shall defend its water rights necessary or useful to the operation of the Project.

15. Consistent with Solano's use for Project purposes, Solano shall permit all roads, lands, rights-of-way, and road structures owned or controlled by it for Project purposes to be used by Pacific in the performance of this Contract, without additional cost or expense, for construction, installation, operation, repair, and maintenance of any works or facilities of Pacific now in existence or hereafter constructed or installed. Consistent with Pacific's use for its own purposes, Pacific shall permit use by Solano of Pacific's roads and rights-of-way without cost or expense for the purpose of constructing, maintaining, repairing, and operating facilities of the Project. Solano hereby grants Pacific a license, irrevocable during the Term of Contract, to construct, install, operate, maintain, replace and repair, upon properties of the Project, facilities of Pacific, including, but not limited to, facilities for transmission, transformation, and distribution of electric power and for switching and control, as are necessary and desirable for the purpose of this Contract.

16. Solano shall indemnify Pacific, its officers, agents, and employees against all loss, damage, expense, and liability to third persons for injury to or death of persons or injury to property, proximately caused by Solano's construction, ownership, operation, repair, or maintenance of, or by failure of, any of Solano's works or facilities used in connection with the Project. Solano shall, on Pacific's request, defend any suit asserting a claim covered by this indemnity. Solano shall pay any costs that may be incurred by Pacific in enforcing this indemnity.

Pacific shall indemnify Solano, its officers, agents, and employees against all loss, damage, expense, and liability to third persons for injury to or death of persons or injury to property, proximately caused by Pacific's construction, ownership, operation, repair, or maintenance of, or by failure of, any of Pacific's works or facilities used in connection with the Project. Pacific shall, on Solano's request, defend any suit asserting a claim covered by this indemnity. Pacific shall pay any costs that may be incurred by Solano in enforcing this indemnity.

17. Except as provided in Paragraph 13, this Contract shall, except in case of condemnation of all or part of the Project which precludes Solano from being able to fully perform under this Contract, remain in effect so long as Solano holds a Federal Energy Regulatory Commission License and other necessary rights for the Project permitting full performance by it of this Contract. Termination of this Contract as a result of the loss by Solano of such rights necessary for the full performance by it of its obligation under this Contract with respect to the Project shall not affect obligations of either party accrued hereunder prior to such termination, but no further obligation shall accrue subsequent to the date of such termination and final payments as of the date of termination shall be prorated as may be appropriate.

18. No voluntary assignment of this Contract, except for security purposes in connection with Solano's financing of the Project, shall be effective without the written consent of Pacific.

19. Any dispute that may arise hereunder between Solano and Pacific shall, upon the written request of either party to the other, be submitted to and decided by arbitration. Each of the parties shall, within 30 days after giving or receiving such written notice, appoint one arbitrator. If either party fails to appoint an arbitrator within such time, such arbitrator shall be appointed by a Superior Court of the State of California in accordance with

the California Code of Civil Procedure. At any time that either arbitrator concludes they cannot agree, the two arbitrators shall appoint a third arbitrator or, if they cannot agree upon a third arbitrator, such arbitrator shall be appointed by said Superior Court in accordance with said Code. A decision by two of the arbitrators shall be binding on the parties. If a decision cannot be reached within 90 days after appointment of the third arbitrator, on written notice by either party to the other, the arbitrators' authority shall terminate and either party may submit the matter to an appropriate court for decision.

Each party shall bear the expenses and fees of the arbitrator appointed by it and its own expense involved in the arbitration. The expenses and fees of the third arbitrator and all other expenses of arbitration shall be borne equally by Pacific and Solano.

20. If any of Paragraphs 16 or 19 of this Contract shall be held by a court of competent jurisdiction to be void, voidable or unenforceable, then such paragraphs shall be null and void only to the extent held void, voidable or unenforceable, and shall to that extent be deemed separable from the remaining paragraphs, covenants, agreements, or portions of this Contract and shall in no way affect the validity of or enforceability of the remaining portions of this Contract.

IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and year first above written.

[Handwritten initials and scribbles]

PACIFIC GAS AND ELECTRIC COMPANY

BY *Gene A. Mantel*
Senior Vice President
Facilities Development

SOLANO IRRIGATION DISTRICT

BY *W. Morris Kelly*
BY *B. B. Bell*