

San Diego Gas & Electric Company

Power Purchase Agreement

with

the City of Escondido

(Bear Valley)

Supersedes

Contract No : QFB 100.027

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ONE LINE DIAGRAM

San Diego Gas & Electric Company
Power Purchase Agreement with
the City of Escondido

THE CITY OF ESCONDIDO ("Seller") and San Diego Gas and Electric Company ("SDG&E"), referred to collectively as "Parties" and individually as "Party", agree as follows:

1. RECITALS

1.1 The Parties entered into the Power Purchase and Sale Agreement between San Diego Gas and Electric Company and Escondido Mutual Water Company transaction number 82-0741 (b) dated June 8, 1983, rate schedule FERC No. 57, which provided for SDG&E purchases of energy from Escondido's Bear Valley and Rincon hydroelectric plants and Escondido purchases of energy from SDG&E for the Dixon Water Treatment Plant and the Rincon Indian Reservation.

1.2 Escondido is successor in interest to the Escondido Mutual Water Company.

1.3 The Parties have entered into an agreement for sales by Escondido to SDG&E of the surplus energy and as available capacity from the Rincon Hydroelectric Plant and an agreement for sale by SDG&E to Escondido of energy for resale at the Rincon Indian Reservation.

1.4 The purpose of this document is to provide for sales by Escondido to SDG&E of the surplus Energy and as available capacity from the Bear Valley Hydroelectric Plant which has a Nameplate Rating of 1500 kW.

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 SDG&E's Electric Department Rule 21, in effect at the time of execution of this Agreement.

2.2 As-Available Capacity

The capacity delivered to SDG&E from the Generating Facility that SDG&E is contractually obligated to purchase at its published As-Available Capacity price as approved by the CPUC.

2.3 CPUC

The Public Utilities Commission of the State of California.

2.4 Electric Department Rule 21

SDG&E's interconnection standards for cogenerators and small power producers interconnected with the SDG&E system incorporated herein by reference.

2.5 Emergency

An actual or imminent condition or situation which jeopardizes SDG&E Electric System Integrity.

2.6 Force Majeure

Any occurrence, other than Forced Outages, beyond the reasonable control of and without the fault or negligence of the Party claiming Force Majeure which causes the Party to be unable to perform its obligations, which by exercise of due

foresight such Party could not reasonably have been expected to avoid and which the Party is unable to overcome by the exercise of due diligence. Such an occurrence may include, but is not limited to, acts of God, labor disputes, sudden actions of the elements, actions or inactions by federal, state, and municipal agencies, and actions or inactions of legislative, judicial, or regulatory agencies.

2.7 Forced Outage

Any outage of the Generating Facility or Seller's Interconnection Facilities resulting from a design defect, inadequate construction, operator error, interruption in fuel supply unless excused as a Force Majeure, or a breakdown of the mechanical or electrical equipment that fully or partially curtails the electrical output of the Generating Facility.

2.8 Generating Facility

All of Seller's generating units, together with all protective and other associated equipment and improvements owned, maintained, and operated by Seller, which are necessary to produce electrical power, excluding associated land, land rights, and interests in land.

✓ 2.9 Initial Operation

The day the Generating Facility first operates in parallel with the SDG&E system after the date the Agreement is effective.

2.10 Interconnection Facilities

All means required, and apparatus installed, to interconnect and deliver power from the Generating Facility to the SDG&E system in accordance with SDG&E's Electric Department Rule No. 21, including, but not limited to, connection, transformation, switching, metering, communications, control, and safety equipment, such as equipment required to protect (a) the SDG&E system and its customers from faults occurring at the Generating Facility, and (b) the Generating Facility from faults occurring on the SDG&E system or on the systems of others to which the SDG&E system is directly or indirectly connected. Interconnection Facilities also include any necessary additions and reinforcements by SDG&E to the SDG&E system required as a result of the interconnection of the Generating Facility to the SDG&E system.

2.11 Nameplate Rating

The gross generating capacity of the Generating Facility less Station Use. For purposes of this Agreement, Nameplate Rating is that rating specified in the Recitals.

