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ZOND SYSTEMS, INC.

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POWER PURCHASE CONTRACT
BETWEEN
SOUTHERN CALIFORNIA EDISON COMPANY
AND
ZOND SYSTEMS, INC.
PAINTED HILLS I

ZOND SYSTEMS, INC.

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ZOND SYSTEMS, INC.

1. PROJECT SUMMARY

This Contract is entered into between Southern California Edison Company ("Edison") and Zond Systems, Inc. ("Zond"), a California Corporation, acting in its own behalf and in behalf of other owners, if any, as Project Manager, collectively referred to as ("Seller"). Seller is willing to construct, own, and operate a Qualifying Facility and sell electric power to Edison and Edison is willing to purchase electric power delivered by Seller to Edison at the Point of Interconnection pursuant to the terms and conditions set forth as follows:

1.1 All Notices shall be sent to Seller at the following

address: Zond Systems, Inc.

112 South Curry Street

Post Office Box 276

Tehachapi, CA 93561

Attention: Director of Operations, and

Zond Systems, Inc.

1693 Mission Drive

Suite 297

Solvang, CA 93463

Attention: General Counsel

1.2 Seller's Generating Facility:

a. Nameplate Rating: 8,800 kW.

b. Location: The South half of Section 1, Township 3 South, Range 3 East, SBB&M.

ZOND SYSTEMS, INC.

- 1 c. Type: Small Power Production Facility
2 d. Delivery of power to Edison at a nominal
3 12,470 volts.
4 e. Seller shall commence construction of the
5 Generating Facility by June 1, 1985.

6 1.3 Edison Customer Service District:

7 Palm Springs
8 36100 Cathedral Canyon
9 Palm Springs, CA 92234.

10 1.4 Location of Edison Operating Switching Center:

11 Devers Substation
12 62030 16th Street
13 North Palm Springs, CA.

14 1.5 Contract Capacity: 8,800 kW.

15 1.5.1 Estimated as-available capacity: 8,800 kW.

16 1.5.2 Firm Capacity: 0 kW.

17 1.6 Expected Annual Production: 20,000,000 kWh.

18 1.7 Expected Firm Operation for each generating
19 unit(s): 1985.

20 1.8 Contract Term: 30 years.

21 1.9 Operating Options Pursuant to Section 5:

22 _____ Operating Option I. Entire Generator output to
23 be sold to Edison. No electric service or
24 standby service required.

25 //

26 //

ZOND SYSTEMS, INC.

1 X Operating Option II. Entire Generator output
2 to be sold to Edison with separate electric
3 service required.

4 a. Electric service Tariff Schedule No. GS-1
5 pursuant to Section 10.2.

6 b. Contract demand: N/A.

7 _____ Operating Option III. Excess generator output
8 to be sold to Edison with Seller serving own
9 load.

10 a. Electric service Tariff Schedule No. _____
11 pursuant to Section 10.2.

12 b. Contract demand _____ kW.

13 c. Standby Demand _____ kW pursuant to
14 Section 10.2.

15 d. Maximum electrical requirements
16 expected _____ kW.

17 e. Standby electric service Tariff Schedule
18 No. _____ pursuant to Section 10.2.

19 f. Minimum monthly charge for standby
20 service _____.

21 1.10 Interconnection Facilities Agreement pursuant to
22 Section 6 shall be: Seller Owned and Operated Basis
23 (Appendix A)

24 1.11 The Capacity Payment Option selected by Seller
25 pursuant to Section 9.1 shall be As-available
26 capacity based upon: Forecast of Annual

ZOND SYSTEMS, INC.

1 As-Available Capacity Payment Schedule. The
2 as-available capacity price (first year):

3 81 kW-yr. (Appendix B)

4 1.12 The Energy Payment Option selected by Seller
5 pursuant to Section 9.2 shall be:

6 X Option 1 - Forecast of Annual Marginal Cost of
7 Energy in effect at date of execution of this
8 Contract. (Appendix C)

9 Option 2 - Levelized Forecast of Marginal Cost
10 of Energy in effect at date of execution of
11 this Contract. Levelized Forecast for expected
12 date of Firm Operation is 7.3¢/kWh.

13 For the energy payment refund pursuant to
14 Section 9.5 under Option 2, Edison's
15 Incremental Cost of Capital is 15%.

16 Seller may change once between Options 1 and 2,
17 provided Seller delivers written notice of such
18 change at least 90 days prior to the date of
19 Firm Operation.

20 For Option 1 or 2, Seller elects to receive the
21 following percentages in 20% increments, the
22 total of which shall equal 100%:

23 100 Percent of Forecast of Marginal Cost of
24 Energy (Annual or Levelized), and

25 0 Percent of Edison's published avoided
26 cost of energy based on Edison's full

ZOND SYSTEMS, INC.

1 avoided operating costs as updated
2 periodically and accepted by the
3 Commission.

4 1.13 Metering Location

5 Seller elects metering location pursuant to
6 Section 8 as follows: Edison's side of the
7 Interconnection Facilities.

8 2. DEFINITIONS

9 When used with initial capitalizations, whether in the
10 singular or in the plural, the following terms shall have
11 the following meanings:

12 2.1 Appendix A: Interconnection Facilities Agreement --
13 Seller Owned and Operated Basis

14 2.2 Appendix B: Forecast of Annual As Available
15 Capacity Payment Schedule

16 2.3 Appendix C: Forecast of Annual Marginal Cost of
17 Energy

18 2.4 Appendix D: TOU-8 Tariff Rule; Rule 21

19 2.5 Capacity Payment Schedule(s): Published capacity
20 payment schedule(s) as authorized by the Commission
21 for as-available or firm capacity.

22 2.6 Commission: The Public Utilities Commission of the
23 State of California.

24 2.7 Contract: This document and Appendices, as amended
25 from time to time.

26 //

ZOND SYSTEMS, INC.

1 2.8 Contract Capacity: The electric power producing
2 capability of the Generating Facility.

3 2.9 Contract Term: Period in years commencing with date
4 of Firm Operation for the first generating unit(s)
5 during which Edison shall purchase electric power
6 from Seller.

7 2.10 Edison: The Southern California Edison Company.

8 2.11 Edison Electric System Integrity: The state of
9 operation of Edison's electric system in a manner
10 which is deemed to minimize the risk of injury to
11 persons and/or property and enables Edison to
12 provide adequate and reliable electric service to
13 its customers.

14 2.12 Emergency: A condition or situation which in
15 Edison's sole judgment affects Edison Electric
16 System Integrity.

17 2.13 Energy: Kilowatthours generated by the Generating
18 Facility which are purchased by Edison at the Point
19 of Interconnection.

20 2.14 Firm Operation: The date upon which the Parties
21 agree testing of the first generating unit has been
22 completed and the unit is capable of commercial
23 operation.

24 2.15 First Period: The period of the Contract Term
25 specified in Section 3.1.

26 //

ZOND SYSTEMS, INC.

1 2.16 Forced Outage: Any outage other than a scheduled
2 outage of the Generating Facility that fully or
3 partially curtails its electrical output.

4 2.17 Generating Facility: All of Seller's generators,
5 including all protective and other associated
6 equipment and improvements related thereto,
7 necessary to produce electrical power at Seller's
8 Facility excluding associated land, land rights, and
9 interests in land.

10 2.18 Generator: The generator(s) and associated prime
11 mover(s), which are a part of the Generating
12 Facility.

