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PACIFIC GAS AND ELECTRIC COMPANY

UNIFORM STANDARD OFFER 1

AS-AVAILABLE CAPACITY AND ENERGY

POWER PURCHASE AGREEMENT

QFID NO. 13P163

September, 1997

TABLE OF CONTENTS

	<u>SECTION</u>	<u>PAGE</u>
1		
2		
3		
4	1 PROJECT SUMMARY	1
5	2 DEFINITIONS	6
6	3 TERM AND TERMINATION	11
7	4 PROJECT FEE	12
8	5 PROJECT DEVELOPMENT MILESTONES	13
9	6 GENERATING FACILITY	21
10	7 OPERATING OPTIONS	25
11	8 INTERCONNECTION FACILITIES	28
12	9 REVIEW AND DISCLAIMER	31
13	10 REAL PROPERTY RIGHTS	32
14	11 METERING	34
15	12 QUALIFYING FACILITY STATUS AND PERMIT	36
16	13 ENERGY PURCHASE	37
17	14 CAPACITY PURCHASE	38
18	15 CURTAILMENT	39
19	16 INTERRUPTION OF DELIVERIES	42
20	17 PAYMENT AND BILLING	43
21	18 INDEMNITY AND LIABILITY	45
22	19 INSURANCE	47
23	20 FORCE MAJEURE	49
24	21 REVIEW OF RECORDS AND DATA	50
25	22 ASSIGNMENT	51
26	23 ABANDONMENT	51

TABLE OF CONTENTS (Contd.)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

<u>SECTION</u>	<u>PAGE</u>
24 NON-DEDICATION	52
25 NON-WAIVER	52
26 SECTION HEADINGS	53
27 GOVERNING LAW	53
28 AMENDMENT, MODIFICATION OR WAIVER	53
29 SEVERAL OBLIGATIONS	53
30 CHANGES TO PROVISIONS OF THIS POWER PURCHASE AGREEMENT AFTER THE POWER EXCHANGE BEGINS OPERATIONS	54
31 SIGNATURES	57
APPENDIX A: TIME PERIODS	
APPENDIX B: ENERGY LOSS ADJUSTMENT FACTORS	
APPENDIX C: CAPACITY LOSS ADJUSTMENT FACTORS	
APPENDIX D: PACIFIC GAS AND ELECTRIC COMPANY'S ELECTRIC RULE-NO. 21	
APPENDIX E: QUARTERLY STATUS REPORT (FORM)	
APPENDIX F: SITE LOCATION METES AND BOUNDS DESCRIPTION (IF REQUIRED FOR PURPOSES OF SECTION 1.1(c))	
APPENDIX G: EFFECTIVE CAPACITY CONVERSION FACTORS	
APPENDIX H: POINT OF DELIVERY SKETCH	

1
2
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PACIFIC GAS AND ELECTRIC COMPANY

AS-AVAILABLE CAPACITY AND ENERGY POWER PURCHASE AGREEMENT

SIERRA PACIFIC INDUSTRIES ("Seller") and PACIFIC GAS AND ELECTRIC COMPANY ("PG&E"), referred to collectively as "Parties" and individually as "Party", agree as follows:

1. **PROJECT SUMMARY**

1.1 Seller's Generating Facility:

(a) QFID Number: 13P163

(b) Nameplate rating: 5,000 kw at unity power factor.

(Net of Station Use) If the Generating Facility is comprised of more than one (1) electrical generator and Seller has not commenced Initial Operation of each generator within five (5) years of the effective date of this Agreement, the Nameplate Rating shall be derated to the nameplate rating of the electrical generators which have achieved Initial Operation prior to the end of the five (5) year period. Seller may not increase the Nameplate Rating after the effective date of this Agreement.

(c) Location: 19758 Riverside Avenue
Anderson, CA 96007

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(d) Type: (Check One)

_____ Cogeneration facility.

_____ (primary energy source)

x Small power production facility

Biomass (primary energy source)

1.2 Expected annual energy deliveries: 1,800,000 kwh.

1.3 Seller's initial estimate of the Scheduled Operation Date is December 15, 1997 . Seller shall update its estimate of the Scheduled Operation Date in its Quarterly Status Reports pursuant to Section 5.2 of this Agreement . The Scheduled Operation Date shall not be later than five (5) years from the effective date of this Agreement .

1.4 [This section deleted].

1.5 Project Development Material Milestones:

(a) Provide information for and pay costs of Preliminary Interconnection Study pursuant to Section 5.4: Not later than three (3) months after the effective date of this Agreement or such other date as agreed to by the Parties.

(b) Provide information for and pay for costs of the Interconnection Study , pursuant to Section 5.5, which shall be no later than three (3) years prior to the Scheduled Operation Date . This provision shall not obligate PG&E to

install Special Facilities within three (3) years of Seller's compliance with this Section 1.5(b)

(c) Commence Initial Operation

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(Date)

Not later than five (5) years from the effective date of this Agreement, pursuant to Section 5.6

1.6 Operating Options Pursuant to Section 7: (Check One)

____ Operating Option I (Buy/Sell): Entire Generating Facility output less Station Use sold to PG&E.

x Operating Option II (Surplus Sale): The Generating Facility output, less Station Use and any other use by Seller, sold to PG&E.
Capacity allocated to other use by Seller:

1,500 kw.

1.7 Metering Location: (Check One)

Seller selects metering location pursuant to Section 11 as follows:

____ High-voltage side of the Interconnection Facilities transformer.

x Low-voltage side of the Interconnection Facilities transformer with the transformer loss compensation factor determined in accordance with Section 11.2.

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1.8 Notices.

Any written notice, demand, or request required or authorized in connection with the Agreement shall be deemed properly given if delivered in person or sent by first class mail, postage prepaid, to the person specified below:

PG&E: Pacific Gas & Electric Company
Manager - Utility Electric Supply
77 Beale Street, Mail Code B13E
P.O. Box 770000
San Francisco, CA 94177

Seller: Sierra Pacific Industries
Director of Energy Resources
P.O. Box 496028
Redding, CA 96049

Seller's notices to PG&E pursuant to this Section 1.8 shall refer to the QFID number set forth in Section 1.1(a). The designated addresses may be changed at any time upon similar notice by the Party's authorized representative.

1.9 Location of PG&E Designated Switching Center:

Round Mountain Substation
Highway 299E
Round Mountain, CA 96084
(530) 337-6259

1.10 Seller's arrangement includes Host(s): (Check one)

_____ yes
 x no

If yes, the following sections shall apply:

(a) Host(s): _____

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(b) Seller has made arrangements with Host(s) to: (Check one or both)

 i. Sell all or a portion of the electrical output of the Generating Facility to Host(s).

 ii. Sell useful thermal output from the Generating Facility to Host(s).

(c) Seller shall, within thirty (30) days of the effective date of the Agreement, provide PG&E with the name(s) and address(es) of representative(s) of the Host(s) who is (are) authorized to act on behalf of the Host(s) in matters related to the arrangement identified in this Section 1.10. Seller shall notify PG&E of any change(s) of authorized representative(s) within thirty (30) days of being notified of such change.

(d) Any references to Host(s) contained in this Agreement are not intended and shall not be construed to create any third party rights or remedies.

2. DEFINITIONS

When underlined, whether in the singular or in the plural, the following terms shall have the following meanings:

2.1 Agreement: This document and appendices, as amended from time to time, including PG&E's Electric Rule No. 21, in effect at the time of execution of this Agreement.

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- 1 2.2 As-Available Capacity: The capacity delivered to PG&E
2 from the Generating Facility that PG&E is contractually
3 obligated to purchase at its published As-Available
4 Capacity price as approved by the CPUC.
- 5 2.3 CPUC: The Public Utilities Commission of the State of
6 California.
- 7 2.4 Designated Switching Center: The PG&E facility which is
8 described in Section 1.9.
- 9 2.5 Electric Rule No. 21: PG&E's interconnection standards
10 for cogenerators and small power producers interconnected
11 with the PG&E system, attached hereto as Appendix D and
12 incorporated herein by reference.
- 13 2.6 Emergency: An actual or imminent condition or situation
14 which jeopardizes PG&E Electric System Integrity.
- 15 2.7 Force Majeure: Any occurrence, other than Forced Outages,
16 beyond the reasonable control of and without the fault or
17 negligence of the Party claiming Force Majeure which
18 causes the Party to be unable to perform its obligations,
19 which by exercise of due foresight such Party could not
20 reasonably have been expected to avoid and which the Party
21 is unable to overcome by the exercise of due diligence.
22 Such an occurrence may include, but is not limited to,
23 acts of God, labor disputes, sudden actions of the
24 elements, actions or inactions by federal, state, and
25 municipal agencies, and actions or inactions of
26 legislative, judicial, or regulatory agencies.

1 2.8 Forced Outage: Any outage of the Generating Facility or
2 Seller's Interconnection Facilities resulting from a
3 design defect, inadequate construction, operator error,
4 interruption in fuel supply unless excused as a Force
5 Majeure, or a breakdown of the mechanical or electrical
6 equipment that fully or partially curtails the electrical
7 output of the Generating Facility.

8 2.9 Generating Facility: All of Seller's generating units,
9 together with all protective and other associated
10 equipment and improvements owned, maintained, and operated
11 by Seller, which are necessary to produce electrical
12 power, excluding associated land, land rights, and
13 interests in land.

14 2.10 Host(s): The entity or entities identified in Section
15 1.10 which will purchase: (a) useful thermal output of
16 the cogenerator; or (b) all or a portion of the electric
17 output of the Generating Facility; or (c) both.

18 2.11 Initial Operation: The day the Generating Facility first
19 operates in parallel with the PG&E system.

20 2.12 Interconnection Facilities: All means required, and
21 apparatus installed, to interconnect and deliver power
22 from the Generating Facility to the PG&E system in
23 accordance with PG&E's Electric Rule No. 21, including,
24 but not limited to, connection, transformation, switching,
25 metering, communications, control, and safety equipment,
26 such as equipment required to protect (a) the PG&E system

1 and its customers from faults occurring at the Generating
2 Facility, and (b) the Generating Facility from faults
3 occurring on the PG&E system or on the systems of others
4 to which the PG&E system is directly or indirectly
5 connected. Interconnection Facilities also include any
6 necessary additions and reinforcements by PG&E to the PG&E
7 system required as a result of the interconnection of the
8 Generating Facility to the PG&E system.

9 2.13 Interconnection Study: PG&E's determination of the
10 Interconnection Facilities required to interconnect
11 Seller's Generating Facility with the PG&E system,
12 including an estimate of costs and construction lead time.

13 2.14 Nameplate Rating: The gross generating capacity of the
14 Generating Facility less Station Use. For purposes of
15 this Agreement, Nameplate Rating is that rating specified
16 in Section 1.1(b) of the Agreement.

17 2.15 PG&E Electric System Integrity: The state of operation of
18 PG&E's electric system in a manner which is deemed to
19 minimize the risk of injury to persons and/or property and
20 enables PG&E to provide adequate and reliable electric
21 service to its customers.

22 2.16 Point of Delivery: The point where Seller's electrical
23 conductors contact PG&E's system as it shall exist
24 whenever the deliveries are being made or at such other
25 point or points as the Parties may agree in writing. A
26 Point of Delivery sketch is attached in Appendix H.

- 1 2.17 Preliminary Interconnection Study or Preliminary Study:
2 PG&E's preliminary estimate of the costs and equipment
3 necessary for the interconnection of Seller's Generating
4 Facility to PG&E's system. This study may also establish
5 the date by which Seller must request an Interconnection
6 Study under Section 5.5(a).
- 7 2.18 Protective Apparatus: All relays, meters, power circuit
8 breakers, synchronizers, and other control devices as
9 shall be agreed to by the Parties in accordance with the
10 requirements of PG&E as necessary for proper and safe
11 operation of the Generating Facility in parallel with
12 PG&E's electric system.
- 13 2.19 Prudent Electrical Practices: Those practices, methods,
14 and equipment, as changed from time to time, that are
15 commonly used in prudent electrical engineering and
16 operations to design and operate electric equipment
17 lawfully and with safety, dependability, efficiency, and
18 economy.
- 19 2.20 Scheduled Operation Date: The date specified in Section
20 1.3 when the Generating Facility is, by Seller's estimate,
21 expected to begin Initial Operation.
- 22 2.21 Short-Run Avoided Operating Costs: CPUC-approved costs,
23 updated from time to time, which are the basis of PG&E's
24 published energy prices.
- 25 2.22 Special Facilities: Those Interconnection Facilities
26 consisting of additions and reinforcements to the PG&E

1 system which are needed to accommodate the maximum
2 delivery of energy and capacity from the Generating
3 Facility as provided in this Agreement and those other
4 parts of the Interconnection Facilities, if any, which are
5 owned and maintained by PG&E at Seller's request,
6 including metering and data processing equipment. All
7 Special Facilities shall be owned, operated and maintained
8 pursuant to PG&E's Electric Rule No. 21, which is attached
9 hereto.