2.12 SDG&E Electric System Integrity

The state of operation of SDG&E's electric system in a manner which is deemed to minimize the risk of injury to persons and/or property and enables SDG&E to provide adequate and reliable electric service to its customers.

2.13 Point of Delivery

The point where Seller's electrical conductors contact SDG&E's system as it shall exist whenever the deliveries are being made or at such other point or points as the Parties may agree in writing. A Point of Delivery sketch is attached in Appendix B.

2.14 Protective Apparatus

All relays, meters, power circuit breakers, synchronizers, and other control devices as shall be agreed to by the Parties in accordance with the requirements of SDG&E as necessary for proper and safe operation of the Generating Facility in parallel with SDG&E's electric system.

2.15 Prudent Electrical Practices

Those practices, methods, and equipment, as changed from time to time, that are commonly used in prudent electrical engineering and operations to design and operate electric equipment lawfully and with safety, dependability, efficiency, and economy.

2.16 Short-Run Avoided Operating Costs

CPUC-approved costs, updated from time to time, which are the basis of SDG&E's published energy prices.

2.17 Station Use

Energy used to operate the Generating Facility's auxiliary equipment. The auxiliary equipment includes, but is not limited to, forced and induced draft fans, cooling towers, boiler feed pumps, lubricating oil systems, plant lighting, fuel handling systems, control systems, and sump pumps.

3. TERM AND TERMINATION

This Agreement shall be effective July 1, 1990 or on the effective date of the agreement for sale by SDG&E to Escondido of energy for resale at the Rincon Indian Reservation and shall remain in effect until July 1, 2020 unless terminated sooner by Seller upon providing thirty (30) days prior written notice.

4. GENERATING FACILITY

The Generating Facility shall be operated and maintained as follows:

4.1 General:

(a) Seller, at Seller's sole expense, shall maintain all permits and other approvals and conduct all environmental impact studies necessary for the operation and maintenance of the Generating Facility.

(b) Seller shall provide to SDG&E reasonable advance written notice of any changes in the Generating Facility and provide to SDG&E specifications and design drawings of any such changes for SDG&E's review and approval.

(c) The total installed capacity (net of station use) of Seller's Generating Facility shall not exceed the Nameplate Rating set forth in the Recitals.

4.2 Operation:

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

(b) Seller shall operate the Generating Facility to generate such reactive power or provide individual power factor correction as necessary to maintain voltage levels and reactive power support as may be required by SDG&E, in accordance with SDG&E's Electric Department Rule 21. Seller shall not deliver excess reactive power to SDG&E unless otherwise agreed upon between the Parties. If Seller fails to provide reactive power support, SDG&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 SDG&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 SDG&E. 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 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 maintenance performed, kilowatts, kilovars and kilowatt hours generated and settings or adjustments of the generator control equipment and protective devices. Such information shall be available pursuant to Section 17.

(g) SDG&E may require Seller to report to SDG&E, 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) SDG&E may require Seller, at Seller's expense, to demonstrate to SDG&E's satisfaction the correct calibration and operation of Seller's Protective Apparatus at any time SDG&E has reason to believe that said Protective Apparatus may impair the SDG&E Electric System Integrity.

4.3 Maintenance:

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

(b) Seller shall notify SDG&E (1) by January 1, May 1, and September 1 of each year, of the estimated scheduled maintenance and estimated daily energy and capacity deliveries for the succeeding four months and (2) by September 1 of each year, of the estimated scheduled maintenance and estimated daily energy and capacity deliveries for the following calendar year.

5. INTERCONNECTION FACILITIES

5.1 The Interconnection Facilities for which Seller is responsible and the Point of Delivery shall be set forth on the One Line Diagram (Exhibit B) and the Equipment List (Exhibit C).

5.2 Seller shall provide written notice to SDG&E at least fourteen (14) calendar days prior to the testing of Seller's Protective Apparatus. Seller's Protective Apparatus shall be tested at intervals not to exceed three (3) years using qualified personnel. SDG&E shall have the right to have a representative present at the initial and subsequent testing of Seller's Protective Apparatus and to receive copies of the test results.