13 2.19 Interconnection Facilities: Those protection,
14 metering, electric line(s), and other facilities
15 required in Edison's sole judgment to permit an
16 electrical interface between Edison's system and the
17 Generating Facility in accordance with Edison's
18 Tariff Rule No. 21 titled Cogeneration and Small
19 Power Production Interconnection Standards filed
20 with the Commission and attached hereto as
21 Appendix D.

22 2.20 Interconnection Facilities Agreement: That document
23 which is specified in Section 1.10 and is attached
24 hereto.

25 2.21 KVAR: Reactive kilovolt-ampere, a unit of measure
26 of reactive power.

ZOND SYSTEMS, INC.

1 2.22 Operate: To provide the engineering, purchasing,
2 repair, supervision, training, inspection, testing,
3 protection, operation, use, management, replacement,
4 retirement, reconstruction, and maintenance of and
5 for the Generating Facility in accordance with
6 applicable California utility standards and good
7 engineering practices.

8 2.23 Operating Representatives: Individual(s) appointed
9 by each Party for the purpose of securing effective
10 cooperation and interchange of information between
11 the Parties in connection with administration and
12 technical matters related to this Contract.

13 2.24 Parties: Edison and Seller.

14 2.25 Party: Edison or Seller.

15 2.26 Peak Months: Those months in which the Edison
16 annual system peak demand could occur. Currently,
17 but subject to change with notice, the peak months
18 for the Edison system are June, July, August, and
19 September.

20 2.27 Point of Interconnection: The point where the
21 transfer of electrical energy between Edison and
22 Seller takes place.

23 2.28 Project: The Generating Facility and
24 Interconnection Facilities required to permit
25 operation of Seller's Generator in parallel with
26 Edison's electric system.

1 2.29 Project Manager: The entity responsible for
2 operating and maintaining the Project on behalf of
3 the owner(s) thereof.

4 2.30 Protective Apparatus: That equipment and apparatus
5 installed by Seller and/or Edison pursuant to
6 Section 4.2.

7 2.31 Qualifying Facility: Small Power Production
8 Facility which meets the criteria as defined in
9 Title 18, Code of Federal Regulations, Section
10 292.201 through 292.207 as of the execution date of
11 this Contract.

12 2.32 Second Period: The period of the Contract Term
13 specified in Section 3.2.

14 2.33 Seller: The Party identified in Section 1.0.

15 2.34 Seller's Facility: The premises and equipment of
16 Seller located as specified in Section 1.2.

17 2.35 Small Power Production Facility: The facilities and
18 equipment which use biomass, waste, or renewable
19 resources, including wind, solar, geothermal, and
20 water, to produce electrical energy as defined in
21 Title 18, Code of Federal Regulations, Section
22 292.201 through 292.207 as of the execution date of
23 this Contract.

24 2.36 Summer Period: Defined in Edison's Tariff Schedule
25 No. TOU-8 as now in effect or as may hereafter be
26 authorized by the Commission.

ZOND SYSTEMS, INC.

1 2.37 Tariff Schedule No. TOU-8: Edison's time-of-use
2 energy tariff for electric service exceeding 500 kW,
3 as now in effect or as may hereafter be authorized
4 by the Commission.

5 2.38 Uncontrollable Forces: Any occurrence beyond the
6 control of a Party which causes that Party to be
7 unable to perform its obligations hereunder and which
8 a Party has been unable to overcome by the exercise
9 of due diligence, including but not limited to
10 flood, drought, earthquake, storm, fire, pestilence,
11 lightning and other natural catastrophes, epidemic,
12 war, riot, civil disturbance or disobedience,
13 strike, labor dispute, action or inaction of
14 legislative, judicial, or regulatory agencies, or
15 other proper authority, which may conflict with the
16 terms of this Contract, or failure, threat of failure
17 or sabotage of facilities which have been maintained
18 in accordance with good engineering and operating
19 practices in California.

20 2.39 Winter Period: Defined in Edison's Tariff Schedule
21 No. TOU-8 as now in effect or as may hereafter be
22 authorized by the Commission.

23 3. TERM

24 This Contract shall be effective upon execution by the
25 Parties and shall remain effective until either Party
26 gives 90 days prior written notice of termination to the

1 other Party, except that such notice of termination shall
2 not be effective to terminate this Contract prior to
3 expiration of the Contract Term specified in Section 1.8.

4 3.1 The First Period of the Contract Term shall commence
5 upon date of Firm Operation but not later than
6 5 years from the date of execution of this Contract
7 and shall be for 10 years.

8 3.2 The Second Period of the Contract Term shall
9 commence upon expiration of the First Period and
10 shall continue for the remainder of the Contract
11 Term.

12 4. GENERATING FACILITY

13 4.1 Ownership

14 The Generating Facility shall be owned by Seller.

15 4.1.1 If the identity of the Project Manager
16 changes for any reason, Edison shall have the
17 right to approve the new Project Manager.
18 Such approval shall be withheld only if the
19 assets, financial condition, or operating
20 capability of the proposed replacement
21 Project Manager gives Edison reasonable cause
22 to doubt such entity's ability to adequately
23 perform the duties of the Project Manager.
24 To facilitate such approval, Edison may
25 request Seller to furnish any material
26 reasonably necessary for Edison to prudently

ZOND SYSTEMS, INC.

1 approve a change in Project Manager.
2 Therefore, except as in conflict with law,
3 any financing documents, partnership
4 agreements, or management contracts which
5 specify the Project Manager's role shall
6 specifically provide for Edison's right of
7 approval of any such Project Manager. Such
8 change in Project Manager and the approval
9 thereof by Edison shall not operate to
10 reduce the rights and obligations of the
11 project owners under the Contract.

12 4.1.2 The Project Manager shall have the authority
13 to contract for the owners of the Project on
14 all matters pertaining to the implementation
15 of this Contract. The Project Manager shall
16 provide Edison with satisfactory evidence of
17 its authority to act on behalf of the owners
18 of the Project. Such evidence shall include,
19 but not be limited to, authenticated copies
20 of any partnership agreement(s), fictitious
21 business name statement(s), certificate(s) of
22 partnership, and management agreement(s).
23 The Project Manager shall also provide
24 Edison with authenticated copies of the
25 agreement(s), if any, appointing the Project
26 Manager for purposes of this Contract.

ZOND SYSTEMS, INC.

1 4.1.3 Edison's obligations to purchase capacity
2 and Energy shall be contingent upon the
3 compliance by Seller with the terms and
4 conditions of this Section 4.1

5 4.2 Design

6 4.2.1 Seller, at no cost to Edison, shall:

- 7 a. Design the Generating Facility.
8 b. Acquire all permits and other approvals
9 necessary for the construction,
10 operation, and maintenance of the
11 Generating Facility.
12 c. Complete all environmental impact
13 studies necessary for the construction,
14 operation, and maintenance of the
15 Generating Facility.
16 d. Furnish and install the relays, meters,
17 power circuit breakers, synchronizer, and
18 other control and Protective Apparatus as
19 shall be agreed to by the Parties as
20 being necessary for proper and safe
21 operation of the Project in parallel with
22 Edison's electric system.

23 4.2.2 Edison shall have the right to:

- 24 a. Review the design of the Generating
25 Facility's electrical system and the
26 Seller's Interconnection Facilities.

ZOND SYSTEMS, INC.

1 Such review may include, but not be
2 limited to, the Generator, governor,
3 excitation system, synchronizing
4 equipment, protective relays, and neutral
5 grounding. The Seller shall be notified
6 in writing of the outcome of the Edison
7 review within 30 days of the receipt of
8 all specifications for both the
9 Generating Facility and the
10 Interconnection Facilities. Any flaws
11 perceived by Edison in the design shall
12 be described in Edison's written notice.