10 2.23 Station Use: Energy used to operate the Generating
11 Facility's auxiliary equipment. The auxiliary equipment
12 includes, but is not limited to, forced and induced draft
13 fans, cooling towers, boiler feed pumps, lubricating oil
14 systems, plant lighting, fuel handling systems, control
15 systems, and sump pumps.

16
17 **3. TERM AND TERMINATION**

18 This Agreement shall become effective as of the date of the
19 last signature set forth following paragraph 31 below and shall
20 continue in full force and effect until December 31, 2001, at
21 which time this Agreement shall terminate, unless extended by a
22 CPUC decision issued on or before December 31, 2001; provided,
23 however, this Agreement shall not continue for a period greater
24 than 10 years after January 1, 2002. This Agreement may be
25 terminated sooner by Seller upon providing thirty (30) days
26 prior written notice in accordance with Section 1.8.

1 4. PROJECT FEE

2 4.1 No later than the date Seller requests and pays for an
3 Interconnection Study, Seller shall post and thereafter
4 maintain a Project Fee equal to five dollars (\$5) for
5 each kilowatt of Nameplate Rating of the Generating
6 Facility specified in Section 1.1(b). If Seller requests
7 a Preliminary Interconnection Study or PG&E determines
8 that a Preliminary Interconnection Study is necessary,
9 Seller shall post the Project Fee at the time Seller pays
10 for the Preliminary Interconnection Study. The Project
11 Fee shall be established by either an escrow account or
12 by an irrevocable letter of credit with terms and
13 conditions agreed to by the Parties. Such escrow account
14 or irrevocable letter of credit shall provide for the
15 disbursement of the Project Fee in accordance with
16 Section 4.2.

17 4.2 The Project Fee shall be disbursed in the following
18 manner on notice provided to the holding agent by PG&E.

19 (a) The Project Fee, including any interest earned, shall
20 be returned to Seller: (1) if the Generating Facility
21 commences Initial Operation within five (5) years of
22 the effective date of this Agreement; or (2) if Seller
23 (i) determines as a result of the Preliminary
24 Interconnection Study or the Interconnection Study
25 that the Generating Facility is no longer feasible or
26 that transmission capacity is not available and (ii)

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terminates this Agreement within ninety (90) calendar days of receiving such study results; or (3) if Seller terminates this Agreement as a result of a Force Majeure prior to Initial Operation of Seller's Generating Facility.

(b) The Project Fee, including any interest earned, shall be paid to PG&E in the event Seller fails to complete each and every Project Development Milestone set forth in Section 5, whether or not PG&E pursues any other remedy at law or under this Agreement.

5. PROJECT DEVELOPMENT MILESTONES

To assure Seller's establishment of Initial Operation in the time provided in this Agreement and to afford PG&E with early notification in the event Seller will be unable to establish Initial Operation, Seller shall complete each Project Development Milestone as provided in this Section 5.

5.1 Project Development Milestones

(a) The following events shall constitute Project Development Milestones:

- (1) Submittal of Quarterly Status Reports (pursuant to Section 5.2)
- (2) Maintenance of Site Control (pursuant to Section 5.3)

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(3) Provision of information for and payment of costs of Preliminary Interconnection Study (pursuant to Section 5.4)

(4) Provision of information for and payment of costs of Interconnection Study (pursuant to Section 5.5)

(5) Commencement of Initial Operation no later than five (5) years from the effective date of this Agreement (pursuant to Section 5.6).

(b) If Seller fails to complete each Project Development Milestone in the time and manner provided in Sections 5.2 through 5.6: (1) PG&E may terminate this Agreement; (2) Seller shall relinquish transmission priority, if established; and (3) the Project Fee, if any, shall be paid to PG&E pursuant to Section 4.2(b).

(c) If PG&E terminates this Agreement pursuant to this Section 5.1, Seller may execute another power purchase agreement with PG&E only if Seller has satisfied all its outstanding obligations to PG&E arising under this Agreement, including payment of any costs which PG&E may have incurred as a result of Seller's failure to perform under this Agreement. Nothing in this Section 5.1(c) shall limit PG&E's remedies at law under this Agreement.

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1 5.2 Submit Quarterly Status Reports

2 (a) Beginning on the first day of the calendar quarter
3 following the effective date of this Agreement, and
4 continuing on the first day of each calendar quarter
5 thereafter until Seller has achieved Initial Operation
6 in accordance with Section 5.6, Seller shall submit to
7 PG&E a complete and accurate Quarterly Status Report
8 in the form attached as Appendix E. Seller's
9 Quarterly Status Report shall describe the progress of
10 project development and shall include without
11 limitation: (1) the current status of and schedule
12 for project development; (2) Seller's progress since
13 the last submitted Quarterly Status Report; and (3) an
14 explanation of any changes to the project development
15 schedule since Seller's last submitted Quarterly
16 Status Report. If, in PG&E's judgment, the scheduled
17 development of the Generating Facility places Seller
18 in jeopardy of missing a Project Development Milestone
19 under this Section 5, Seller shall, upon request,
20 provide a summary of the steps which Seller has taken
21 and proposes to take to ensure timely Initial
22 Operation of the Generating Facility.

23 (b) If Seller fails to provide a Quarterly Status Report
24 in a timely manner or if Seller fails to submit a
25 complete and accurate Quarterly Status Report, PG&E
26 will so notify Seller and Seller shall promptly

1 provide a complete and accurate Quarterly Status
2 Report. If Seller fails to provide two consecutive
3 Quarterly Status Reports as provided in Section
4 5.2(a), PG&E shall notify Seller in writing that
5 Seller has failed to complete this project development
6 milestone. Unless Seller provides PG&E with a
7 complete and accurate Quarterly Status Report within
8 thirty (30) calendar days after Seller receives such
9 notice from PG&E, the provisions of Section 5.1(b)
10 shall apply.

11 5.3 Maintain Site Control

12 (a) Seller warrants that it possessed Site Control of the
13 site described in Section 1.1(c) as of the date Seller
14 executed this Agreement and that Seller shall maintain
15 continuous Site Control for the term of this
16 Agreement.

17 (b) Site Control: Site Control shall consist of one of
18 the following, or other form of Site Control
19 acceptable to PG&E in its sole discretion:

20 (1) Seller's ownership of the location of Seller's
21 Generating Facility specified in Section 1.1(c);

22 (2) Seller's leasehold interest in the location
23 specified in Section 1.1(c), which leasehold
24 interest shall specifically include the right to
25 construct and operate the Generating Facility at
26 such location;

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(3) Seller's exclusive and irrevocable contractual right to construct and operate the Generating Facility at the location specified in Section 1.1(c); or,

(4) Seller's exclusive and irrevocable option to obtain any of the rights described in Section 5.3(b)(1) through Section 5.3(b)(3) above. This alternative shall only constitute Site Control prior to the commencement of construction of Seller's Generating Facility.

(c) Seller shall provide PG&E with prompt notice of any change in the status of its Site Control. If, at any time, PG&E has reason to believe that Seller has lost Site Control, PG&E may request from Seller evidence that Seller continues to possess Site Control. If Seller fails to provide such evidence within thirty (30) calendar days after Seller receives PG&E's request, the provisions of Section 5.1(b) shall apply.

(d) Where the term of Seller's Site Control does not extend for the full term of this Agreement, Seller shall advise PG&E of the date Site Control is scheduled to expire. Seller shall provide to PG&E, no later than the date Seller's Site Control is scheduled to expire, evidence that Seller's Site Control has been renewed or extended. If Seller fails to provide such evidence, PG&E shall notify Seller in writing

1 that Seller is not in compliance with this Section
2 5.3(d). Unless Seller provides PG&E with evidence
3 that Site Control has been renewed or extended within
4 thirty (30) calendar days after PG&E's notification,
5 the provisions of Section 5.1(b) shall apply.

6 (e) This Agreement is project and site specific; however,
7 Seller may with PG&E's prior consent, be permitted to
8 adjust the location of Seller's Generating Facility
9 within the proximity of the site specified in Section
10 1.1(c) if necessary for project development.

11 5.4 Provide Information for and Pay Costs of Preliminary
12 Interconnection Study

13 (a) Not later than three (3) months after the effective
14 date of this Agreement or such other date as the
15 Parties may agree, Seller shall provide PG&E with the
16 information necessary for PG&E to perform a
17 Preliminary Interconnection Study. The Parties shall
18 cooperate to ensure that Seller provides PG&E with
19 sufficient information no later than said date.

20 (b) Seller shall pay any cost associated with the
21 Preliminary Interconnection Study by the date
22 specified in Section 5.4(a) or within thirty (30)
23 calendar days of billing by PG&E, whichever is later.

24 (c) Priority for transmission capacity on the PG&E system
25 shall be established on the date Seller has completed
26 the requirements specified in Sections 4.1 and 5.4.

1 (d) The results of the Preliminary Interconnection Study
2 are for informational purposes only, except if the
3 date determined for providing information for and
4 paying the cost of the Interconnection Study pursuant
5 to Section 5.5 is earlier than the date specified in
6 Section 1.5(b), then such earlier date shall
7 establish the milestone pursuant to Section 5.5(a).

8 (e) PG&E may, at its discretion, waive the requirements
9 of this Section 5.4 if PG&E deems that a Preliminary
10 Interconnection Study is unnecessary.

11 (f) If Seller fails to either (1) provide the information
12 necessary for PG&E to conduct the Preliminary
13 Interconnection Study or (2) pay the costs of such
14 study by the date required, PG&E shall notify Seller
15 in writing that Seller has not completed this project
16 development milestone. If Seller fails to provide
17 such information or pay such costs, as the case may
18 be, within thirty (30) calendar days after PG&E's
19 notification, the provisions of Section 5.1(b)
20 shall apply.

21 5.5 Provide Information for and Pay Costs of Interconnection
22 Study

23 (a) Not later than the date specified in Section 1.5, or
24 such earlier date as may be determined by the
25 Preliminary Interconnection Study, Seller shall
26 provide PG&E with all information necessary for PG&E

1 to perform an Interconnection Study. The Parties
2 shall cooperate to ensure that Seller provides PG&E
3 with sufficient information no later than said date.

4 (b) Seller shall pay any costs associated with the
5 Interconnection Study by the date specified in
6 Section 5.5(a) or within thirty (30) calendar days of
7 billing by PG&E, whichever is later.

8 (c) If PG&E has waived the requirements of Section 5.4
9 and if priority for transmission capacity on the PG&E
10 system has not been previously established pursuant
11 to Section 5.4, such priority shall be established on
12 the date Seller completes the requirements specified
13 in Sections 4.1 and 5.5.

14 (d) If Seller fails either: (1) to provide the
15 information necessary for PG&E to perform the
16 Interconnection Study; or (2) to timely pay the costs
17 associated with the Interconnection Study, PG&E shall
18 notify Seller in writing that Seller has not completed
19 this project development milestone. If Seller fails
20 to provide such information or pay such costs, as the
21 case may be, within thirty (30) calendar days after
22 PG&E's notification, the provisions of Section 5.1(b)
23 shall apply.

24 5.6 Commence Initial Operation of the Generating Facility:

25 Seller shall commence Initial Operation of Seller's
26 Generating Facility no later than five (5) years from the

1 effective date of this Agreement. If Seller fails to
2 commence Initial Operation by said date, the provisions of
3 Section 5.1(b) shall apply.
4

5 **6. GENERATING FACILITY**

6 The Generating Facility shall be owned by Seller. The
7 Generating Facility shall be designed, constructed, operated,
8 and maintained as follows:

9 6.1 Design

10 (a) Seller, at Seller's sole expense, shall:

11 (1) Design the Generating Facility;

12 (2) Acquire all permits and other approvals necessary
13 for the construction, operation, and maintenance
14 of the Generating Facility; and

15 (3) Complete all environmental impact studies
16 necessary for the construction, operation, and
17 maintenance of the Generating Facility.