5.3 Seller shall be allocated existing line capacity in accordance with SDG&E's Electric Department Rule No. 21.

5.4 Seller shall be solely responsible for the operation and maintenance of the Interconnection Facilities, owned by Seller, necessary to protect SDG&E's electric system, employees and customers from damage or injury arising out of or connected with the operation of the Generating Facility. Seller shall operate and maintain the Interconnection Facilities owned by Seller in accordance with Prudent Electrical Practices.

5.5 Seller shall pay for any changes in the Interconnection Facilities as may be reasonably required to meet the changing requirements of the SDG&E system in accordance with SDG&E's Electric Department Rule No. 21.

5.6 Seller shall provide to SDG&E reasonable advance written notice of any changes in the Interconnection Facilities and provide to SDG&E specifications and design drawings of any such changes for SDG&E's review and approval.

6. REVIEW AND DISCLAIMER

6.1 Review by SDG&E of the design, construction, operation, or maintenance of Seller's Interconnection Facilities or Generating Facility shall not constitute any representation as to the economic or technical feasibility, operational capability, or reliability of such facilities. Seller shall in no way represent to any third party that any such review by SDG&E of such

facilities including but not limited to any review of the design, construction, operation, or maintenance of such facilities by SDG&E is a representation by SDG&E as to the economic or technical feasibility, operational capability, or reliability of such facilities. Seller is solely responsible for economic and technical feasibility, operational capability, and reliability of Seller's Interconnection Facilities and the Generating Facility.

6.2 SDG&E shall notify Seller in writing of the outcome of SDG&E's review of the design and all of the specifications, drawings, and explanatory material for Seller's Interconnection Facilities (and the Generating Facility, if requested by SDG&E) within thirty (30) calendar days of the receipt of the design and all of the specifications, drawings, and explanatory material for Seller's Interconnection Facilities (and the Generating Facility, if requested by SDG&E). Any flaws in the design perceived by SDG&E in the review of all of the specifications, drawings, and explanatory material for Seller's Interconnection Facilities (and the Generating Facility, if requested by SDG&E) shall be described in SDG&E's written notification.

7. REAL PROPERTY RIGHTS

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

7.2 If any part of SDG&E's Interconnection Facilities, equipment, and/or line extension is to be installed on property owned by other than Seller, or under the jurisdiction or control of any other individual, agency or organization, SDG&E may, at its discretion and at Seller's cost and expense obtain from the owners thereof all necessary easements and rights of way including adequate and continuing access rights, and/or such other grants, consents and licenses, in a form satisfactory to SDG&E, for the construction, operation, maintenance, and replacement of SDG&E's Interconnection Facilities, equipment, and/or line extension upon such property. If SDG&E does not elect to obtain or cannot obtain such easements and rights of way, Seller shall obtain them at its cost and expense. If Seller requests, SDG&E shall cooperate with and assist Seller in obtaining said easements and rights of way. In any event, Seller shall reimburse SDG&E for all costs incurred by SDG&E in obtaining, attempting to obtain or assisting in obtaining such easements and rights of way.

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

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

7.5 If Seller exercises due diligence to obtain easements and rights of way for SDG&E's Interconnection Facilities pursuant to Section 7.2, and if SDG&E in its sole discretion elects not to exercise its power of eminent domain to acquire such easements and rights of way, Seller shall have no obligation to SDG&E for any loss, liability, damage, claim, cost, charge or expense due to Seller's inability to acquire such easements and rights of way.

7.6 Nothing in this Section shall be construed to require SDG&E to acquire land rights through condemnation or any other means for Seller either inside or outside of SDG&E's service territory unless SDG&E shall in its sole discretion elect to do so.

8. METERING

8.1 All meters and equipment used for the measurement of power for determining SDG&E's payments to Seller pursuant to this Agreement shall be provided, owned, and maintained by SDG&E at Seller's sole expense in accordance with SDG&E's Electric Department Rule 21.

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

8.3 SDG&E shall inspect and test all meters annually. At Seller's request and expense, SDG&E shall inspect or test a meter more frequently.