13 b. Request modifications to the design of
14 the Generating Facility's electrical
15 system and the Seller's Interconnection
16 Facilities. Such modifications shall be
17 required if necessary to maintain Edison
18 Electric System Integrity when in
19 parallel with the Edison electric system.

20 4.2.3 Seller shall provide individual power factor
21 correction capacitors for each induction-type
22 generator. Such capacitors shall be switched
23 on and off simultaneously with each of the
24 associated induction-type generator(s) of the
25 Generating Facility. The KVAR rating of such
26 capacitors shall be the highest standard

1 value which will not exceed such generators
2 no-load KVAR requirement. Seller shall not
3 install power factor correction in excess of
4 that required by this Section unless agreed
5 to in writing by the Parties.

6 4.2.4 Seller shall not locate any part of a
7 wind-driven generating unit of the Generating
8 Facility within a distance 1.25 times the
9 height of a wind turbine structure of an
10 existing electric utility 33 kV, 66 kV, or
11 115 kV transmission line right of way or
12 within three rotor blade diameters of an
13 existing electric utility 220 kV or 500 kV
14 transmission line right of way or any
15 proposed transmission line right of way of
16 which Edison is pursuing regulatory approval
17 for construction.

18 4.3 Construction

19 Edison shall have the right to review, consult with,
20 and make recommendations regarding Seller's
21 construction schedule and to monitor the construction
22 and start-up of the Project. Seller shall notify
23 Edison, at least one year prior to Firm Operation,
24 of changes in Seller's Construction Schedule which
25 may affect the date of Firm Operation.

26 //

1 4.4 Operation

2 4.4.1 The Generating Facility and Seller's
3 Protective Apparatus shall be operated and
4 maintained in accordance with applicable
5 California utility industry standards and
6 good engineering practices with respect to
7 synchronizing, voltage and reactive power
8 control. Edison shall have the right to
9 monitor operation of the Project and may
10 require changes in Seller's method of
11 operation if such changes are necessary, in
12 Edison's sole judgment, to maintain Edison
13 Electric System Integrity.

14 4.4.2 Seller shall notify in writing Edison's
15 Operating Representative at least 14 days
16 prior to:

- 17 (a) the initial testing of Seller's
18 Protective Apparatus; and
19 (b) the initial parallel operation of
20 Seller's Generators with Edison's
21 electrical system.

22 Edison shall have the right to have a
23 representative present at each event.

24 4.4.3 Edison shall have the right to require Seller
25 to disconnect the Generator from the Edison
26 electric system or to reduce the electrical

ZOND SYSTEMS, INC.

1 output from the Generator into the Edison
2 electric system, whenever Edison determines,
3 in its sole judgement, that such a
4 disconnection is necessary to facilitate
5 maintenance of Edison's facilities, or to
6 maintain Edison Electric System Integrity.
7 Each Party shall endeavor to correct, within
8 a reasonable period, the condition on its
9 system which necessitates the disconnection
10 or the reduction of electrical output. The
11 duration of the disconnection or the
12 reduction in electrical output shall be
13 limited to the period of time such a
14 condition exists.

15 4.4.4 The Generating Facility shall be operated
16 with all of Seller's Protective Apparatus in
17 service whenever the Generator is connected
18 to or is operated in parallel with the
19 Edison electric system. Any deviation for
20 brief periods of emergency or maintenance
21 shall only be by agreement of the Parties.

22 4.4.5 Each Party shall keep the other Party's
23 Operating Representative informed as to the
24 operating schedule of their respective
25 facilities affecting each other's operation
26 hereunder, including any reduction in

ZOND SYSTEMS, INC.

Contract Capacity availability. In addition, Seller shall provide Edison with reasonable advance notice regarding its scheduled outages including any reduction in Contract Capacity availability. Reasonable advance notice is as follows:

<u>SCHEDULED OUTAGE</u> <u>EXPECTED DURATION</u>	<u>ADVANCE NOTICE</u> <u>TO EDISON</u>
Less than one day	24 Hours
One day or more (except major overhauls)	1 Week
Major overhaul	6 Months

- 4.4.6 Notification by each Party's Operating Representative of outage date and duration should be directed to the other Party's Operating Representative by telephone.
- 4.4.7 Seller shall not schedule major overhauls during Peak Months.
- 4.4.8 Seller shall maintain an operating log at Seller's Facility with records of: real and reactive power production; changes in operating status, outages, Protective Apparatus operations; and any unusual conditions found during inspections. In addition, Seller shall maintain records applicable to the Generating Facility, including the electrical characteristics of the Generator and settings or adjustments of

ZOND SYSTEMS, INC.

1 the Generator control equipment and
2 protective devices. Information maintained
3 pursuant to this Section 4.4.8 shall be
4 provided to Edison, within 30 days of
5 Edison's request.

6 4.4.9 If, at any time, Edison doubts the integrity
7 of any of Seller's Protective Apparatus and
8 believes that such loss of integrity would
9 impair the Edison Electric System Integrity,
10 Seller shall demonstrate, to Edison's
11 satisfaction, the correct calibration and
12 operation of the equipment in question.

13 4.4.10 Seller shall test all protective devices
14 specified in Section 4.2 with qualified
15 Edison personnel present at intervals not to
16 exceed four years.

17 4.4.11 Seller shall, to the extent possible, provide
18 reactive power for its own requirements, and
19 where applicable, the reactive power losses
20 of interfacing transformers. Seller shall
21 not deliver excess reactive power to Edison
22 unless otherwise agreed upon between the
23 Parties.

24 4.4.12 Seller warrants that, at the date of initial
25 energy deliveries and during the term of this
26 Contract, its Generating Facility shall meet

ZOND SYSTEMS, INC.

1 the Qualifying Facility requirements
2 established as of the effective date of this
3 Contract by the Federal Energy Regulatory
4 Commission's rules (18 Code of Federal
5 Regulations 292), implementing the Public
6 Utility Regulatory Policies Act of 1978
7 (16 U.S.C.A. 796, et seq.).

8 4.4.13 The Seller warrants that the Generating
9 Facility shall at all times conform to all
10 applicable laws and regulations. Seller
11 shall obtain and maintain any governmental
12 authorizations and permits for the continued
13 operation of the Generating Facility. If at
14 any time Seller does not hold such
15 authorizations and permits, Seller agrees to
16 reimburse Edison for any loss which Edison
17 incurs as a result of the Seller's failure to
18 maintain governmental authorization and
19 permits.

20 4.4.14 At Edison's request, Seller shall make all
21 reasonable effort to deliver power at an
22 average rate of delivery at least equal to
23 the Contract Capacity during periods of
24 Emergency. In the event that the Seller has
25 previously scheduled an outage coincident
26 with an Emergency, Seller shall make all

ZOND SYSTEMS, INC.

1 reasonable efforts to reschedule the outage.
2 The notification periods listed in
3 Section 4.4.5 shall be waived by Edison if
4 Seller reschedules the outage.

5 4.5 Maintenance

6 4.5.1 Seller shall maintain the Generating Facility
7 in accordance with applicable California
8 utility industry standards and good
9 engineering and operating practices. Edison
10 shall have the right to monitor such
11 maintenance of the Generating Facility.

12 Seller shall maintain and deliver a
13 maintenance record of the Generating Facility
14 to Edison's Operating Representatives upon
15 request.

16 4.5.2 Seller shall make a reasonable effort to
17 schedule routine maintenance during Off-Peak
18 Months. Outages for scheduled maintenance
19 shall not exceed a total of 30 peak hours for
20 the Peak Months.