18 (b) At PG&E's request, Seller shall provide to PG&E
19 Seller's electrical specifications and design
20 drawings pertaining to Seller's Generating Facility
21 for PG&E's review prior to finalizing design of the
22 Generating Facility and before beginning construction
23 work based on such specifications and drawings.
24 Seller shall provide to PG&E reasonable advance
25 written notice of any changes in Seller's Generating
26 Facility and provide to PG&E specifications and

1 design drawings of any such changes for PG&E's review
2 and approval.

3 (c) The total installed capacity (net of station use) of
4 Seller's Generating Facility shall not exceed the
5 Nameplate Rating set forth in Section 1.1(b) of this
6 Agreement.

7 6.2 Construction

8 (a) Seller, at Seller's sole expense, shall construct the
9 Generating Facility.

10 (b) PG&E shall have the right to review and consult with
11 Seller regarding Seller's construction schedule.

12 (c) PG&E shall have the right to periodically inspect the
13 Generating Facility prior to Initial Operation upon
14 advance notice to Seller. Seller, at its option, may
15 be present at such inspection.

16 6.3 Operation

17 (a) Seller shall operate the Generating Facility in
18 accordance with Prudent Electrical Practices.

19 (b) Seller shall operate the Generating Facility to
20 generate such reactive power or provide individual
21 power factor correction as necessary to maintain
22 voltage levels and reactive power support as may be
23 required by PG&E, in accordance with PG&E's Electric
24 Rule No. 21, attached hereto. Seller shall not
25 deliver excess reactive power to PG&E unless otherwise
26 agreed upon between the Parties. If Seller fails to

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provide reactive power support, PG&E may do so at Seller's expense.

(c) The Generating Facility shall be operated with all of Seller's Protective Apparatus in service whenever the Generating Facility is connected to, or is operated in parallel with, the PG&E electric system. Any deviation for brief periods of Emergency or maintenance shall only be by agreement of the Parties.

(d) Seller shall maintain operating communications with the PG&E Designated Switching Center. The operating communications shall include, but not be limited to, system parallel operation or separation, scheduled and unscheduled outages, equipment clearances, protective relay operations, levels of operating voltage and reactive power, and daily capacity and generation reports.

(e) Seller shall keep a daily operations log for the Generating Facility which shall include information on availability, maintenance outages, circuit breaker trip operations requiring a manual reset, and any significant events related to the operation of the Generating Facility, including but not limited to: real and reactive power production; changes in operating status and protective apparatus operations; and any unusual conditions found during inspections. Changes in setting shall also be logged for Seller's

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generator(s) if it is "block-loaded" to a specific kw capacity.

(f) Seller shall maintain complete daily operations records applicable to the Generating Facility, including but not limited to fuel consumption, cogeneration fuel efficiency, maintenance performed, kilowatts, kilovars and kilowatthours generated and settings or adjustments of the generator control equipment and protective devices. Such information shall be available pursuant to Section 21.

(g) If Seller's Generating Facility has a Nameplate Rating greater than one (1) and up to and including ten (10) megawatts, PG&E may require Seller to report to the Designated Switching Center, twice a day at agreed upon times for the current day's operation, the hourly readings in kw of capacity delivered and the energy in kwh delivered since the last report.

(h) If Seller's Generating Facility has a Nameplate Rating greater than ten (10) megawatts, PG&E shall provide, at Seller's expense, telemetering equipment pursuant to Section 11.3.

(i) PG&E may require Seller, at Seller's expense, to demonstrate to PG&E's satisfaction the correct calibration and operation of Seller's Protective Apparatus at any time PG&E has reason to believe that

1 said Protective Apparatus may impair the PG&E
2 Electric System Integrity.

3 6.4 Maintenance

4 (a) Seller shall maintain the Generating Facility in
5 accordance with Prudent Electrical Practices.

6 (b) Seller shall notify PG&E (1) by January 1, May 1, and
7 September 1 of each year, of the estimated scheduled
8 maintenance and estimated daily energy and capacity
9 deliveries for the succeeding four months and (2) by
10 September 1 of each year, of the estimated scheduled
11 maintenance and estimated daily energy and capacity
12 deliveries for the following calendar year.

13
14 **7. OPERATING OPTIONS**

15 7.1 Seller shall operate the Generating Facility in parallel
16 with PG&E's electric system pursuant to one of the
17 following options as designated in Section 1.6:

18 (a) Operating Option I (Buy/Sell): Seller sells the
19 entire Generating Facility output less Station Use to
20 PG&E.

21 (b) Operating option II (Surplus Sale): Seller sells
22 Generating Facility output, less Station Use and any
23 other use by Seller, to PG&E.

24 7.2 Seller may convert from Operating Option I to Operating
25 Option II, or vice versa, no earlier than twelve (12)
26 months after execution of this Agreement, and thereafter

1 no earlier than twelve (12) months after the effective
2 date of the most recent conversion, subject to the
3 following conditions:

4 (a) Seller shall provide PG&E with a written request to
5 convert its operating option.

6 (b) Seller shall comply with all applicable tariffs and
7 rules on file with the CPUC and contracts in effect
8 between the Parties at the time of conversion covering
9 the existing and proposed (1) facilities used to serve
10 Seller's premises and (2) Interconnection Facilities.

11 (c) Seller shall bear the expense necessary to install,
12 own, and maintain any needed additional
13 interconnection facilities in accordance with PG&E's
14 applicable tariffs and rules on file with the CPUC.

15 7.3 If, as a result of an operating option conversion, Seller
16 no longer requires the use of Interconnection Facilities
17 installed and/or operated and maintained by PG&E as
18 Special Facilities under an agreement for Special
19 Facilities, Seller may either:

20 (a) Reserve these facilities, for its future use, by
21 continuing its performance under its agreement for
22 Special Facilities; or

23 (b) If Seller does not wish to reserve such facilities, it
24 may terminate its agreement for Special Facilities in
25 accordance with the terms of that agreement. If
26 Seller's operating option conversion results in its

1 discontinuation of its use of PG&E facilities not
2 covered by the agreement for Special Facilities,
3 Seller shall not reserve those facilities for future
4 use. Seller's future use of such facilities shall be
5 contingent upon the availability of such facilities at
6 the time Seller requests such use. If such facilities
7 are not available, Seller shall bear the expense
8 necessary to install, own, and maintain the needed
9 additional facilities in accordance with PG&E's
10 applicable tariffs and rules on file with the CPUC.

11 7.4 Unless provided for pursuant to Section 7.3 above, PG&E
12 shall not be required to remove or reserve capacity of
13 Interconnection Facilities made idle by a change in
14 operating options. PG&E may, without penalty, dedicate
15 any such Interconnection Facilities idled by Seller's
16 change in operating option at any time to serve customers
17 or to interconnect with other electric power sources.

18 7.5 PG&E shall process requests for operating option
19 conversion in the order received and institute any changes
20 made necessary by such request in as reasonably
21 expeditious manner as possible given other PG&E
22 commitments. The effective date of conversion shall be
23 the date PG&E completes all of the changes required to
24 accommodate Seller's operating option conversion.
25 Notwithstanding this Section 7.5, Seller may convert from
26 Operating Option I to Operating Option II, or vice versa,

1 no earlier than twelve (12) months after execution of this
2 Agreement, and thereafter no earlier than twelve (12)
3 months after the effective date of the most recent
4 conversion.

5 7.6 Seller agrees to use reasonable efforts and shall take no
6 action which would encumber, impair or diminish Seller's
7 ability to deliver to PG&E As-Available Capacity and the
8 energy associated with that capacity. Seller acknowledges
9 that it intends no other use for the generation committed
10 to PG&E under this Agreement than expressly set forth in
11 Sections 1.6 and 1.10 of this Agreement.

12
13 **8. INTERCONNECTION FACILITIES**

14 8.1 The Parties have executed an agreement for Special
15 Facilities which shall provide for the ownership,
16 construction, operation and maintenance of the
17 Interconnection Facilities pursuant to PG&E's Electric
18 Rule No. 21.

19 8.2 The Interconnection Facilities for which Seller is
20 responsible and the Point of Delivery shall be set forth
21 either in equipment lists or by appropriate one-line
22 diagrams which shall be attached to the agreement for
23 Special Facilities.

24 8.3 Seller, at Seller's sole expense, shall acquire all
25 permits and approvals and complete all environmental
26 impact studies necessary for the design, construction,

1 installation, operation, and maintenance of the
2 Interconnection Facilities other than Special Facilities.

3 8.4 Seller shall not commence parallel operation of the
4 Generating Facility until written approval for operation
5 of the Interconnection Facilities has been given by PG&E.
6 Such approval shall not be unreasonably withheld. Seller
7 shall notify PG&E of Seller's intent to energize the
8 Interconnection Facilities not less than forty-five (45)
9 calendar days prior to such energizing. PG&E shall have
10 the right to inspect the Interconnection Facilities within
11 thirty (30) calendar days of receipt of such notice. If
12 the Interconnection Facilities are not approved by PG&E,
13 PG&E shall provide written notice to Seller stating the
14 reasons for PG&E's disapproval within five (5) calendar
15 days of the inspection.

16 8.5 Seller shall provide written notice to PG&E at least
17 fourteen (14) calendar days prior to the initial and
18 subsequent testing of Seller's Protective Apparatus.
19 Seller's Protective Apparatus shall be tested thereafter
20 at intervals not to exceed three (3) years using qualified
21 personnel. PG&E shall have the right to have a
22 representative present at the initial and subsequent
23 testing of Seller's Protective Apparatus and to receive
24 copies of the test results.

25 8.6 Seller shall be allocated existing line capacity in
26 accordance with PG&E's Electric Rule No. 21.

1 8.7 Seller shall be solely responsible for the design,
2 purchase, construction, operation, and maintenance of the
3 Interconnection Facilities, owned by Seller, necessary to
4 protect PG&E's electric system, employees and customers
5 from damage or injury arising out of or connected with the
6 operation of the Generating Facility. Seller shall
7 operate and maintain the Interconnection Facilities owned
8 by Seller in accordance with Prudent Electrical Practices.

9 8.8 Seller shall provide to PG&E Seller's electrical
10 specifications and design drawings pertaining to the
11 Interconnection Facilities for PG&E's review prior to
12 finalizing design of the Interconnection Facilities and
13 before beginning construction work based on such
14 specification and drawings. Seller shall provide to PG&E
15 reasonable advance written notice of any changes in the
16 Interconnection Facilities and provide to PG&E
17 specifications and design drawings of any such changes for
18 PG&E's review and approval. PG&E may require
19 modifications to such specifications and designs as it
20 deems necessary to allow PG&E to operate PG&E's system in
21 accordance with Prudent Electrical Practices.

22 8.9 Seller shall pay for any changes in the Interconnection
23 Facilities as may be reasonably required to meet the
24 changing requirements of the PG&E system in accordance
25 with PG&E's Electric Rule No. 21.

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1 9. REVIEW AND DISCLAIMER

2 9.1 Review by PG&E of the design, construction, operation, or
3 maintenance of Seller's Interconnection Facilities except
4 Special Facilities or Generating Facility shall not
5 constitute any representation as to the economic or
6 technical feasibility, operational capability, or
7 reliability of such facilities. Seller shall in no way
8 represent to any third party that any such review by PG&E
9 of such facilities including but not limited to any review
10 of the design, construction, operation; or maintenance of
11 such facilities by PG&E is a representation by PG&E as to
12 the economic or technical feasibility, operational
13 capability, or reliability of such facilities. Seller is
14 solely responsible for economic and technical feasibility,
15 operational capability, and reliability of Seller's
16 Interconnection Facilities except Special Facilities and
17 the Generating Facility.