8.4 Metering equipment determined by SDG&E to be inaccurate or defective shall be repaired, adjusted, or replaced by SDG&E such that the metering accuracy of said equipment shall be within two (2) percent. If a meter fails to register or if the measurement made by a meter during a test varies by more than two (2) percent from the metering standard used in the test, an adjustment shall be made correcting all measurements made by the inaccurate meter for (a) the actual period during which inaccurate measurements were made, if the period can be determined, or if not, (b) the period immediately preceding the test of the meter equal to one-half the time from the date of the last previous test of the meter, provided that the period covered by the correction shall not exceed six (6) months.

9. ENERGY PURCHASE

9.1 Seller shall sell and deliver and SDG&E shall purchase and accept, at the Point of Delivery, energy produced by the Generating Facility.

9.2 SDG&E shall pay Seller for energy at prices equal to SDG&E's Short-Run Avoided Operating Costs.

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

9.4 SDG&E has contracted to purchase the energy associated with the Nameplate Rating. If Seller increases the Nameplate Rating above that specified in the Recitals, SDG&E shall not be required to pay for energy associated with the increase.

9.5 Energy payments will be multiplied by an energy loss adjustment factor, as approved by the CPUC.

10. CAPACITY PURCHASE

10.1 Seller shall sell and deliver and SDG&E shall purchase and accept, at the Point of Delivery, As-Available Capacity produced by the Generating Facility.

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

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

10.4 SDG&E has contracted to purchase the As-Available Capacity associated with the Nameplate Rating. If Seller increases the Nameplate Rating above that specified in the Recitals, SDG&E shall not be required to pay for As-Available Capacity associated with the increase.

10.5 As-Available Capacity payments will be multiplied by a capacity loss adjustment factor, as approved by the CPUC.

11. 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:

SDG&E: San Diego Gas & Electric Company
Supervisor, Customer Energy Contracts Section
P.O. Box 1831
San Diego, CA 92112

Seller: City of Escondido
Utilities Manager
201 N. Broadway
Escondido, CA 92025-2798

12. INTERRUPTION OF DELIVERIES

12.1 SDG&E shall not be obligated to accept or pay for and may require Seller to interrupt or reduce deliveries of capacity and energy (a) when necessary in order to construct, install, maintain, repair, replace, remove, investigate, or inspect any of its equipment or any part of its system; or (b) if it determines that interruption or reduction is necessary because of an Emergency, forced outage, Force Majeure, or compliance with Prudent Electrical Practices; provided that SDG&E shall not interrupt deliveries pursuant to this Section solely in order to take advantage, or make purchases, of less expensive energy elsewhere.

12.2 Notwithstanding any other provisions of this Agreement, if at any time SDG&E determines that, (a) continued parallel operation of the Generating Facility may endanger SDG&E personnel, (b) continued parallel operation of the Generating Facility may endanger the SDG&E Electric System Integrity, or (c) Seller's Protective Apparatus is not fully in service, SDG&E shall have the right to disconnect the Generating Facility from SDG&E's system. The Generating Facility shall remain disconnected until such time as SDG&E is satisfied that the condition(s) referenced in this Section have been corrected.

12.3 Whenever possible, SDG&E shall give Seller reasonable notice of the possibility that interruption or reduction of deliveries may be required.

13. PAYMENT AND BILLING

13.1 SDG&E shall mail to Seller not later than thirty (30) calendar days after the end of each monthly billing period (a) a statement showing the energy and capacity delivered to SDG&E during on-peak, semi-peak, off-peak, and super-off-peak periods during the monthly billing period, (b) SDG&E's computation of the amount due Seller, and (c) SDG&E's check in payment of said amount.

13.2 SDG&E reserves the right to provide Seller's statement concurrently with any bill to Seller for electric service provided by SDG&E to Seller at the Point of Delivery or any bill to Seller for any charges under this Agreement owing and unpaid by Seller and to apply the value of SDG&E's purchase of energy and capacity toward such bill(s). Seller shall pay any amount owing for electric service provided by SDG&E to Seller in accordance with applicable tariff schedules. Nothing in this Section 13.2 shall limit SDG&E's rights under applicable tariff schedules.

13.3 In the event adjustments to payments are required as a result of inaccurate meters, SDG&E shall use the corrected measurements described in Section 8 to recompute the amount due from SDG&E to Seller during the period of inaccuracy. Any refund due and payable to SDG&E resulting from inaccurate metering shall be made within thirty (30) calendar days of written notification to Seller by SDG&E of the amount due. Any additional payment to Seller resulting from inaccurate metering shall be made within thirty (30) calendar days of SDG&E's recomputation of the amount due from SDG&E to Seller.