21 4.5.3 The allowance for scheduled maintenance is as
22 follows:

23 a. Outage periods for scheduled maintenance
24 shall not exceed 840 hours (35 days) in
25 any 12-month period. This allowance may
26

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ZOND SYSTEMS, INC.

1 be used in increments of an hour or longer
2 on a consecutive or nonconsecutive basis.

3 b. Seller may accumulate unused maintenance
4 hours on a year-to-year basis up to a
5 maximum of 1,080 hours (45 days). This
6 accrued time must be used consecutively
7 and only for major overhauls.

8 4.6 Any review by Edison of the design, construction,
9 operation, or maintenance of the Project is solely
10 for the information of Edison. By making such
11 review, Edison makes no representation as to the
12 economic and technical feasibility, operational
13 capability, or reliability of the Project. Seller
14 shall in no way represent to any third party that
15 any such review by Edison of the Project, including
16 but not limited to, any review of the design,
17 construction, operation, or maintenance of the
18 Project by Edison is a representation by Edison as
19 to the economic and technical feasibility,
20 operational capability, or reliability of said
21 facilities. Seller is solely responsible for
22 economic and technical feasibility, operational
23 capability, and reliability thereof.

24 5. OPERATING OPTIONS

25 5.1 Seller shall elect in Section 1.9 to Operate its
26 Generating Facility in parallel with Edison's

ZOND SYSTEMS, INC.

1 electric system pursuant to one of the following
2 options:

- 3 a. Operating Option I: Seller agrees to sell the
4 entire Generator output to Edison with no
5 electrical service required from Edison.
- 6 b. Operating Option II: Seller agrees to sell the
7 entire Generator output to Edison with
8 electrical service required from Edison.
- 9 c. Operating Option III: Seller agrees to sell to
10 Edison only that portion of the Generator
11 output in excess of Seller's electrical service
12 requirements. As much as practicable, Seller
13 intends to serve its electrical requirements
14 from the Generator output and will require
15 electrical standby from Edison as designated in
16 Section 1.9.

17 5.2 After expiration of the First Period of the Contract
18 Term, Seller may change the Operating Option, but
19 not more than once per year upon at least 90 days
20 prior written notice to Edison. Edison shall not be
21 required to remove or reserve capacity of
22 Interconnection Facilities made idle by a change in
23 operating options. Edison may dedicate any such
24 idle Interconnection Facilities, owned by Edison, at
25 any time to serve other customers or to interconnect
26 with other electric power sources. Edison shall

ZOND SYSTEMS, INC.

1 process requests for changes of operating option in
2 the chronological order received.

3 5.2.1 When the Seller wishes to reserve
4 Interconnection Facilities paid for by the
5 Seller but idled by a change in operation
6 option, Edison shall impose a special
7 facilities charge related to the operation
8 and maintenance of the Interconnection
9 Facility. When the Seller no longer needs
10 said facilities for which it has paid, the
11 Seller shall receive credit for the net
12 salvage value of the Interconnection
13 Facilities dedicated to Edison's use. If
14 Edison is able to make use of these
15 facilities to serve other customers, the
16 Seller shall receive the fair market value of
17 the facilities determined as of the date the
18 Seller either decides no longer to use said
19 facilities or fails to pay the required
20 maintenance fee.

21 6. INTERCONNECTION FACILITIES

22 6.1 The Parties shall execute an Interconnection
23 Facilities Agreement selected by Seller in
24 Section 1.10, covering the design, installation,
25 operation and maintenance of the Interconnection
26 Facilities required in Edison's sole judgment, to

ZOND SYSTEMS, INC.

1 permit an electrical interface between the Parties
2 pursuant to Edison's Tariff Rule No. 21.

3 6.2 The cost for the Interconnection Facilities set
4 forth in the appendices specified in Section 1.10,
5 are estimates only for Seller's information and will
6 be adjusted to reflect recorded costs after
7 installation is complete; except that, upon Seller's
8 written request to Edison, Edison shall provide a
9 binding estimate which shall be the basis for the
10 Interconnection Facilities cost in the Interconnec-
11 tion Facilities Agreement executed by the Parties.

12 6.3 The nature of the Interconnection Facilities and the
13 Point of Interconnection shall be set forth either
14 by equipment lists or appropriate one-line diagrams
15 and shall be attached to the appropriate appendix
16 specified in Section 1.10.

17 6.4 The design, installation, operation, maintenance,
18 and modifications of the Interconnection Facilities
19 shall be at Seller's expense.

20 6.5 Seller shall not commence parallel operation of the
21 Generating Facility until written approval for
22 operation of the Interconnection Facilities has been
23 received from Edison. The Seller shall notify
24 Edison at least forty-five days prior to the initial
25 energizing of the Point of Interconnection. Edison
26 shall have the right to inspect the Interconnection

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1 Facilities within thirty days of receipt of such
2 notice. If the facilities do not pass Edison's
3 inspection, Edison shall provide in writing the
4 reasons for this failure within five days of the
5 inspection.

6 6.6 Seller, at no cost to Edison, shall acquire all
7 permits and approvals and complete all environmental
8 impact studies necessary for the design,
9 installation, operation, and maintenance of the
10 Interconnection Facilities.

11 7. ELECTRIC LINES AND ASSOCIATED EASEMENTS

12 7.1 Edison shall, as it deems necessary or desirable,
13 build electric lines, facilities and other
14 equipment, both overhead and underground, on and off
15 Seller's Facility, for the purpose of effecting the
16 agreements contained in this Contract. The physical
17 location of such electric lines, facilities and
18 other equipment on Seller's Facility shall be
19 determined by agreement of the Parties.

20 7.2 Seller shall reimburse Edison for the cost of
21 acquiring property rights off Seller's Facility
22 required by Edison to meet its obligations under
23 this Contract.

24 7.3 Seller shall grant to Edison, without cost to
25 Edison, and by an instrument of conveyance,
26 acceptable to Edison, rights of way, easements and

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1 other property interests necessary to construct,
2 reconstruct, use, maintain, alter, add to, enlarge,
3 repair, replace, inspect and remove, at any time,
4 the electric lines, facilities or other equipment,
5 both overhead and underground, which are required by
6 Edison to effect the agreements contained in the
7 Contract. Seller shall also grant the rights of
8 ingress and egress at all reasonable times necessary
9 for Edison to perform the activities contemplated in
10 the Contract.

11 7.4 The electric lines, facilities, or other equipment
12 referred to in this Section 7 installed by Edison on
13 or off Seller's Facility shall be and remain the
14 property of Edison.

15 7.5 Edison shall have no obligation to Seller for any
16 delay or cancellation due to inability to acquire a
17 satisfactory right of way, easements, or other
18 property interests.

19 8. METERING

20 8.1 All meters and equipment used for the measurement of
21 electric power for determining Edison's payments to
22 Seller pursuant to this Contract shall be provided,
23 owned, and maintained by Edison at Seller's expense
24 in accordance with Edison's Tariff Rule No. 21.

25 8.2 All meters and equipment used for billing Seller for
26 electric service provided to Seller by Edison under

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1 Operating Options II or III shall be provided, owned,
2 and maintained by Edison at Edison's expense in
3 accordance with Edison's Tariff Rule No. 16.

4 8.3 The meters and equipment used for measuring the
5 Energy sold to Edison shall be located on the side
6 of the Interconnection Facilities as specified by
7 Seller in Section 1.13. If the metering equipment
8 is located on the Seller's side of the Interconnec-
9 tion Facilities, then a loss compensation factor
10 agreed upon by the Parties shall be applied. At the
11 written request of the Seller, and at Seller's sole
12 expense, Edison shall measure actual transformer
13 losses. If the actual measured value differs from
14 the agreed-upon loss compensation factor, the actual
15 value shall be applied prospectively. If the meters
16 are placed on Edison's side of the Interconnection
17 Facilities, service shall be provided at the
18 available transformer high-side voltage.