18 9.2 PG&E shall notify Seller in writing of the outcome of
19 PG&E's review of the design and all of the specifications,
20 drawings, and explanatory material for Seller's
21 Interconnection Facilities except Special Facilities (and
22 the Generating Facility, if requested by PG&E) within
23 thirty (30) calendar days of the receipt of the design and
24 all of the specifications, drawings, and explanatory
25 material for Seller's Interconnection Facilities (and the
26 Generating Facility, if requested by PG&E). Any flaws in

1 the design perceived by PG&E in the review of all of the
2 specifications, drawings, and explanatory material for
3 Seller's Interconnection Facilities (and the Generating
4 Facility, if requested by PG&E) shall be described in
5 PG&E's written notification.
6

7 **10. REAL PROPERTY RIGHTS**

8 10.1 Seller agrees to grant PG&E all necessary easements and
9 rights of way, including adequate and continuing access
10 rights, on property of Seller to transport, install,
11 operate, maintain, replace, and remove the
12 Interconnection Facilities, and any equipment or line
13 extension that may be provided, owned, operated and
14 maintained by PG&E on the property of Seller. Seller
15 agrees to grant such easements and rights of way to PG&E
16 at no cost and in a form satisfactory to PG&E and capable
17 of being recorded in the office of the County Recorder.

18 10.2 If any part of PG&E's Interconnection Facilities,
19 equipment, and/or line extension is to be installed on
20 property owned by other than Seller, or under the
21 jurisdiction or control of any other individual, agency or
22 organization, PG&E may, at its discretion and at Seller's
23 cost and expense obtain from the owners thereof all
24 necessary easements and rights of way including adequate
25 and continuing access rights, and/or such other grants,
26 consents and licenses, in a form satisfactory to PG&E, for

1 the construction, operation, maintenance, and replacement
2 of PG&E's Interconnection Facilities, equipment, and/or
3 line extension upon such property. If PG&E does not elect
4 to obtain or cannot obtain such easements and rights of
5 way, Seller shall obtain them at its cost and expense. If
6 Seller requests, PG&E shall cooperate with and assist
7 Seller in obtaining said easements and rights of way. In
8 any event, Seller shall reimburse PG&E for all costs
9 incurred by PG&E in obtaining, attempting to obtain or
10 assisting in obtaining such easements and rights of way.

11 10.3 PG&E shall have the right of ingress to and egress from
12 the Generating Facility at all reasonable hours for any
13 purposes reasonably connected with this Agreement or the
14 exercise of any and all rights secured to PG&E by law or
15 its tariff schedules and rules on file with the CPUC.

16 10.4 PG&E shall have no obligation to Seller for any loss,
17 liability, damage, claim, cost, charge, or expense due to
18 PG&E's inability to acquire a satisfactory right of way,
19 easement or other real property interest necessary to
20 PG&E's performance of its obligations under this
21 Agreement.

22 10.5 If Seller exercises due diligence to obtain easements and
23 rights of way for PG&E's Interconnection Facilities
24 pursuant to Section 10.2, and if PG&E in its sole
25 discretion elects not to exercise its power of eminent
26 domain to acquire such easements and rights of way, Seller

1 shall have no obligation to PG&E for any loss, liability,
2 damage, claim, cost, charge or expense due to Seller's
3 inability to acquire such easements and rights of way.

4 10.6 Nothing in this Section 10 shall be construed to require
5 PG&E to acquire land rights through condemnation or any
6 other means for Seller either inside or outside of PG&E's
7 service territory unless PG&E shall in its sole
8 discretion elect to do so.

9
10 **11. METERING**

11 11.1 All meters and equipment used for the measurement of
12 power for determining PG&E's payments to Seller pursuant
13 to this Agreement shall be provided, owned, and
14 maintained by PG&E at Seller's sole expense in accordance
15 with PG&E's Electric Rule No. 21 attached hereto.

16 11.2 All the meters and equipment used for measuring the power
17 delivered to PG&E shall be located on the side of the
18 Interconnection Facilities transformer as selected by
19 Seller in section 1.7. If Seller chooses to have meters
20 placed on the low-voltage side of the Interconnection
21 Facilities transformer, a transformer loss compensation
22 factor will be applied. At Seller's sole expense,
23 manufacturer's certified test reports of transformer
24 losses, in accordance with current national standards,
25 will be provided and used to determine a transformer loss
26 compensation factor, unless another method for

1 determination of transformer losses has been mutually
2 agreed upon to determine the actual measured value of
3 losses.

4 11.3 Pursuant to PG&E's Electric Rule No. 21, telemetering
5 shall be required at Seller's expense if Seller's
6 Generating Facility has a Nameplate Rating greater
7 than ten (10) mw.

8 11.4 PG&E's meters shall be sealed and the seals shall be
9 broken only when the meters are to be inspected, tested,
10 or adjusted by PG&E. Seller shall be given reasonable
11 notice of testing and shall have the right to have a
12 representative present on such occasions.

13 11.5 PG&E shall inspect and test all meters upon their
14 installation and annually thereafter. At Seller's
15 request and expense, PG&E shall inspect or test a meter
16 more frequently.

17 11.6 Metering equipment determined by PG&E to be inaccurate or
18 defective shall be repaired, adjusted, or replaced by
19 PG&E such that the metering accuracy of said equipment
20 shall be within two (2) percent. If a meter fails to
21 register or if the measurement made by a meter during a
22 test varies by more than two (2) percent from the
23 metering standard used in the test, an adjustment shall
24 be made correcting all measurements made by the
25 inaccurate meter for (a) the actual period during which
26 inaccurate measurements were made, if the period can be

1 determined, or if not, (b) the period immediately
2 preceding the test of the meter equal to one-half the
3 time from the date of the last previous test of the
4 meter, provided that the period covered by the correction
5 shall not exceed six (6) months.
6

7 **12. QUALIFYING FACILITY STATUS AND PERMITS**

8 12.1 Seller warrants that, beginning on the date of initial
9 energy deliveries and continuing until the end of this
10 Agreement, the Generating Facility shall meet the
11 qualifying facility requirements established as of the
12 effective date of this Agreement by the Federal Energy
13 Regulatory Commission's rules (18 Code of Federal
14 Regulations Section 292) implementing the Public Utility
15 Regulatory Policies Act of 1978 (16 U.S.C.A. Sections 796,
16 et seq.).

17 12.2 Seller shall reimburse PG&E for any loss of whatever kind
18 which PG&E incurs as a result of:

19 (a) Seller's failure to obtain or maintain any necessary
20 permit or approval, including completion of required
21 environmental studies, necessary for the
22 construction, operation, and maintenance of the
23 Generating Facility.

24 (b) Seller's failure to comply with necessary permits and
25 approvals or with any applicable law.
26

1 (c) Seller's breach of that warranty in Section 12.1
2 above.

3 12.3 If a loss of qualifying facility status occurs due to a
4 change in the law governing qualifying facility status
5 occasioned by regulatory, legislative, or judicial action,
6 the Seller shall compensate PG&E for any economic
7 detriment incurred by PG&E should Seller choose not to
8 make the changes necessary to continue its qualifying
9 facility status.

10
11 **13. ENERGY PURCHASE**

12 13.1 Subject to the terms and conditions of this Agreement,
13 Seller shall sell and deliver, at the Point of Delivery,
14 and PG&E shall purchase and accept delivery of, at the
15 Point of Delivery, energy produced by the Generating
16 Facility as specified in Sections 1.6 and 1.7.

17 13.2 PG&E shall pay Seller for energy at prices equal to
18 PG&E's Short-Run Avoided Operating Costs.

19 13.3 Payment for energy shall be based on the time of
20 delivery. The time periods currently in effect are shown
21 in Appendix A. Time period definitions may change from
22 time to time as determined by the CPUC.

23 13.4 PG&E has contracted to purchase the energy associated
24 with the Generating Facility of the Nameplate Rating
25 described in Section 1.1(b) of this Agreement. If Seller
26 installs a Generating Facility with a Nameplate Rating

1 greater than that specified in Section 1.1(b) of this
2 Agreement, PG&E shall not be required to accept or pay
3 for energy associated with the incremental increase in
4 Nameplate Rating under this Agreement.

5 13.5 Energy payments made to Seller pursuant to this Agreement
6 will be multiplied by an energy loss adjustment factor, as
7 approved by the CPUC. The currently applicable energy
8 loss adjustment factors are shown in Appendix B.

9
10 **14. CAPACITY PURCHASE**

11 14.1 Subject to the terms and conditions of this Agreement,
12 Seller shall sell and deliver, at the Point of Delivery,
13 and PG&E shall purchase and accept delivery of, at the
14 Point of Delivery, As-Available Capacity produced by the
15 Generating Facility, as specified in Sections 1.6 and 1.7.

16 14.2 PG&E shall pay Seller for As-Available Capacity at prices
17 authorized from time to time by the CPUC and which are
18 derived from PG&E's avoided costs as approved by the CPUC.

19 14.3 Payment for capacity shall be based on time of delivery.
20 The time periods currently in effect are shown in
21 Appendix A. Time period definitions may change from time
22 to time as determined by the CPUC.

23 14.4 PG&E has contracted to purchase the As-Available Capacity
24 associated with the Generating Facility of the Nameplate
25 Rating described in Section 1.1(b) of this Agreement. If
26 Seller installs a Generating Facility with a Nameplate

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Rating greater than that specified in Section 1.1(b) of this Agreement, PG&E shall not be required to accept or pay for As-Available Capacity associated with the incremental increase in Nameplate Rating under this Agreement.

14.5 As-Available Capacity payments made to Seller pursuant to this Agreement will be multiplied by a capacity loss adjustment factor, as approved by the CPUC. The currently applicable capacity loss adjustment factors are shown in Appendix C.

15. CURTAILMENT

15.1 Hydro Spill

(a) In anticipation of a period of hydro spill conditions, as defined by the CPUC, PG&E may notify Seller that any purchases of energy from Seller during such period shall be at hydro savings prices quoted by PG&E. If Seller delivers energy to PG&E during any such period, Seller shall be paid hydro savings prices for those deliveries in lieu of prices which would otherwise be applicable. The hydro savings prices shall be calculated by PG&E using the following formula:

$$\text{Hydro Savings Price} = \frac{\text{AQF} - S}{\text{AQF}} \times \text{SOC} (\geq 0)$$

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Where:

AQF = energy for each time period, in kwh, projected to be available during hydro spill conditions from all qualifying facilities under agreements containing hydro savings price provisions;

S = potential energy for each time period, in kwh, from PG&E hydro facilities which will be spilled if all AQF is delivered to PG&E; and

SOC = Short-Run Avoided Operating Cost

(b) PG&E shall give Seller notice of general periods when hydro spill conditions are anticipated, and shall give Seller as much advance notice as practical of any specific hydro spill period and the hydro savings price which will be applicable during such period.

15.2 Negative Avoided Costs

PG&E shall not be obligated to accept or pay for and may require Seller with a Generating Facility with a Nameplate Rating of one (1) megawatt or greater to interrupt or reduce deliveries of energy and As-Available Capacity during any period in which, due to operational circumstances, the acceptance of deliveries of power from Seller will result in PG&E system costs greater than those which PG&E would incur if it did not accept such deliveries, but instead generated an equivalent amount of energy itself; provided, however, that PG&E may not require Seller to interrupt or reduce deliveries of, or

1 refuse to pay for energy and As-Available Capacity solely
2 because PG&E's instantaneous avoided cost is lower than
3 the applicable energy price to be paid Seller pursuant to
4 this Agreement. As described in CPUC Decision No. 82-01-
5 103 and Decision No. 82-04-071, and for illustrative
6 purposes only, an example of such a period is a period
7 when PG&E would be forced to shut down baseload or
8 intermediate load plants in order to accept deliveries
9 from Seller and such baseload or intermediate load plants
10 could not then be restarted and brought up to their rated
11 output to meet the next day's peak load and PG&E would be
12 required to utilize costly or less efficient generation
13 with faster start-up or make an expensive emergency
14 purchase of capacity to meet the demand that could have
15 been met by the baseload or intermediate load plants but
16 for such purchases from Seller, even if such purchases
17 from Seller were at a price of zero (0). Whenever
18 possible, PG&E shall give Seller reasonable notice of the
19 possibility that interruption or reduction of deliveries
20 may be required.

21 15.3 Before interrupting or reducing deliveries under Section
22 15.2, and before invoking hydro savings prices under
23 Section 15.1, PG&E shall take reasonable steps to make
24 economy sales of surplus energy giving rise to the
25 condition. If such economy sales are made while the
26 surplus energy condition exists, Seller shall be paid at

1 the economy sales price obtained by PG&E in lieu of the
2 otherwise applicable prices.