13.4 There shall be no monthly operating and maintenance charges associated with existing Interconnection Facilities.

14. INDEMNITY AND LIABILITY

14.1 Each Party as indemnifier 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 indemnifier's facilities; provided, however, Seller's duty to indemnify SDG&E hereunder shall not extend to loss, liability, damage, claim, cost, charge, demand, or expense resulting from interruptions in electrical service to SDG&E's customers other than Seller or electric customers of Seller. This indemnity shall apply notwithstanding the active or passive negligence of the indemnified. 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.

14.2 Notwithstanding the indemnity of Section 14.1 and except for a Party's willful misconduct or sole negligence, each Party shall be responsible for damage to its facilities resulting from electrical disturbances or faults.

14.3 Seller releases and shall defend, save harmless and indemnify SDG&E from any and all loss, liability, damage, claim, cost, charge, demand or expense arising out of or in connection with any representation made by Seller inconsistent with Section 6.1.

14.4 The provisions of this Section 14 shall not be construed to relieve any insurer of its obligations to pay any insurance claims in accordance with the provisions of any valid insurance policy.

14.5 Except as otherwise provided in Section 14.1, neither Party shall be liable to the other Party for consequential damages incurred by that Party.

14.6 If Seller fails to comply with the provisions of Section 15, Seller shall, at its own cost, defend, save harmless and indemnify SDG&E, its directors, officers, employees, and agents, assignees, and successors in interest from and against any and all loss, liability, damage, claim, cost, charge, demand, or expense of any kind or nature (including any direct, indirect, or consequential loss, damage, claim, cost, charge, demand, or expense, including attorneys' fees and other costs of litigation), resulting from injury or death to any person or damage to any property, including the personnel or property of SDG&E, to the extent that SDG&E would have been protected had Seller complied with all of the provisions of Section 15. The inclusion of this Section 14.6 is not intended to create any express or implied right in Seller to elect not to provide the insurance required under Section 15.

15. INSURANCE

15.1 In connection with the Generating Facility, associated land, land rights, and interests in land, and with Seller's performance of and obligations under this Agreement, Seller shall maintain, during the term of the Agreement, General Liability Insurance with a combined single limit of not less than one million dollars (\$1,000,000) for each occurrence. Such General Liability Insurance shall include coverage for Premises-Operations, Owners and Contractors Protective, Products/Completed Operations Hazard, Explosion, Collapse, Underground, Contractual Liability, and Broad Form Property Damage including Completed Operations.

15.2 The General Liability Insurance required in Section 15.1 shall, by endorsement to the policy or policies, (a) include SDG&E as an additional insured; (b) contain a severability of interest clause or cross-liability clause; (c) provide that SDG&E shall not by reason of its inclusion as an additional insured incur liability to the insurance carrier for payment of premium for such insurance; and (d) provide for thirty (30) calendar days written notice to SDG&E prior to cancellation, termination, alternation, or material change of such insurance.

15.3 If the requirement of Section 15.2(a) prevents Seller from obtaining the insurance required in Section 15.1, then upon written notification by Seller to SDG&E, Section 15.2(a) shall be waived.

15.4 Evidence of the insurance required in Section 15.1 shall state that coverage provided is primary and is not in excess to or contributing with any insurance or self-insurance maintained by SDG&E.

15.5 SDG&E shall have the right to inspect or obtain a copy of the original policy or policies of insurance.

15.6 Seller shall furnish the required certificates and endorsements to SDG&E prior to Initial Operation.

15.7 Seller may comply with the following in lieu of Sections 15.1 through 15.6:

(a) Seller shall provide to SDG&E at least thirty (30) calendar days prior to the date of Initial Operation evidence of an acceptable plan to self-insure to a level of coverage equivalent to that required under Section 15.1.

(b) If Seller ceases to self-insure to the level required hereunder, or if the Seller is unable to provide continuing evidence of Seller's ability to self-insure, Seller shall immediately obtain the coverage required under Section 15.1.