19 8.4 For purposes of monitoring the Generator operation
20 and the determination of standby charges, Edison
21 shall have the right to require, at Seller's
22 expense, the installation of generation metering.
23 Edison may also require the installation of
24 telemetering equipment at Seller's expense for
25 Generating Facilities equal to or greater than 10 MW.

26 //

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1 8.5 Edison's meters shall be sealed and the seals shall
2 be broken only when the meters are to be inspected,
3 tested, or adjusted by Edison. Seller shall be
4 given reasonable notice of testing and have the
5 right to have its Operating Representative present
6 on such occasions.

7 8.6 Edison's meters installed pursuant to this Contract
8 shall be tested by Edison, at Edison's expense, at
9 least once each year and at any reasonable time upon
10 request by either Party, at the requesting Party's
11 expense. If Seller makes such request, Seller shall
12 reimburse said expense to Edison within thirty days
13 after presentation of a bill therefor.

14 8.7 Metering equipment found to be inaccurate shall be
15 repaired, adjusted, or replaced by Edison such that
16 the metering accuracy of said equipment shall be
17 within two percent. If metering equipment
18 inaccuracy exceeds two percent, the correct amount
19 of Energy and Contract Capacity delivered during the
20 period of said inaccuracy shall be estimated by
21 Edison and agreed upon by the Parties.

22 9. POWER PURCHASE PROVISIONS

23 Prior to the date of Firm Operation, Seller shall be paid
24 for Energy only pursuant to Edison's published avoided
25 cost of energy based on Edison's full avoided operating
26 cost as periodically updated and accepted by the

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1 Commission. If at any time Energy can be delivered to
2 Edison and Seller is contesting the claimed jurisdiction
3 of any entity which has not issued a license or other
4 approval for the Project, Seller, in its sole discretion
5 and risk, may deliver Energy to Edison and, for any
6 Energy purchased by Edison, Seller shall receive payment
7 from Edison for (i) Energy pursuant to this Section, and
8 (ii) as-available capacity based on a capacity price from
9 the Standard Offer No. 1 Capacity Payment Schedule as
10 approved by the Commission. Unless and until all
11 required licenses and approvals have been obtained,
12 Seller may discontinue deliveries at any time.

13 9.1 Capacity Payments

14 Seller shall sell to Edison and Edison shall purchase
15 from Seller capacity pursuant to the capacity payment
16 option selected by Seller in Section 1.11. The
17 Capacity Payment Schedules will be based on Edison's
18 full avoided operating costs as approved by the
19 Commission throughout the life of this Contract.
20 Data used to derive Edison's full avoided costs will
21 be made available to the Seller, to the extent
22 specified by Seller upon request.

23 9.1.1 Capacity Payment Option A -- As Available
24 Capacity.

25 Seller shall be paid a monthly capacity payment
26 calculated pursuant to the following formula:

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1 Monthly Capacity Payment = (A x D)+(B x D)+(C x D)

2 Where A = kWh purchased by Edison during
3 on-peak periods defined in
4 Edison's Tariff Schedule
5 No. TOU-8.

6 B = kWh purchased by Edison during
7 mid-peak periods defined in
8 Edison's Tariff Schedule
9 No. TOU-8.

10 C = kWh purchased by Edison during
11 off-peak periods defined in
12 Edison's Tariff Schedule
13 No. TOU-8.

14 D = The appropriate time
15 differentiated capacity price
16 from the Forecast of Annual
17 As-Available Capacity Payment
18 Schedule as specified by Seller
19 in Section 1.11.

20 9.1.1.1 The formula set forth in Section
21 9.1.1 shall be computed as follows:

22 a. During the First Period of the
23 Contract Term D shall equal the
24 appropriate time differentiated
25 capacity price from the Forecast

26 //

1 of Annual As-Available Capacity
2 Payment Schedule.

3 b. During the Second Period of the
4 Contract Term, the formula shall
5 be computed with D equal to the
6 appropriate time differentiated
7 capacity price from Standard
8 Offer No. 1 Capacity Payment
9 Schedule, but not less than the
10 greater of (i) the appropriate
11 time differentiated capacity
12 price from the Forecast of
13 Annual As-Available Capacity
14 Payment Schedule for the last
15 year of the First Period, or
16 (ii) the appropriate time
17 differentiated capacity price
18 from the Standard Offer No. 1
19 Capacity Payment Schedule for the
20 first year of the Second Period.

21 **9.2 Energy Payments - First Period**

22 During the First Period of the Contract Term, Seller
23 shall be paid a monthly energy payment for the Energy
24 delivered by the Seller to Edison at the Point of
25 Interconnection pursuant to the energy payment option
26 selected by Seller in Section 1.12, as follows.

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1 (Data used to derive Edison's Energy payments for the
2 First Period will be made available to the Seller,
3 to the extent specified by Seller, upon request.)

4 9.2.1 Energy Payment Option 1 -- Forecast of
5 Annual Marginal Cost of Energy.

6 If Seller selects energy payment option 1,
7 then during the First Period of the Contract
8 Term, Seller shall be paid a monthly energy
9 payment for Energy delivered by Seller and
10 purchased by Edison during each month in the
11 First Period of the Contract Term pursuant
12 to the following formula:

13 monthly energy payment = (A x D) + (B x D) + (C x D)

14 Where A = kWh purchased by Edison during
15 on-peak periods defined in
16 Edison's Tariff Schedule
17 No. TOU-8.

18 B = kWh purchased by Edison during
19 mid-peak periods defined in
20 Edison's Tariff Schedule
21 No. TOU-8.

22 C = kWh purchased by Edison during
23 off-peak periods defined in
24 Edison's Tariff Schedule
25 No. TOU-8.
26

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D = The sum of:

(i) the appropriate time differentiated energy price from the Forecast of Annual Marginal Cost of Energy, multiplied by the decimal equivalent of the percentage of the forecast specified in Section 1.12, and
(ii) the appropriate time differentiated energy price from Edison's published avoided cost of energy multiplied by the decimal equivalent of the percentage of the published energy price specified in Section 1.12.

9.2.2 Energy Payment Option 2 -- Levelized

Forecast of Marginal Cost of Energy.

If Seller selects energy payment option 2, then during the First Period of the Contract Term, Seller shall be paid a monthly energy payment for Energy delivered by Seller and purchased by Edison each month during the First Period of the Contract Term pursuant to the following formula:

//

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1 Monthly Energy Payment = (A x D) + (B x D) + (C x D)

2 Where A = kWh purchased by Edison during
3 on-peak periods defined in
4 Edison's Tariff Schedule
5 No. TOU-8.

6 B = kWh purchased by Edison during
7 mid-peak periods defined in
8 Edison's Tariff Schedule
9 No. TOU-8.

10 C = kWh purchased by Edison during
11 off-peak periods defined in
12 Edison's Tariff Schedule
13 No. TOU-8.

14 D = The sum of:
15 (i) the appropriate time
16 differentiated energy price from
17 the Levelized Forecast of
18 Marginal Cost of Energy, for the
19 First Period of the Contract
20 Term multiplied by the decimal
21 equivalent of the percentage of
22 the levelized forecast specified
23 in Section 1.12, and
24 (ii) the appropriate time
25 differentiated energy price from
26 Edison's published avoided cost

1 of energy multiplied by the
2 decimal equivalent of the
3 percentage of the published
4 energy price specified in
5 Section 1.12.