3 15.4 If Seller is under Operating Option I and Seller elects
4 not to sell energy to PG&E at the hydro savings price
5 pursuant to Section 15.1 or when PG&E curtails deliveries
6 of energy pursuant to Section 15.2, Seller shall not use
7 such energy to meet its electrical needs but shall
8 continue to purchase all its electrical needs from PG&E.
9 If Seller is under Operating Option II, Sections 15.1 or
10 15.2 shall only apply to the excess Generating Facility
11 output being delivered to PG&E, and Seller can continue
12 use of that generation it has retained for Station Use
13 and any other use by Seller.

14
15 **16. INTERRUPTION OF DELIVERIES**

16 16.1 PG&E shall not be obligated to accept or pay for and may
17 require Seller to interrupt or reduce deliveries of
18 capacity and energy (a) when necessary in order to
19 construct, install, maintain, repair, replace, remove,
20 investigate, or inspect any of its equipment or any part
21 of its system; or (b) if it determines that interruption
22 or reduction is necessary because of an Emergency, forced
23 outage, Force Majeure, or compliance with Prudent
24 Electrical Practices; provided that PG&E shall not
25 interrupt deliveries pursuant to this Section solely in
26

1 order to take advantage, or make purchases, of less
2 expensive energy elsewhere.

3 16.2 Notwithstanding any other provisions of this Agreement, if
4 at any time PG&E determines that, (a) continued parallel
5 operation of the Generating Facility may endanger PG&E
6 personnel, (b) continued parallel operation of the
7 Generating Facility may endanger the PG&E Electric System
8 Integrity, or (c) Seller's Protective Apparatus is not
9 fully in service, PG&E shall have the right to disconnect
10 the Generating Facility from PG&E's system. The
11 Generating Facility shall remain disconnected until such
12 time as PG&E is satisfied that the condition(s) referenced
13 in this Section 16 have been corrected.

14 16.3 Whenever possible, PG&E shall give Seller reasonable
15 notice of the possibility that interruption or reduction
16 of deliveries may be required.

17
18 **17. PAYMENT AND BILLING**

19 17.1 PG&E shall mail to Seller not later than thirty (30)
20 calendar days after the end of each monthly billing
21 period (a) a statement showing the energy and capacity
22 delivered to PG&E during on-peak, partial-peak, off-peak,
23 and super off-peak periods during the monthly billing
24 period, (b) PG&E's computation of the amount due Seller,
25 and (c) PG&E's check in payment of said amount.

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1 17.2 PG&E reserves the right to provide Seller's statement
2 concurrently with any bill to Seller for electric service
3 provided by PG&E to Seller at the location specified in
4 Section 1.1(c) or any bill to Seller for any charges
5 under this Agreement owing and unpaid by Seller and to
6 apply the value of PG&E's purchase of energy and capacity
7 toward such bill(s). Seller shall pay any amount owing
8 for electric service provided by PG&E to Seller in
9 accordance with applicable tariff schedules. Nothing in
10 this Section 17.2 shall limit PG&E's rights under
11 applicable tariff schedules.

12 17.3 In the event adjustments to payments are required as a
13 result of inaccurate meters, PG&E shall use the corrected
14 measurements described in Section 11.6 to recompute the
15 amount due from PG&E to Seller for the capacity and energy
16 delivered under this Agreement during the period of
17 inaccuracy. Any refund due and payable to PG&E resulting
18 from inaccurate metering shall be made within thirty (30)
19 calendar days of written notification to Seller by PG&E of
20 the amount due. Any additional payment to Seller
21 resulting from inaccurate metering shall be made within
22 thirty (30) calendar days of PG&E's recomputation of the
23 amount due from PG&E to Seller.

24 17.4 Monthly charges associated with Interconnection
25 Facilities shall be billed pursuant to the agreement for
26 Special Facilities and applicable tariffs.

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18. INDEMNITY AND LIABILITY

18.1 Each Party as indemnitor shall defend, save harmless and indemnify the other Party and the directors, officers, employees, and agents of such 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 attorneys' fees) for injury or death to persons, including employees of either Party, and damage to property including property of either Party arising out of or in connection with (a) the engineering, design, construction, maintenance, repair, operation, supervision, inspection, testing, protection or ownership of, or (b) the making of replacements, additions, betterments to, or reconstruction of, the indemnitor's facilities; provided, however, Seller's duty to indemnify PG&E hereunder shall not extend to loss, liability, damage, claim, cost, charge, demand, or expense resulting from interruptions in electrical service to PG&E's customers other than Seller or electric customers of Seller. This indemnity shall apply notwithstanding the active or passive negligence of the indemnitee. However, neither Party shall be indemnified hereunder for its loss, liability, damage, claim, cost, charge, demand or expense resulting from its sole negligence or willful misconduct.

1 18.2 Notwithstanding the indemnity of Section 18.1 and except
2 for a Party's willful misconduct or sole negligence, each
3 Party shall be responsible for damage to its facilities
4 resulting from electrical disturbances or faults.

5 18.3 Seller releases and shall defend, save harmless and
6 indemnify PG&E from any and all loss, liability, damage,
7 claim, cost, charge, demand or expense arising out of or
8 in connection with any representation made by Seller
9 inconsistent with Section 9.1.

10 18.4 The provisions of this Section 18 shall not be construed
11 to relieve any insurer of its obligations to pay any
12 insurance claims in accordance with the provisions of any
13 valid insurance policy.

14 18.5 Except as otherwise provided in Section 18.1, neither
15 Party shall be liable to the other Party for consequential
16 damages incurred by that Party.

17 18.6 If Seller fails to comply with the provisions of Section
18 19, Seller shall, at its own cost, defend, save harmless
19 and indemnify PG&E, its directors, officers, employees,
20 and agents, assignees, and successors in interest from and
21 against any and all loss, liability, damage, claim, cost,
22 charge, demand, or expense of any kind or nature
23 (including any direct, indirect, or consequential loss,
24 damage, claim, cost, charge, demand, or expense, including
25 attorneys' fees and other costs of litigation), resulting
26 from injury or death to any person or damage to any

1 property, including the personnel or property of PG&E, to
2 the extent that PG&E would have been protected had Seller
3 complied with all of the provisions of Section 19. The
4 inclusion of this Section 18.6 is not intended to create
5 any express or implied right in Seller to elect not to
6 provide the insurance required under Section 19.

7
8 **19. INSURANCE**

9 19.1 In connection with the Generating Facility, associated
10 land, land rights, and interests in land, and with
11 Seller's performance of and obligations under this
12 Agreement, Seller shall maintain, during the term of the
13 Agreement, General Liability Insurance with a combined
14 single limit of not less than: (a) one million dollars
15 (\$1,000,000) for each occurrence if the Generating
16 Facility is over one hundred (100) kw; (b) five hundred
17 thousand dollars (\$500,000) for each occurrence if the
18 Generating Facility is over twenty (20) kw and less than
19 or equal to one hundred (100) kw; and (c) one hundred
20 thousand dollars (\$100,000) for each occurrence if the
21 Generating Facility is twenty (20) kw or less. Such
22 General Liability Insurance shall include coverage for
23 Premises-Operations, Owners and Contractors Protective,
24 Products/Completed Operations Hazard, Explosion, Collapse,
25 Underground, Contractual Liability, and Broad Form
26 Property Damage including Completed Operations.

- 1 19.2 The General Liability Insurance required in section 19.1
2 shall, by endorsement to the policy or policies,
3 (a) include PG&E as an additional insured; (b) contain a
4 severability of interest clause or cross-liability clause;
5 (c) provide that PG&E shall not by reason of its inclusion
6 as an additional insured incur liability to the insurance
7 carrier for payment of premium for such insurance; and (d)
8 provide for thirty (30) calendar days written notice to
9 PG&E prior to cancellation, termination, alternation, or
10 material change of such insurance.
- 11 19.3 If the requirement of Section 19.2(a) prevents Seller
12 from obtaining the insurance required in Section 19.1,
13 then upon written notification by Seller to PG&E, Section
14 19.2(a) shall be waived.
- 15 19.4 Evidence of the insurance required in Section 19.1 shall
16 state that coverage provided is primary and is not in
17 excess to or contributing with any insurance or self-
18 insurance maintained by PG&E.
- 19 19.5 PG&E shall have the right to inspect or obtain a copy of
20 the original policy or policies of insurance.
- 21 19.6 Seller shall furnish the required certificates and
22 endorsements to PG&E prior to Initial Operation.
- 23 19.7 A Seller who is a self-insured governmental agency with
24 an established record of self-insurance may comply with
25 the following in lieu of Sections 19.1 through 19.6:
26

1 (a) Seller shall provide to PG&E at least thirty (30)
2 calendar days prior to the date of Initial Operation
3 evidence of an acceptable plan to self-insure to a
4 level of coverage equivalent to that required under
5 Section 19.1.

6 (b) If Seller ceases to self-insure to the level required
7 hereunder, or if the Seller is unable to provide
8 continuing evidence of Seller's ability to self-
9 insure, Seller shall immediately obtain the coverage
10 required under Section 19.1.

11 19.8 All insurance certificates, statements of self insurance,
12 endorsements, cancellations, terminations, alterations,
13 and material changes of such insurance shall be issued
14 and submitted to the following:

15 Pacific Gas and Electric Company
16 Manager - Utility Electric Supply
17 77 Beale Street, Mail Code: B13E
18 P.O. Box 770000
19 San Francisco, CA 94177

20 **20. FORCE MAJEURE**

21 20.1 If either Party because of Force Majeure is unable to
22 perform its obligations under this Agreement, that Party
23 shall be excused from whatever performance is affected by
24 the Force Majeure to the extent so affected, except as to
25 obligations to pay money, provided that:

26 (a) The non-performing Party, within two weeks after the
commencement of the Force Majeure, gives the other

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Party written notice describing the particulars of the occurrence.

(b) The suspension of performance is of no greater scope and of no longer duration than is required by the Force Majeure.

(c) The non-performing Party uses its best efforts to remedy its inability to perform.

20.2 When the non-performing Party is able to resume performance of its obligations under this Agreement, that Party shall give the other Party written notice to that effect.

20.3 This Section 20 shall not require the settlement of any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the Party involved in the dispute, are contrary to its interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be at the sole discretion of the Party having the difficulty.

20.4 In the event a Party is unable to perform due to legislative, judicial, or regulatory agency action, this Agreement shall be renegotiated to comply with the legal change which caused the non-performance.

21. REVIEW OF RECORDS AND DATA

Each Party, after giving written notice to the other Party, shall have the right to review and obtain copies of metering

1 records and operations and maintenance logs of the Generating
2 Facility.

3
4 **22. ASSIGNMENT**

5 Neither Party shall voluntarily assign its rights nor delegate
6 its duties under this Agreement without the written consent of
7 the other Party, except in connection with the sale or merger
8 of a substantial portion of its properties. Any such
9 assignment or delegation made without such written consent
10 shall be null and void. Consent for assignment shall not be
11 withheld unreasonably.

12
13 **23. ABANDONMENT**

14 23.1 If, in any six (6) month period, Seller fails to deliver
15 to PG&E at least the number of kilowatt-hours derived from
16 the product of four-hundred and thirty-eight (438) hours
17 times the Nameplate Rating, less any capacity dedicated to
18 other use as specified in Sections 1.6 and 1.10, times the
19 appropriate effective capacity conversion factor listed in
20 Appendix G, Seller shall provide to PG&E all of the
21 following:

- 22 (a) a written description of the reasons for Seller's low
23 level of performance;
24 (b) a summary of the action Seller is taking to improve
25 its performance; and
26 (c) a schedule for increasing seller's deliveries.

1 23.2 In any fifteen (15) month period, Seller shall deliver to
2 PG&E not less than the number of kilowatt hours derived
3 from the product of one thousand and ninety-five (1,095)
4 hours times the Nameplate Rating (less any capacity
5 dedicated to other use as specified in sections 1.6 and
6 1.10) times the appropriate effective capacity conversion
7 factor listed in Appendix G. If for any reason, Seller
8 fails to deliver this minimum amount, PG&E may terminate
9 this Agreement on written notice.