15.8 All insurance certificates, statements of self insurance, endorsements, cancellations, terminations, alterations, and material changes of such insurance shall be issued and submitted to the following:

SDG&E: San Diego Gas & Electric Company
Attention: Customer Energy Contracts Section
P.O. Box 1831
San Diego, CA 92112

Seller: City of Escondido
Utilities Manager
201 N. Broadway
Escondido, Ca 92925-2798

16. FORCE MAJEURE

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

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

16.2 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.

16.3 This Section 16 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.

16.4 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.

17. 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 records and operations and maintenance logs of the Generating Facility.

18. ASSIGNMENT

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

19. NON-DEDICATION

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

20. NON-WAIVER

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

21. SECTION HEADINGS

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

22. 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.

23. 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.

24. SEVERAL OBLIGATIONS

Except where specifically stated in this Agreement to be otherwise, the duties, obligations, and liabilities of the Parties are intended to be several and not joint or collective. Nothing contained in this Agreement shall be construed to create an association, trust, partnership, or joint venture or impose a trust or partnership duty, obligation, or liability on or with regard to either Party. Each Party shall be liable individually and severally for its own obligations under this Agreement.

25. SIGNATURES

IN WITNESS WHEREOF, the Parties hereto have caused two originals of this Agreement to be executed by their duly authorized representatives.

City of Escondido

San Diego Gas & Electric Company

By: Jerry C. Harmon

By: Donald E. Felsing

Type Name: Jerry C. Harmon

Type Name: Donald E. Felsing

Title: Mayor Pro Tem

Title: Vice President, Marketing and Resource Development

Date Signed: May 16, 1990

Date Signed: May 18, 1990

Attest:

JEANNE BUNCH, CITY CLERK
CITY OF ESCONDIDO

APPENDIX A

TIME PERIODS

The Time Periods currently in effect for San Diego Gas & Electric are defined in accordance with the following table:

	<u>Summer</u> May 1 - September 30	<u>Winter</u> All Other
On-Peak	11 a.m. - 6 p.m. Weekdays	5 p.m. - 8 p.m. Weekdays
Semi-Peak	6 a.m. - 11 a.m. Weekdays	6 a.m. - 5 p.m. Weekdays
	6 p.m. - 10 p.m. Weekdays	8 p.m. - 10 p.m. Weekdays
Off-Peak	10 p.m. - Midnight Weekdays	10 p.m. - Midnight Weekdays
	5 a.m. - 6 a.m. Weekdays	5 a.m. - 6 a.m. Weekdays
	5 a.m. - Midnight Weekends	5 a.m. - Midnight Weekends
	5 a.m. - Midnight Holidays	5 a.m. - Midnight Holidays
Super Off-Peak	Midnight - 5 a.m. All days	Midnight - 5 a.m. All days

All time periods listed are clock time.

The holidays specified are: New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Veteran's Day, Thanksgiving Day and Christmas Day as designated by California Law.

The time period definitions may be revised to comply with CPUC orders regarding billing hours.

The energy payments currently are calculated and published four times a year in accordance with the following table:

<u>Effective Date</u>	<u>Applicable Period</u>
February 1	February 1 - April 30
May 1	May 1 - July 31
August 1	August 1 - October 31
November 1	November 1 - January 31



INTERNAL CORRESPONDENCE

TO Distribution DATE May 25, 1990
FROM L.R. Vick FILE NO. QFB 100.026
QFB 100.027


SUBJECT New Agreements with the City of Escondido

Attached are copies of the new agreements between SDG&E and the City of Escondido for purchase by SDG&E of power from the 1500 kW Bear Valley and 300 kW Rincon Hydroelectric Plants and sales by SDG&E of power to the City of Escondido for resale at the Rincon Indian Reservation.

The power purchase agreements provide for purchase of energy and as-available capacity at avoided cost. They are based on our SOI but are modified to reflect the fact that the power plants are not QF's and are existing facilities.

The power sale agreement is essentially the existing agreement with the portions deleted which are not related to the sale. Technically this agreement will not become effective until accepted for filing with FERC but since there is virtually no change in the rate (actually a small reduction), we will implement it on July 1 along with the power purchase agreements.