6 9.2.2.1 Performance Requirement for Energy
7 Payment Option 2

8 During the First Period when the
9 annual forecast referred to in
10 Section 9.2.1 is greater than the
11 levelized forecast referred to in
12 Section 9.2.2, Seller shall deliver
13 to Edison at least 70 percent of the
14 average annual kWh delivered to
15 Edison during those previous periods
16 when the levelized forecast referred
17 to in Section 9.2.2 is greater than
18 the annual forecast referred to in
19 Section 9.2.1 as resource conditions
20 permit for solar, wind, and hydro
21 Generating Facilities and excluding
22 uncontrollable forces. If Seller does
23 not meet the performance requirements
24 of this Section 9.2.2.1, Seller
25 shall be subject to Section 9.5.

26 //

1 9.3 Energy Payments - Second Period

2 During the Second Period of the Contract Term, Seller
3 shall be paid a monthly energy payment for Energy
4 delivered by Seller and purchased by Edison at a rate
5 equal to 100% of Edison's published avoided cost of
6 energy based on Edison's full avoided operating cost
7 as updated periodically and accepted by the
8 Commission, pursuant to the following formula:

9 monthly energy payment = kWh purchased by Edison for each
10 on-peak, mid-peak, and off-peak
11 time period defined in Edison's
12 Tariff Schedule No. TOU-8
13 x Edison's published avoided cost
14 of energy by time of delivery
15 for each time period.

16 Data used to derive Edison's full avoided costs will
17 be made available to the Seller, to the extent
18 specified by Seller, upon request.

19 9.4 Edison shall not be obligated to accept or pay for
20 Energy, and may request Seller whose Generating
21 Facility is one (1) MW or greater to discontinue or
22 reduce delivery of Energy, for not more than 300
23 hours annually during off-peak hours when (i)
24 purchases would result in costs greater than those
25 which Edison would incur if it did not purchase
26 Energy from Seller but instead utilized an

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1 equivalent amount of Energy generated from another
2 Edison source, or (ii) the Edison Electric System
3 demand would require that Edison hydro-energy be
4 spilled to reduce generation.

5 9.5 Energy Payment Refund

6 If Seller elects energy payment option 2, Seller
7 shall be subject to the following:

8 9.5.1 If Seller fails to perform the Contract
9 obligations for any reason during the First
10 Period of the Contract Term, or fails to
11 meet the performance requirements set forth
12 in Section 9.2.2.1, and at the time of such
13 failure to perform, the net present value of
14 the cumulative Energy payments received by
15 Seller pursuant to energy payment option 2
16 exceeds the net present value of what Seller
17 would have been paid pursuant to energy
18 payment option 1, Seller shall make an
19 energy payment refund equal to the difference
20 in such net present values in the year in
21 which the refund is due. The present value
22 calculation shall be based upon the rate of
23 Edison's incremental cost of capital
24 specified in Section 1.12.

25 9.5.2 Not less than 90 days prior to the date
26 Energy is first delivered to the Point of

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1 Interconnection, Seller shall provide and
2 maintain a performance bond, surety bond,
3 performance insurance, corporate guarantee,
4 or bank letter of credit, satisfactory to
5 Edison, which shall insure payment to Edison
6 of the energy payment refund at any time
7 during the First Period. Edison may, in its
8 sole discretion accept another form of
9 security except that in such instance a
10 1-1/2 percent reduction shall then apply to
11 the levelized forecast referred to in
12 Section 9.2.2 in computing payments for
13 Energy. Edison shall be provided with
14 certificates evidencing Seller's compliance
15 with the security requirements in this
16 Section which shall also include the
17 requirement that Edison be given 90 days
18 prior written notice of the expiration of
19 such security.

20 9.5.3 If Seller fails to provide replacement
21 security not less than 60 days prior to the
22 date of expiration of existing security, the
23 energy payment refund provided in
24 Section 9.5 shall be payable forthwith.
25 Thereafter, payments for Energy shall be
26 //

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1 100 percent of the monthly energy payment
2 provided in Section 9.2.1.

3 9.5.4 If Edison at any time determines the
4 security to be otherwise inadequate, and so
5 notifies Seller, payments thereafter for
6 Energy shall be 100 percent of the monthly
7 energy payment provided in Section 9.2.1.
8 If within 30 days of the date Edison gives
9 notice of such inadequacies, Seller
10 satisfies Edison's security requirements,
11 energy payment option 2 shall be
12 reinstated. If Seller fails to satisfy
13 Edison's security requirements within the
14 30-day period, the energy payment refund
15 provided in Section 9.5 shall be payable
16 forthwith.

17 10. PAYMENT AND BILLING PROVISIONS

18 10.1 For Energy and capacity purchased by Edison:

19 10.1.1 Edison shall mail to Seller not later than
20 thirty days after the end of each monthly
21 billing period (1) a statement showing the
22 Energy and Contract Capacity delivered to
23 Edison during the on-peak, mid-peak, and
24 off-peak periods, as those periods are
25 specified in Edison's Tariff Schedule
26 No. TOU-8 for that monthly billing period,

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1 (2) Edison's computation of the amount due
2 Seller, and (3) Edison's check in payment of
3 said amount.

4 10.1.2 If the monthly payment period involves
5 portions of two different published Energy
6 payment schedule periods, the monthly Energy
7 payment shall be prorated on the basis of
8 the percentage of days at each price.

9 10.1.3 If the payment period is less than 27 days
10 or greater than 33 days, the capacity
11 payment shall be prorated on the basis of
12 the average days per month per year.

13 10.1.4 If within thirty days of receipt of the
14 statement Seller does not make a report in
15 writing to Edison of an error, Seller shall
16 be deemed to have waived any error in
17 Edison's statement, computation, and
18 payment, and they shall be considered
19 correct and complete.

20 10.2 For electric service provided by Edison:

21 10.2.1 Under Operating Option III pursuant to
22 Section 5.1, standby electric service shall
23 be provided under terms and conditions of
24 Edison's tariff schedule indicated below as
25 now in effect or as may hereafter be

26 //

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1 authorized by the Commission to be revised.

2 The applicable tariff schedules are:

3 <u>STANDBY TARIFF</u>	<u>ELECTRIC SERVICE TARIFF</u>
4 <u>SCHEDULE NO.</u>	
5 SCG-1	TOU-8 or GS-2
6 SCG-2	TOU-8
7 SCG-3	TOU-8

8 10.2.1.1 (Applicable to SCG-1 only) The
9 Standby Demand for calculation of
10 the standby charge in SCG-1 as
11 specified in Section 1.9. Edison
12 reserves the right to adjust the
13 Standby Demand based on recorded
14 demand during periods standby
15 power is required.

16 10.2.1.2 (Applicable to SCG-1 only) The
17 capacity rating for determination
18 of standby waiver qualifications
19 shall be Contract Capacity plus
20 the maximum electric load served
21 by the Generating Facility during
22 the on-peak time period recorded
23 during the preceding 12-month time
24 period.

25 10.2.1.3 A minimum monthly charge may be
26 established for standby electric

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1 service as provided in the tariff
2 schedule elected in Section 1.9.
3 Said minimum monthly charge shall
4 be specified in Section 1.9.

5 10.2.2 Under Operating Options II and III pursuant
6 to Section 5.1, electric service shall be
7 provided under terms, conditions, and rates
8 of Edison's tariff schedule indicated below
9 as now in effect or as may hereafter be
10 authorized by the Commission to be revised.
11 The applicable tariff schedule is:

12 TOU-8, GS-1 or

13 GS-2

14 The contract demand for calculation of the
15 minimum demand charge in the applicable
16 tariff schedules is specified in Section 1.9.