10
11 **24. NON-DEDICATION**

12 No undertaking by one Party to the other under any provision of
13 this Agreement shall constitute the dedication of that Party's
14 system or any portion thereof to the other Party or to the
15 public or affect the status of PG&E as an independent public
16 utility corporation or Seller as an independent individual or
17 entity and not a public utility.

18
19 **25. NON-WAIVER**

20 None of the provisions of the Agreement shall be considered
21 waived by either Party except when such waiver is given in
22 writing. The failure of any Party at any time or times to
23 enforce any right or obligation with respect to any matter
24 arising in connection with this Agreement shall not constitute
25 a waiver as to future enforcement of that right or obligation
26 or any right or obligation of this Agreement.

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26. SECTION HEADINGS

Section headings appearing in this Agreement are inserted for convenience only and shall not be construed as interpretations of text.

27. GOVERNING LAW

This Agreement shall be interpreted, governed, and construed under the laws of the State of California as if executed and to be performed wholly within the State of California.

28. AMENDMENT, MODIFICATION OR WAIVER

Any amendments or modifications to this Agreement shall be in writing and agreed to by both Parties. The failure of any Party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by any Party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, shall be deemed to be construed as a further or continuing waiver of any such breach or a waiver of the breach of any other term or covenant unless such waiver is in writing.

29. SEVERAL OBLIGATIONS

Except where specifically stated in this Agreement to be otherwise, the duties, obligations, and liabilities of the

1 Parties are intended to be several and not joint or
2 collective. Nothing contained in this Agreement shall be
3 construed to create an association, trust, partnership, or
4 joint venture or impose a trust or partnership duty,
5 obligation, or liability on or with regard to either Party.
6 Each Party shall be liable individually and severally for its
7 own obligations under this Agreement.

8
9 **30. CHANGES TO PROVISIONS OF THIS POWER PURCHASE AGREEMENT AFTER**
10 **THE POWER EXCHANGE BEGINS OPERATIONS**

11 30.1 This Section 30 will supersede any other provisions of
12 this Agreement which conflict with this Section (such as
13 much of Sections 13, 14, 15, 17) once the Power Exchange
14 described in California Public Utilities Code section
15 330(1)(1) begins operations.

16 30.2 As explained in CPUC Decision 96-10-036, after the Power
17 Exchange begins operations, Seller will have to submit
18 bids to the Power Exchange and clear the market at its
19 bid price in order to run. If Seller's bid price does
20 not clear the Market Clearing Price and Seller has
21 exercised its surplus sale option, then during the
22 period that Seller's bid does not clear the market at
23 its bid price it may run only to meet the capacity
24 allocated for other use pursuant to Section 1.6 in this
25 agreement.

1 30.3 The price paid to Seller for energy and capacity, if its
2 bid clears the market, shall be the appropriate Power
3 Exchange clearing price. Unless and until Seller and
4 PG&E have executed a separate definitive agreement for
5 PG&E to act as Seller's scheduling coordinator, payments
6 to Seller for such deliveries shall be made by the Power
7 Exchange rather than PG&E. PG&E shall have no liability
8 under this Agreement for payments to Seller, even if the
9 Power Exchange fails to make such payments.

10 30.4 If Seller operates its facility and delivers power to
11 the Point of Delivery without clearing the market at its
12 bid price it shall not be paid for such deliveries
13 pursuant to this Agreement. It may be compensated for
14 such deliveries only to the extent provided for in rules
15 and policies of the Power Exchange or Independent System
16 Operator, and PG&E shall have no responsibility for
17 making such payments unless and until Seller and PG&E
18 have executed a separate definitive agreement for PG&E
19 to act as Seller's scheduling coordinator.

20 30.5 Seller shall be responsible for paying any charges
21 imposed by the Power Exchange or the Independent System
22 Operator due to deliveries made at times when the Seller
23 is not a winning bidder, or in other ways fails to
24 comply with the policies and regulations of the Power
25 Exchange and the Independent System Operator. The
26 liability for such charges will be defined by policies

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and regulations implemented by the Power Exchange and Independent System Operator.

30.6 Seller will not use PG&E as a scheduling coordinator for purposes of submitting bids to the Power Exchange, but will be responsible for arranging for the submission of all such bids itself unless and until Seller and PG&E have executed a separate definitive agreement for PG&E to act as Seller's scheduling coordinator.

30.7 The details of the process for making bids to the Power Exchange, the amounts Seller will receive for deliveries to the power Exchange and/or the Independent System Operator, and the timing of payments made by either PG&E, the Power Exchange or Independent System Operator, will be governed by the CPUC, the Federal Energy Regulatory Commission, the Power Exchange, the Independent System Operator and/or other relevant authority, as appropriate.

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1 31. SIGNATURES

2 IN WITNESS WHEREOF, the Parties hereto have caused two
3 originals of this Agreement to be executed by their duly
4 authorized representatives. This Agreement is effective as of
5 the last date set forth below.

7 SIERRA PACIFIC INDUSTRIES

PACIFIC GAS AND ELECTRIC COMPANY

8 *A.A. Emmerson*
9 By

B.M. Speckman
By

10 A.A. EMMERSON
11 Name

B. M. Speckman
Name

12 President
13 Title

Manager
Title

14 1/26/98
15 Date of Signature

1/28/98
Date of Signature

17
18 *[Signature]* APPROVED AS TO FORM
19 EV
20 ATTORNEY

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APPENDIX A

TIME PERIODS

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TABLE A¹ - TIME PERIODS

<u>Seasonal Period A</u> (May 1 - October 31)	Monday through Friday ²	Saturdays, Sundays, and Holidays
Peak	Noon to 6:00 p.m.	None
Partial-Peak	8:30 a.m. to noon	None
Off-Peak	6:00 p.m. to 9:30 p.m. 9:30 p.m. to 1:00 a.m.	5:00 a.m. to 1:00 a.m.
Super Off-Peak	1:00 a.m. to 5:00 a.m.	1:00 a.m. to 5:00 a.m.
<u>Seasonal Period B</u> (November 1 - April 30)		
Partial Peak	8:30 a.m. to 9:30 p.m.	None
Off-Peak	9:30 p.m. to 1:00 a.m. 5:00 a.m. to 8:30 a.m.	5:00 a.m. to 1:00 a.m.
Super Off-Peak	1:00 a.m. to 5:00 a.m.	1:00 a.m. to 5:00 a.m.

¹ This table is subject to change to accord with the peak, partial-peak, off-peak, and super off-peak periods as defined by CPUC decision.

² Except for the following holidays: New Year's Day, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Veteran's Day, Thanksgiving Day, and Christmas Day, as specified in Public Law 90-363 (5 U.S.C.A. Section 6103(a)).

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APPENDIX B

ENERGY LOSS ADJUSTMENT FACTORS

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Table B
Energy Loss Adjustment Factors¹

	<u>Transmission</u>	<u>Primary Distribution</u>	<u>Secondary Distribution</u>
<u>Seasonal Period A</u> (May 1 through October 31)			
On-Peak	1.0	1.0	1.0148
Partial-Peak	1.0	1.0	1.0131
Off-Peak	1.0	1.0	1.0093
Super Off-Peak	1.0	1.0	1.0093
<u>Seasonal Period B</u> (November 1 through April 30)			
On-Peak	N/A	N/A	N/A
Partial-Peak	1.0	1.0	1.0119
Off-Peak	1.0	1.0	1.0087
Super Off-Peak	1.0	1.0	1.0087

¹ The applicable energy loss adjustment factors may be revised pursuant to orders of the CPUC.

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APPENDIX C

CAPACITY LOSS ADJUSTMENT FACTORS

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Table C

Capacity Loss Adjustment Factors
For Non-Remote¹ Facilities

<u>Voltage Level</u>	<u>Loss Adjustment Factor</u>
Transmission	0.989
Primary Distribution	0.991
Secondary Distribution	0.991

The Generating Facility is remote, the capacity loss adjustment factor is: 0.900².

¹ The capacity loss adjustment factor non-remote Generating Facilities are subject to change pursuant to orders of the CPUC.

² The capacity loss adjustment factors for remote Generating Facilities are determined individually.

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APPENDIX D

PACIFIC GAS AND ELECTRIC COMPANY'S

ELECTRIC RULE 21



RULE 21—NONUTILITY-OWNED PARALLEL GENERATION

This describes the minimum operation, metering and interconnection requirements for any generating source or sources paralleled with PG&E's electric system. Such source or sources may include, but are not limited to, hydroelectric generators, wind-turbine generators, steam or gas-driven turbine generators and photovoltaic systems.

A. GENERAL

1. The type of interconnection and voltage available at any location and PG&E's specific interconnection requirements shall be determined by inquiry at PG&E's local office.
2. The Power Producer (Producer) will normally connect to PG&E's facilities at or above the minimum nominal voltage indicated in the table below.

<u>Net Generator Output (MVA)</u>	<u>Minimal Nominal Voltage (kv)</u>
0 to less than 12	None
12 to less than 30	60, 70
30 to less than 90	115
90 to less than 250	230
greater than 250	To be determined on a case-by-case basis

PG&E shall determine where the Producer may connect to its system. Any deviation from this table shall be at the sole discretion of PG&E.

3. The Producer shall ascertain and be responsible for compliance with the requirements of all governmental authorities having jurisdiction.

(Continued)



RULE 21—NONUTILITY-OWNED PARALLEL GENERATION
(Continued)

A. GENERAL (Cont'd.)

4. The Producer shall sign PG&E's written form of power purchase agreement or parallel operation agreement and a "Standard Operating Agreement for Facilities 40 kw and Larger" before connecting or operating a generating source in parallel with PG&E's system.
5. The Producer shall be fully responsible for the costs of designing, installing, owning, operating and maintaining all interconnection facilities defined in Section B.1.
6. The Producer shall submit to PG&E, for PG&E's review and written acceptance, equipment specifications and detailed plans for the installation of all interconnection facilities to be furnished by the Producer prior to their purchase or installation. PG&E's review and written acceptance of the Producer's equipment specifications and detailed plans shall not be construed as confirming or endorsing the Producer's design or as warranting the equipment's safety, durability or reliability. PG&E shall not, by reason of such review or lack of review, be responsible for strength, details of design adequacy, or capacity of equipment built pursuant to such specifications, nor shall PG&E's acceptance be deemed an endorsement of any such equipment.
7. No generating source shall be operated in parallel with PG&E's system until the interconnection facilities have been inspected by PG&E and PG&E has provided written approval to the Producer.
8. Only duly authorized employees of PG&E are allowed to connect Producer-installed interconnection facilities to, or disconnect the same from, PG&E's facilities.

(Continued)



RULE 21—NONUTILITY-OWNED PARALLEL GENERATION

(Continued)

B. INTERCONNECTION FACILITIES

1. GENERAL

Interconnection facilities are all means required, and apparatus installed, to interconnect the Producer's generation with PG&E's system. Where the Producer desires to sell power to PG&E, interconnection facilities are also all means required, and apparatus installed, to enable PG&E to receive power deliveries from the Producer. Interconnection facilities may include, but are not limited to:

- a. connection, transformation, switching, metering, communications, control, protective and safety equipment; and
- b. any necessary additions to and reinforcements of PG&E's system by PG&E. Interconnection facilities shall be categorized as either:
 - 1) Producer-Specific Facilities—those interconnection facilities that have a direct benefit only to the Producer(s).
 - 2) Multipurpose Facilities—those interconnection facilities that have a direct benefit to PG&E's system as well as the Producer(s).

2. CONTROL, PROTECTION AND SAFETY EQUIPMENT

- a. GENERAL: PG&E has established functional requirements essential for safe and reliable parallel operation of the Producer's generation. These requirements provide for control, protective and safety equipment to:

(Continued)



RULE 21—NONUTILITY-OWNED PARALLEL GENERATION
(Continued)

B. INTERCONNECTION FACILITIES (Cont'd.)

2. CONTROL, PROTECTION AND SAFETY EQUIPMENT (Cont'd.)

a. GENERAL (Cont'd.)

- 1) sense and properly react to failure and malfunction on PG&E's system;
- 2) assist PG&E in maintaining its system integrity and reliability; and
- 3) protect the safety of the public and PG&E's personnel.