Dixon Water Treatment Plant will again be on regular tariffs effective July 1 as it will no longer be a part of a special agreement.



L.R. Vick
x 1992

LRV/ea
Attachment

Distribution:

(w/attachment)

P.G. Wilk (original)
M.J. Wood
M.D. Schlei
E.L. McLaughlin
D.L. Sullivan
N.J. Hargett
J.L. Smith
R.G. Barlow
C. Dorman

(w/o attachment)

H.P. Morse
B.E. Alfonso
S.C. Kwong
M.W. Ward

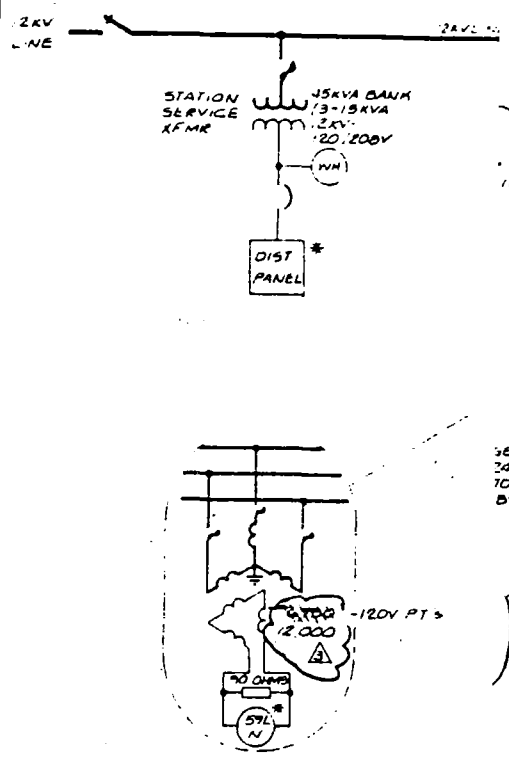
Esconl.Ltr

LEGEND

- AMMETER
- SYNCHROSCOPE
- VOLTMETER
- WATTMETER
- VAR METER
- WATTHOUR DEMAND METER
- AMMETER SWITCH
- VOLTMETER SWITCH
- TELEMETERED
- DEVICE FUNCTIONS INCLUDED IN AN ASSEMBLED UNIT
 - 15** AUTO SYNCH SPEED MATCHER
 - 25** AUTOMATIC SYNCHRONIZER
 - 25X** AUTO SYNCH AUX RELAY
- WATT-VAR TRANSDUCE
- LINE UNDERVOLTAGE RELAY
- OVERTEMPERATURE SHUTDOWN RELAY
- LOSS OF EXCITATION RELAY
- 435A/CS** AUTO SYNCH SELECTOR SWITCH
- 435M/CS** MANUAL SYNCH SELECTOR SWITCH
- NEGATIVE PHASE SEQUENCE RELAY
- FREQUENCY METER
- OVER CURRENT RELAY WITH VOLTAGE RESTRAINT
- GENERATOR CIRCUIT BREAKER
- NEUTRAL OVERTVOLTAGE RELAY
- AUTO SYNCH VOLTAGE MATCHER
- DIFFERENTIAL RELAY
- TEST SWITCH
- GROUND FAULT DETECTOR 12KV LINE
- UNDERFREQUENCY RELAY

GEN. NO 1
3000 V
100 KW
85 PF

GEN. NO 2
2400 V
100 KW
85 PF



* FURNISHED BY CONTRACTOR

Exhibit B

RECEIVED
San Diego Gas & Electric
JUL 20 1983
NORTHEAST DISTRICT
OFFICE

	11/18/81	MISC CIRCUIT CHANGES	GLT	LCA
	5/11/83	ADD GENERATOR #2 / DELETE TRANSFORMER	DFC	LCA
	11/22/82	REVISE CONTROL TRANSFORMER, INDICATE CONTRACT LIMITS	PCS	LCA
NO	DATE	REVISION	BY	APVD

ESCONDIDO MUTUAL WATER COMPANY
BEAR VALLEY POWERHOUSE

ONE-LINE DIAGRAM

AUG 1981 ELECTRICAL SHEET 17