17 10.2.3 Edison shall commence billing Seller for
18 electric service rendered pursuant to the
19 applicable tariff schedule on the date that
20 the Point of Interconnection is energized.

21 10.3 Monthly charges associated with Interconnection
22 Facilities shall be billed pursuant to the
23 Interconnection Facilities Agreement contained in
24 the Appendix specified in Section 1.10.

25 //

26 //

1 10.4 Energy Payment Refund

2 Energy payment refund is immediately due and payable
3 upon Seller's failure to perform the contract
4 obligations as specified in Section 9.5.

5 11. TAXES

6 11.1 Seller shall pay ad valorem taxes and other taxes
7 properly attributable to the Project. If such taxes
8 are assessed or levied against Edison, Seller shall
9 pay Edison for such assessment or levy.

10 11.2 Seller shall pay ad valorem taxes and other taxes
11 properly attributed to land, land rights, or interest
12 in land for the Project. If such taxes are assessed
13 or levied against Edison, Seller shall pay Edison
14 for such assessment or levy.

15 11.3 Edison shall pay ad valorem taxes and other taxes
16 properly attributed to Interconnection Facilities
17 they own. If such taxes are assessed or levied
18 against Seller, Edison shall pay Seller for such
19 assessment or levy.

20 11.4 Seller or Edison shall provide information
21 concerning the Project to any requesting taxing
22 authority.

23 12. TERMINATION

24 12.1 This Contract shall terminate if Firm Operation does
25 not occur within 5 years of the date of Contract
26 execution.

1 13. LIABILITY

2 13.1 Each Party (First Party) releases the other Party
3 (Second Party), its directors, officers, employees
4 and agents from any loss, damage, claim, cost,
5 charge, or expense of any kind or nature (including
6 any direct, indirect or consequential loss, damage,
7 claim, cost, charge, or expense), including
8 attorneys' fees and other costs of litigation,
9 incurred by the First Party in connection with
10 damage to property of the First Party caused by or
11 arising out of the Second Party's construction,
12 engineering, repair, supervision, inspection,
13 testing, protection, operation, maintenance,
14 replacement, reconstruction, use or ownership of its
15 facilities, to the extent that such loss, damage,
16 claim, cost, charge, or expense is caused by the
17 negligence of Second Party, its directors, officers,
18 employees, agents, or any person or entity whose
19 negligence would be imputed to Second Party.

20 13.2 Each Party shall indemnify and hold harmless the
21 other Party, its directors, officers, and employees
22 or agents from and against any loss, damage, claim,
23 cost, charge, or expense of any kind or nature
24 (including direct, indirect or consequential loss,
25 damage, claim, cost, charge, or expense), including
26 attorneys' fees and other costs of litigation,

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1 incurred by the other Party in connection with the
2 injury to or death of any person or damage to
3 property of a third party arising out of the
4 indemnifying Party's construction, engineering,
5 repair, supervision, inspection, testing,
6 protection, operation, maintenance, replacement,
7 reconstruction, use, or ownership of its facilities,
8 to the extent that such loss, damage, claim, cost,
9 charge, or expense is caused by the negligence of
10 the indemnifying Party, its directors, officers,
11 employees, agents, or any person or entity whose
12 negligence would be imputed to the indemnifying
13 Party; provided, however, that each Party shall be
14 solely responsible for and shall bear all cost of
15 claims brought by its contractors or its own
16 employees and shall indemnify and hold harmless the
17 other Party for any such costs including costs
18 arising out of any workers compensation law. Seller
19 releases and shall defend and indemnify Edison from
20 any claim, cost, loss, damage, or liability arising
21 from any contrary representation concerning the
22 effect of Edison's review of the design,
23 construction, operation, or maintenance of the
24 Project.

13.3 The provisions of this Section 13 shall not be
construed so as to relieve any insurer of its

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1 obligations to pay any insurance claims in
2 accordance with the provisions of any valid
3 insurance policy.

4 13.4 Neither Party shall be indemnified under this
5 Section 13 for its liability or loss resulting from
6 its sole negligence or willful misconduct.

7 14. INSURANCE

8 14.1 Until Contract is terminated, Seller shall obtain
9 and maintain in force as hereinafter provided
10 comprehensive general liability insurance, including
11 contractual liability coverage, with a combined
12 single limit of not less than \$1,000,000 each
13 occurrence. The insurance carrier or carriers and
14 form of policy shall be subject to review and
15 approval by Edison.

16 14.2 Prior to the date Seller's Generating Facility is
17 first operated in parallel with Edison's electric
18 system, Seller shall (i) furnish certificate of
19 insurance to Edison, which certificate shall provide
20 that such insurance shall not be terminated nor
21 expire except on thirty days prior written notice to
22 Edison, (ii) maintain such insurance in effect for
23 so long as Seller's Generating Facility is operated
24 in parallel with Edison's electric system, and
25 (iii) furnish to Edison an additional insured

26 //

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1 endorsement with respect to such insurance in
2 substantially the following form:

3 "In consideration of the premium charged,
4 Southern California Edison Company (Edison) is
5 named as additional insured with respect to all
6 liabilities arising out of Seller's use and
7 ownership of Seller's Generating Facility.

8 "The inclusion of more than one insured under
9 this policy shall not operate to impair the
10 rights of one insured against another insured
11 and the coverages afforded by this policy will
12 apply as though separate policies had been
13 issued to each insured. The inclusion of more
14 than one insured will not, however, operate to
15 increase the limit of the carrier's liability.
16 Edison will not, by reason of its inclusion
17 under this policy, incur liability to the
18 insurance carrier for payment of premium for
19 this policy.

20 "Any other insurance carried by Edison which
21 may be applicable shall be deemed excess
22 insurance and Seller's insurance primary for
23 all purposes despite any conflicting provisions
24 in Seller's policy to the contrary."

25 If the requirement of Section 14.2(iii) prevents
26 Seller from obtaining the insurance required in

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1 Section 14.1, then upon written notification by
2 Seller to Edison Section 14.2(iii) shall be waived.

3 14.3 The requirements of this Section 14 shall not apply
4 to Seller who is a self-insured governmental agency
5 with established record of self-insurance.

6 14.4 If Seller fails to comply with the provisions of
7 this Section 14, Seller shall, at its own cost,
8 defend, indemnify, and hold harmless Edison, its
9 directors, officers, employees, agents, assigns, and
10 successors in interest from and against any and all
11 loss, damage, claim, cost, charge, or expense of any
12 kind or nature (including direct, indirect or
13 consequential loss, damage, claim, cost, charge, or
14 expense, including attorneys' fees and other costs
15 of litigation) resulting from the death or injury to
16 any person or damage to any property, including the
17 personnel and property of Edison, to the extent that
18 Edison would have been protected had Seller complied
19 with all of the provisions of this Section 14.

20 15. UNCONTROLLABLE FORCES

21 15.1 Neither Party shall be considered to be in default
22 in the performance of any of the agreements contained
23 in this Contract, except for obligations to pay
24 money, when and to the extent failure of performance
25 shall be caused by an Uncontrollable Force.