- b. Listed below are the various devices and features generally required by PG&E as a prerequisite to parallel operation of the Producer's generation:

(Continued)



RULE 21—NONUTILITY-OWNED PARALLEL GENERATION

(Continued)

B. INTERCONNECTION FACILITIES (Cont'd.)

2. CONTROL, PROTECTION AND SAFETY EQUIPMENT (Cont'd.)

b. (Cont'd.)

CONTROL, PROTECTION AND SAFETY GENERAL REQUIREMENTS¹

Device or Feature	GENERATOR SIZE					
	10 kW or Less	11 kW to 40 kW	41 kW to 100 kW	101 kW to 400 kW	401 kW to 1,000 kW	Over 1,000 kW
Dedicated Transformer ²	—	X	X	X	X	X
Interconnection Disconnect Device	X	X	X	X	X	X
Generator Circuit Breaker	X	X	X	X	X	X
Over-voltage Protection	X	X	X	X	X	X
Under-voltage Protection	—	X	X	X	X	X
Under/Over-frequency Protection	X	X	X	X	X	X
Ground Fault Protection	—	—	X	X	X	X
Over-current Relay w/ Voltage Restraint	—	—	—	—	X	X
Synchronizing ³	Manual	Manual	Manual	Manual	Manual	Automatic
Power Factor or Voltage Regulation Equipment	—	—	X	X	X	X
Fault Interrupting Device ⁴				X	X	X

¹ Detailed requirements are specified in PG&E's current operating, metering and equipment protection publications, as revised from time to time by PG&E and available to the Producer upon request. For a particular generator application, PG&E will furnish its specific control, protective and safety requirements to the Producer after the exact location of the generator has been agreed upon and the interconnection voltage level has been established.

(Continued)



RULE 21—NONUTILITY-OWNED PARALLEL GENERATION
(Continued)

B. INTERCONNECTION FACILITIES (Cont'd.)

2. CONTROL, PROTECTION AND SAFETY EQUIPMENT (Cont'd.)

b. (Cont'd.)

2 This is a transformer interconnected with no other Producers and serving no other Utility customers. Although the dedicated transformer is not a requirement for generators rated 10 kW or less, its installation is recommended by PG&E.

3 This is a requirement for synchronous and other types of generators with stand-alone capability. For all such generators, PG&E will also require the installation of "reclose blocking" features on its system to block certain operations of PG&E's automatic line restoration equipment.

4 To be installed by the Producer at the point where his ownership changes with PG&E.

(Continued)



RULE 21—NONUTILITY-OWNED PARALLEL GENERATION
(Continued)

B. INTERCONNECTION FACILITIES (Cont'd.)

2. CONTROL, PROTECTION AND SAFETY EQUIPMENT (Cont'd.)

c. DISCONNECT DEVICE

The Producer shall provide, install, own and maintain the interconnection disconnect device required by Section B.2.b at a location readily accessible to PG&E. Such device shall normally be located near PG&E's meter or meters for sole operation by PG&E. The interconnection disconnect device and its precise location shall be specified by PG&E. At the Producer's option and request, PG&E will provide, install, own and maintain the disconnect device on PG&E's system as special facilities in accordance with Section F.

3. METERING

- a. A Producer desiring to sell power to PG&E shall provide, install, own and maintain all facilities necessary to accommodate metering equipment specified by PG&E. Such metering equipment may include meters, telemetering (applicable where deliveries to the utility exceed 10 mw) and other recording and data to PG&E. Except as provided for in Section B.3.b following, PG&E shall provide, install, own and maintain all metering equipment as special facilities in accordance with Section F.
- b. The Producer may at its option provide, install, own and maintain current and potential transformers rated above 600 volts and a non-revenue type graphic recorded where applicable. Such metering equipment, its installation and maintenance shall all be in conformance with PG&E's specifications.

(Continued)



RULE 21—NONUTILITY-OWNED PARALLEL GENERATION

(Continued)

B. INTERCONNECTION FACILITIES (Cont'd.)

3. METERING (Cont'd.)

- c. If the nameplate rating of the Producer's generating facility is greater than one (1) megawatt, PG&E may require Producer to measure and register, on a graphic recording device, power in kw and voltage in kv at a location within the generating facility agreed to by both parties.
- d. PG&E's meters shall be equipped with detents to prevent reverse registration so that power deliveries to and from the Producer's equipment can be separately recorded.

4. UTILITY SYSTEM ADDITIONS AND REINFORCEMENTS

- a. Except as provided for in Section B.5, all additions to and reinforcements of PG&E's system necessary to interconnect with and receive power deliveries from the Producer's generation will be provided, installed, owned and maintained by PG&E. All prudent and reasonable costs of multipurpose facilities are the responsibility of PG&E. Costs of all producer-specific facilities and costs of those multipurpose facilities which are not deemed prudent and reasonable are the responsibility of the Producer(s) and will be billed as special facilities in accordance with Section F.
- b. The Producer shall advance to PG&E its estimated costs of performing a preliminary or detailed engineering study as may be reasonably required to identify and Producer-Related Utility system additions and reinforcements. Where the Producer has requested a detailed study, PG&E will complete its study within 120 days of receiving all necessary plans, specifications and fees from the Producer.

(Continued)



RULE 21—NONUTILITY-OWNED PARALLEL GENERATION
(Continued)

B. INTERCONNECTION FACILITIES (Cont'd.)

5. PRODUCER-INSTALLED UTILITY-OWNED LINE EXTENSIONS

The Producer may at its option employ a qualified contractor/subcontractor (as defined in Rule 1) to provide and install an extension of PG&E's distribution or transmission lines where required to complete the Producer's interconnection with PG&E. Such extension shall be installed in accordance with PG&E's design and specifications. The Producer shall pay PG&E's estimated costs of design, administration compliance with PG&E's requirements. Upon final inspection and acceptance by PG&E, the Producer shall transfer ownership of the line extension and it shall be owned and maintained as special facilities in accordance with Section F. This provision does not preclude the Producer from installing owning and maintaining a distribution or transmission line extension as part of its other Producer-owned interconnection facilities.

6. COSTS OF FUTURE UTILITY SYSTEM ALTERATIONS

The Producer shall be responsible for the costs of only those future Utility system alterations which are directly related to the Producer's presence or necessary to maintain the Producer's interconnection in accordance with PG&E's applicable operating, metering and equipment publication in effect when the Producer and PG&E entered into a written form of power purchase agreement. Such alterations may include, but are not limited to, relocation or undergrounding of PG&E's distribution or transmission facilities as may be ordered by a governmental authority having jurisdiction. Alterations made at the Producer's expense shall specifically exclude increase of existing line capacity necessary to accommodate other Producers or PG&E customers.

(Continued)



RULE 21—NONUTILITY-OWNED PARALLEL GENERATION
 (Continued)

B. INTERCONNECTION FACILITIES (Cont'd.)

7. ALLOCATION OF PG&E'S EXISTING LINE CAPACITY

- a. Producers seeking access to limited transmission and/or distribution line capacity for power deliveries shall establish and maintain an interconnection priority in accordance with the Qualifying Facilities Milestone Procedure (QFMP) as adopted in Commission Decision No. 85-01-038 in OII 84-04-077 and as modified in subsequent decisions. Such priority will be site- and project-specific and may not be transferred to other projects or locations. Failure to meet any QFMP milestone may result in termination of the power purchase agreement and loss of interconnection priority.
- b. The following Producers shall be exempt from QFMP compliance (1) projects of less than 100 kw design capacity; (2) projects using all power internally; (3) projects with a special facilities agreement executed prior to January 16, 1985; (4) Producers that sign final Standard Offer 4 contracts; and (5) Producers that sign Uniform Standard Offer 1.
- c. For a Producer that (1) is not subject to the QFMP, and that (2) signs a final Standard Offer 4, entitlement to available capacity on PG&E's transmission/distribution system and a priority to such line capacity is established as of the date that the Producer's bid is determined to be a winner. The Producer thereafter retains its priority so long as it does not default in performance of its agreement.
- d. Producers that sign Uniform Standard Offer 1 establish priority for access to available capacity on PG&E's transmission/distribution system as of the date the Producer pays the project fee and provides information for and pays the cost of the Preliminary Interconnection Study or the Interconnection Study in accordance with its power purchase agreement.

(Continued)



RULE 21—NONUTILITY-OWNED PARALLEL GENERATION
(Continued)

C. ELECTRIC SERVICE FROM PG&E

If the Producer requires regular, supplemental, interruptible or standby service from PG&E, the Producer shall enter into separate contractual arrangements with PG&E in accordance with PG&E's applicable electric tariffs on file with and authorized by the Public Utilities Commission.

D. OPERATION

1. PREPARALLEL INSPECTION

In accordance with Section A.7, PG&E will inspect the Producer's interconnection facilities prior to providing it with written authorization to commence parallel operation. Such inspection shall determine whether or not the Producer has installed certain control, protective and safety equipment to PG&E's specifications. Where the Producer's generation has a rated output in excess of 100 kw, the Producer shall pay PG&E its estimated costs of performing the inspection.

2. JURISDICTION OF PG&E'S SYSTEM DISPATCHER

The Producer's generation while operating in parallel with PG&E's system is at all times under the jurisdiction of PG&E's system dispatcher. The system dispatcher shall normally delegate such control to PG&E's designated switching center.

3. COMMUNICATIONS

The Producer shall maintain telephone service from the local telephone company to the location of the Producer's generation. In the event such location is remote or unattended, telephone service shall be provided to the nearest building normally occupied by the Producer's generator operator. PG&E and the Producer shall maintain operating communications through PG&E's designated switching center.

(Continued)



RULE 21—NONUTILITY-OWNED PARALLEL GENERATION
(Continued)

D. OPERATION (Cont'd.)

4. GENERATOR LOG

The Producer shall at all times keep and maintain a detailed generator operations log. Such log shall include, but not be limited to, information on unit availability, maintenance outages, circuit breaker trip operations requiring manual reset and unusual events. PG&E shall have the right to revise the Producer's log.

5. REPORTING ABNORMAL CONDITIONS

PG&E shall advise the Producer of abnormal conditions which PG&E has reason to believe could affect PG&E's operating conditions or procedures. The Producer shall keep PG&E similarly informed.

6. POWER FACTOR

The Producer shall furnish reactive power as may be reasonably required by PG&E.

- a. PG&E will specify that generators with power factor control capability, including synchronous generators, be capable of operating continuously at any power factor between 95 percent leading (absorbing vars) and 90 percent lagging (producing vars) at any voltage level within ± 5.0 percent of rated voltage. For other types of generators with no inherent power factor control capability, PG&E reserves the right to specify the installation of capacitors by the Producer to correct generator output to near 95 percent leading power factor. PG&E may also require the installation of switched capacitors on its system to produce the amount of reactive support equivalent to that provided by operating a synchronous generator of the same size.¹

¹ Detailed requirements are specified in PG&E's current operating, metering and equipment protection publications, as revised from time to time by PG&E and available to the Producer upon request. For a particular generator application, PG&E will furnish its specific control, protective and safety requirements to the Producer after the exact location of the generator has been agreed upon and the interconnection voltage level has been established.

(Continued)



RULE 21—NONUTILITY-OWNED PARALLEL GENERATION
(Continued)

D. OPERATION (Cont'd.)

6. POWER FACTOR (Cont'd.)

- b. Where either the Producer or PG&E determines that it is not practical for the Producer to furnish PG&E's required level of reactive power or when PG&E specifies switched capacitors in its system pursuant to Section D.6.a, PG&E will provide, install, own and maintain the necessary devices on its system in accordance with Section F.

E. INTERFERENCE WITH SERVICE AND COMMUNICATION FACILITIES

1. GENERAL

PG&E reserves the right to refuse to connect to any new equipment or to remain connected to any existing equipment of a size or character that may be detrimental to PG&E's operations or service to its customers.

2. The Producer shall not operate equipment that superimposes upon PG&E's system a voltage or current which causes interference with PG&E's operations, service to PG&E's customers or interference to communication facilities. If the Producer causes service interference to others, the Producer must diligently pursue and take corrective action at the Producer's expense after being given notice and reasonable time to do so by PG&E. If the Producer does not take timely corrective action, or continues to operate the equipment causing the interference without restriction or limit, PG&E may, without liability, disconnect the Producer's equipment from PG&E's system until a suitable permanent solution provided by the Producer is operational at the Producer's expense.

(Continued)



RULE 21—NONUTILITY-OWNED PARALLEL GENERATION
(Continued)

F. SPECIAL FACILITIES

1. Where the Producer requests PG&E to furnish interconnection facilities or where it is necessary to make additions to or reinforcements of PG&E's system and PG&E agrees to do so, such facilities shall be deemed to be special facilities and the costs thereof shall be borne by the Producer, in accordance with Section B.4.a and B.4.b, including such continuing ownership costs as may be applicable.
2. Special facilities are: (a) those facilities installed at the Producer's request which PG&E does not normally furnish under its tariff schedule, or (b) a prorata portion of existing facilities requested by the Producer, allocated for the sole use of such Producer, which would not normally be allocated for such sole use. Unless otherwise provided by PG&E's filed tariff schedules, special facilities will be installed, owned and maintained or allocated by PG&E as an accommodation to the Producer only if acceptable for operation by PG&E and the reliability of service to PG&E's customers is not impaired.
3. Special Facilities will be furnished under the terms and conditions of PG&E's "Agreement for Installation or Allocation of Special Facilities for Parallel Operation of Nonutility-owned Generation and/or Electrical Standby Service" (Form 79-280), and its Appendix A, "Detail of Special Facilities Charges" (Form 79-702). Prior to the Producer signing such an agreement, PG&E shall provide the Producer with a breakdown of special facilities costs in a form having detail sufficient for the information to be reasonably understood by the Producer. The special facilities agreement will include, but is not limited to, a binding quotation of charges to the Producer and the following general terms and conditions:

(Continued)



RULE 21—NONUTILITY-OWNED PARALLEL GENERATION
(Continued)

F. SPECIAL FACILITIES (Cont'd.)

3. (Cont'd.)

- a. Where facilities are installed by PG&E for the Producer's use as special facilities, the Producer shall advance to PG&E its estimated installed cost of the special facilities. The amount advanced is subject to the monthly ownership charge applicable to customer-financed special facilities as set forth in Section 1 of PG&E's Rule 2.
- b. At the Producer's option, and where such Producer's generation is a qualifying facility¹ and the Producer has established credit worthiness to PG&E's satisfaction, PG&E shall finance those special facilities it deems to be removable and reusable equipment. Such equipment shall include, but not be limited to, transformation, disconnection and metering equipment.
- c. Existing facilities allocated for the Producer's use as special facilities and removable and reusable equipment financed by PG&E in accordance with Section F.3.b are subject to the monthly ownership charge applicable to Utility-financed special facilities as set forth in Section 1 of Rule 2.
- d. Where the Producer elects to install and deed to PG&E an extension of PG&E's distribution or transmission lines for use as special facilities in accordance with Section B.5, PG&E's estimate of the installed cost of such extension shall be subject to the monthly ownership charge applicable to customer-financed special facilities as set forth in Section 1 of Rule 2.

¹ A qualifying facility is one which meets the requirements established by the Federal Energy Regulatory Commission's rules (18 Code of Federal Regulations 292) implementing the Public Utility Regulatory Policies Act of 1978 (16 U.S.C.A. 796, et seq.).

(Continued)



RULE 21—NONUTILITY-OWNED PARALLEL GENERATION
 (Continued)

F. SPECIAL FACILITIES (Cont'd.)

4. Where payment or collection of continuing monthly ownership charges is not practicable, the Producer shall be required to make an equivalent one-time payment in lieu of such monthly charges.
5. Costs of special facilities borne by the Producer may be subject to downward adjustment when such special facilities are used to furnish permanent service to a customer of PG&E. This adjustment will be based upon the extension allowance or other such customer allowance which PG&E would have utilized under its then applicable tariffs if the special facilities did not otherwise exist. In no event shall such adjustment exceed the original installed cost of that portion of the special facilities used to serve a new customer. An adjustment, where applicable, will consist of a refund applied to the Producer's initial payment for special facilities and/or a corresponding reduction of the ownership charge.

G. EXCEPTIONAL CASES

Where the application of this rule appears impractical or unjust, either PG&E or the Producer may refer the matter to the Public Utilities Commission for special rulings. The test for approving variations from this rule will be proof of indifference to PG&E's ratepayers. The burden of proof will fall to the party requesting the variance.

H. INCORPORATION INTO POWER PURCHASE AGREEMENTS

Pursuant to Decision No. 83-10-093, if in accordance with Section A.4 the Producer enters into a written form of power purchase agreement with Utility, a copy of the Rule 21 in effect on the date of execution will be appended to, and incorporated by reference into, such power purchase agreement. The rule appended to such power purchase agreement shall then be applicable for the term of the Producer's power purchase agreement with PG&E. Subsequent revisions to this rule shall not be incorporated into the rule appended to such power purchase agreement.

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APPENDIX E

QUARTERLY STATUS REPORT

(FORM)

QUARTERLY STATUS REPORT

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QFID No. _____
 Name of Seller _____
 Date _____

Directions: A complete and accurate response is required each time this report is filed with PG&E. Responses of "not applicable" or "N/A" must be supported by a detailed factual explanation for clarification purposes. If Forecast Completion Date has not been established, so state and explain.

<u>Milestone</u>	<u>Forecast (or Actual) Completion Date (1)</u>	<u>Check if Completed</u>	<u>Check if Schedule Changed from Previous Report</u>
Site Control			
(a) Proof provided to PG&E	_____	/ /	/ /
(b) Current site control status:			
_____ Project has site control			
_____ Project does not have site control			
Critical Path Permit (2)			
(a) Permit application filed	_____	/ /	/ /
(b) Permit application accepted	_____	/ /	/ /
(c) Permit issued	_____	/ /	/ /

Fuel Supply Status: (e.g., contract signed, resource evaluation studies complete, etc.)

1		Forecast (or Actual)		Check if
2	<u>Milestone</u>	Completion	Check if	Schedule
3		Date (1)	Completed	Changed from
4				<u>Previous Report</u>
3	Financing Secured			
4	(a) Construction		/ /	/ /
5	(short-term)	_____	_____	_____
6	(b) Permanent		/ /	/ /
7	(long-term)	_____	_____	_____
8	Final Method of Service Study Requested		/ /	/ /
9	Equipment Contract Award			
10	(a) Generator		/ /	/ /
11	(b) Turbine/prime		/ /	/ /
12	mover	_____	_____	_____
13	Equipment Ordered			
14	(a) Generator		/ /	/ /
15	(b) Turbine/prime		/ /	/ /
16	mover	_____	_____	_____
16	Engineering/Design			
17	(a) Preliminary			
18	Engineering	_____ % Complete		
19	(b) Final Engineering	_____ % Complete		
20	Construction Contract Awarded		/ /	/ /
21	Interconnection Construction			
22	(a) Seller construction		/ /	/ /
23	started	_____	_____	_____
24	(b) PG&E construction		/ /	/ /
25	requested	_____	_____	_____
26				

1		Forecast (or Actual)		Check if
2	<u>Milestone</u>	<u>Completion</u>	<u>Check if</u>	<u>Schedule</u>
3		<u>Date (1)</u>	<u>Completed</u>	<u>Changed from</u>
4				<u>Previous Report</u>
3	Project Construction			
4	(a) Site grading started	_____	/_____/	/_____/
5				
6	(b) Major foundations started	_____	/_____/	/_____/
7				
8	(c) Turbine/prime mover on site	_____	/_____/	/_____/
9				
10	(d) Generator on site	_____	/_____/	/_____/
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12	(e) Construction status	_____ % Complete		
13	Initial Parallel operation	_____	/_____/	/_____/
14	Start-up testing begun	_____	/_____/	/_____/
15	(a) Testing status	_____ % Complete		
16	Firm (or As-Available) Capacity Availability Date	_____	/_____/	/_____/

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18 Describe progress of project development since the last submitted Quarterly Status Report (attach additional pages, if needed):

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Explain any changes to the project development schedule since last submitted Quarterly Status Report (attach additional pages, if needed):

1 I certify that the foregoing information is true and complete.

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Date _____
Signature _____
Name _____
Title _____

Contact Person _____
Telephone Number _____

Notes:

- (1) Should reflect project's current schedule for Milestones not yet completed or actual completion date for Milestone completed.
- (2) The Critical Path Permits for all non-thermal projects and thermal projects exempt from CEC Site Certification are (i) for Geothermal, County Conditional Use Permit or Special Zone Permit; (ii) for Biomass, County Conditional Use Permit or Special Zone Permit, or Air Quality Permit; (iii) for Wind, County Conditional Use Permit or Special Zone Permit; (iv) for Cogeneration, Air Quality Permit; (v) for Hydro, FERC License or Exemption. California Energy Commission Site Certification is required for non-exempt thermal projects over 50 MW.

APPENDIX F

SITE LOCATION METES AND BOUNDS DESCRIPTION

(IF REQUIRED FOR PURPOSES OF SECTION 1.1 (c))

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1 Section 29 P.B. Redding Land Grant.

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APPENDIX G

EFFECTIVE CAPACITY CONVERSION FACTORS

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TABLE G

Effective Capacity Conversion Factors

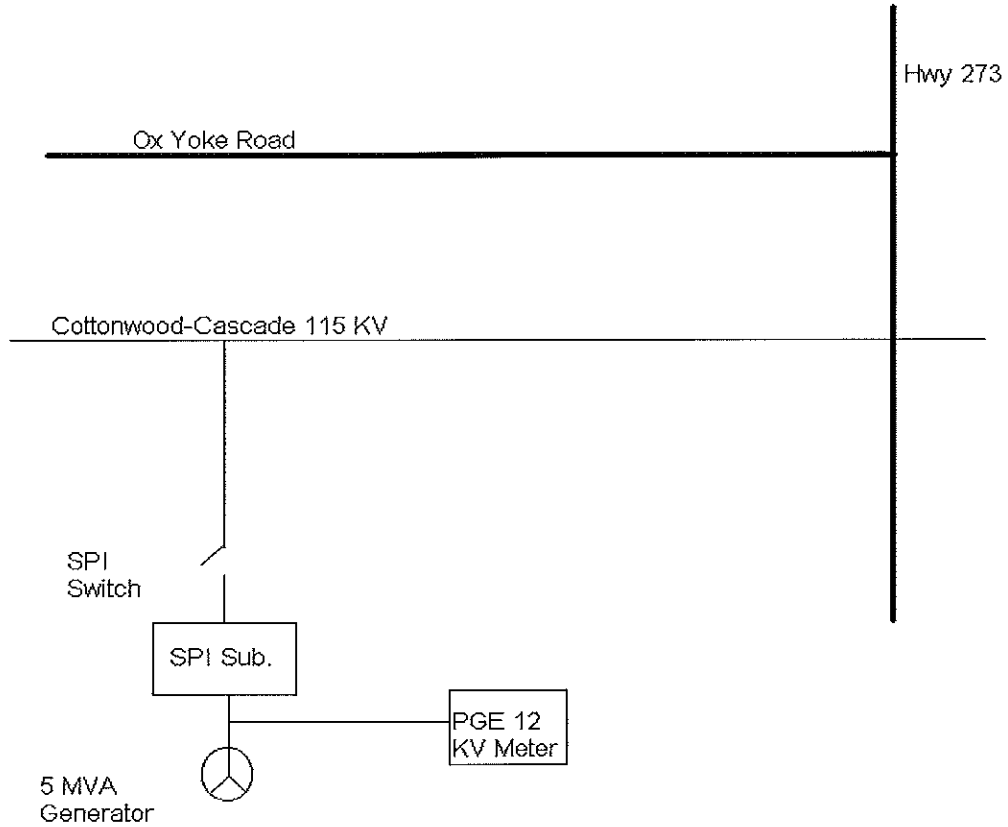
<u>Technology</u>	<u>Conversion Factors</u>
Biomass	0.40
Cogeneration	0.40
Geothermal	0.25
Hydroelectric	0.29
Solar	0.24
Wind	0.15

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APPENDIX H

POINT OF DELIVERY SKETCH



**Sierra Pacific Industries
Anderson 5 MVA Generation Facility**

By SPI:

- Interconnection switch
- 115 kv Breaker
- 115:12 kv Station transformer
- Line and other protection relays
- Telephone lease line to Cottonwood and Cascade Substations

By PG&E (Special Facilities)

- 115 kv interconnection tap
- 12 kv low side meter/CT/PT
- Transfer trip equipment