26 //

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1 15.2 If either Party because of an Uncontrollable Force
2 is rendered wholly or partly unable to perform its
3 obligations under this Contract, the Party shall be
4 excused from whatever performance is affected by the
5 Uncontrollable Force to the extent so affected
6 provided that:

7 (1) the nonperforming Party, within two weeks after
8 the occurrence of the Uncontrollable Force,
9 gives the other Party written notice describing
10 the particulars of the occurrence,

11 (2) the suspension of performance is of no greater
12 scope and of no longer duration than is
13 required by the Uncontrollable Force,

14 (3) the nonperforming Party uses its best efforts
15 to remedy its inability to perform (this
16 subsection shall not require the settlement of
17 any strike, walkout, lockout or other labor
18 dispute on terms which, in the sole judgment of
19 the Party involved in the dispute, are contrary
20 to its interest. It is understood and agreed
21 that the settlement of strikes, walkouts,
22 lockouts or other labor disputes shall be at the
23 sole discretion of the Party having the
24 difficulty.

25 (4) when the nonperforming Party is able to resume
26 performance of its obligations under this

1 Contract, that Party shall give the other Party
2 written notice to that effect.

3 15.3 In the event that either Party's ability to perform
4 cannot be corrected when the Uncontrollable Force is
5 caused by the actions or inactions of legislative,
6 judicial or regulatory agencies or other proper
7 authority, this Contract may be amended to comply
8 with the legal or regulatory change which caused the
9 nonperformance.

10 If a loss of Qualifying Facility status occurs due
11 to an Uncontrollable Force and Seller fails to make
12 the changes necessary to maintain its Qualifying
13 Facility status, the Seller shall compensate Edison
14 for any economic detriment incurred by Edison as a
15 result of such failure.

16 16. NONDEDICATION OF FACILITIES

17 Neither Party, by this Contract, dedicates any part of
18 its facilities involved in this Project to the public or
19 to the service provided under the Contract, and such
20 service shall cease upon termination of the Contract.

21 17. PRIORITY OF DOCUMENTS

22 If there is a conflict between this document and any
23 Appendix, the provisions of this document shall govern.

24 //

25 //

26 //

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1 Each Party shall notify the other immediately upon
2 the determination of the existence of any such
3 conflict.

4 18. NOTICES AND CORRESPONDENCE

5 All notices and correspondence pertaining to this
6 Contract shall be in writing and shall be sufficient if
7 delivered in person or sent by certified mail, postage
8 prepaid, return receipt requested, to Seller as specified
9 in Section 1.1, or to Edison as follows:

10 Southern California Edison Company
11 Post Office Box 800
12 Rosemead, California 91770
Attention: Secretary

13 All notices sent pursuant to this Section 18 shall be
14 effective when received, and each Party shall be entitled
15 to specify as its proper address any other address in the
16 United States upon written notice to the other Party.

17 19. PREVIOUS COMMUNICATIONS

18 This Contract contains the entire agreement and
19 understanding between the Parties, their agents, and
20 employees as to the subject matter of this contract, and
21 merges and supersedes all prior agreements, commitments,
22 representations, and discussions between the Parties. No
23 Party shall be bound to any prior obligations,
24 conditions, or representations with respect to the
25 subject matter of this Contract.

26 //

1 20. NONWAIVER

2 None of the provisions of the Contract shall be considered
3 waived by either Party except when such waiver is given in
4 writing. The failure of either Edison or Seller to insist
5 in any one or more instances upon strict performance of
6 any of the provisions of the Contract or to take advantage
7 of any of its rights hereunder shall not be construed as
8 a waiver of any such provisions or the relinquishment of
9 any such rights for the future, but the same shall
10 continue to remain in full force and effect.

11 21. SUCCESSORS AND ASSIGNS

12 Neither Party shall voluntarily assign its rights nor
13 delegate its duties under this Contract, or any part of
14 such rights or duties, without the written consent of the
15 other Party, except in connection with the sale or merger
16 of a substantial portion of its properties. Any such
17 assignment or delegation made without such written
18 consent shall be null and void. Consent for assignment
19 shall not be withheld unreasonably. Such assignment
20 shall include, unless otherwise specified therein, all of
21 Seller's rights to any refunds which might become due
22 under this Contract.

23 22. EFFECT OF SECTION HEADINGS

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

1 23. GOVERNING LAW

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

5 24. MULTIPLE ORIGINALS

6 This Contract is executed in two counterparts, each of
7 which shall be deemed an original.

8 SIGNATURES

9 IN WITNESS WHEREOF, the Parties hereto have executed this
10 Contract this 16th of APRIL, 1985.

11
12 SOUTHERN CALIFORNIA EDISON COMPANY

13 APPROVED AS TO
14 JOHN
15 Vice President and General
16 Attorney
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BY

[Handwritten Signature]

Edward A. Myers, Jr.
Vice President

ZOND SYSTEMS, INC.

BY

[Handwritten Signature]

Daniel G. Reynolds
Vice President

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APPENDIX B

FORECAST OF ANNUAL AS-AVAILABLE
CAPACITY PAYMENT SCHEDULE

SOUTHERN CALIFORNIA EDISON COMPANY
LONG TERM STANDARD OFFER
CAPACITY PAYMENT SCHEDULE - FORECAST OF
AS AVAILABLE CAPACITY¹

Line No.	Year	As Available Capacity ² (\$/kW-year)
1	1984	76
2	1985	81
3	1986	87
4	1987	94
5	1988	101
6	1989	109
7	1990	117
8	1991	126
9	1992	148
10	1993	158
11	1994	169

SEASONAL TIME OF DELIVERY

Line No.	Year	Season	Period	As-Available Capacity* (¢/kWh)
1.	1984	Summer	On-Peak	7.854
2.			Mid-Peak	0.120
3.			Off-Peak	0.000
4.		Winter	On-Peak	1.516
5.			Mid-Peak	0.424
6.			Off-Peak	0.022

¹This forecast to be used in conjunction with Capacity Payment Option A.

²The annual as-available capacity (\$/kW-yr) will be converted to a seasonal time-of-delivery (¢/kWh) value that is consistent with as-available time-of-delivery rates currently authorized by the Commission for Avoided As-Available Capacity.

*In subsequent years, the annual as-available capacity (\$/kW-yr) will be converted to a seasonal time-of-delivery (¢/kWh) value that is consistent with as-available time-of-delivery rates currently authorized by the Commission for Avoided As-Available Capacity.

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APPENDIX C

FORECAST OF ANNUAL MARGINAL COST OF ENERGY

SOUTHERN CALIFORNIA EDISON COMPANY
LONG TERM STANDARD OFFER
ENERGY PAYMENT SCHEDULE - FORECAST OF ANNUAL MARGINAL
COST OF ENERGY¹

Line No.	Year	Annual Marginal Cost of Energy ² (¢/kWh)
1	1984	5.6
2	1985	5.7
3	1986	6.0
4	1987	6.4
5	1988	6.9
6	1989	7.6
7	1990	8.1
8	1991	8.6
9	1992	9.3
10	1993	10.1
11	1994	10.9

SEASONAL TIME OF DELIVERY

Line No.	Year	Season	Period	Annual Marginal Cost of Energy [*] (¢/kWh)
1.	1984	Summer	On-Peak	6.1
2.			Mid-Peak	5.8
3.			Off-Peak	5.5
4.		Winter	On-Peak	5.7
5.			Mid-Peak	5.6
6.			Off-Peak	5.5
7.		Annual		5.6

¹This forecast to be used in conjunction with Energy Payment Option 1.

²The annual energy payments in the table will be converted to seasonal time-of-delivery energy payment rates that are consistent with the time-of-delivery rates currently authorized by the Commission for Avoided Energy Cost Payments.

^{*}In subsequent years, the annual energy payments in the table will be converted to seasonal time-of-delivery energy payment rates that are consistent with time-of-delivery energy payment rates currently authorized by the Commission for Avoided Energy Cost Payments.