STANDARD OFFER NO. 1

STANDARD OFFER FOR POWER PURCHASE

AND INTERCONNECTION WITH

AN AS-AVAILABLE QUALIFYING FACILITY

CITY OF OCEANSIDE

Transaction No.: 85-0143

| - 1 | | TABLE OF CONTENTS | |
|-----|---------|---------------------------------------|------|
| 2 | | | |
| 3 | SECTION | TITLE | PAGE |
| 4 | 1. | Parties | 1. |
| 5 | 2. | Agreement | 1. |
| 6 | 3. | Project Summary | 1. |
| 7 | 4. | Notices | 4. |
| 8 | 5. | Recitals | 4. |
| 9 | 6. | Definitions | 5. |
| 10 | 7. | Effective Date and Term | 10. |
| 11 | 8. | Purchase Price of Energy and Capacity | 11. |
| 12 | 9. | Method of Purchase and Sale | 11. |
| 13 | 10. | Electric Service to Seller | 13. |
| 14 | 11. | Seller's General Obligations | 14. |
| 15 | 12. | SDG&E's General Obligations | 17. |
| 16 | 13. | Interconnection Facilities | 19. |
| 17 | 14. | Cancellation Charges | 23. |
| 18 | 15. | Billing and Payment | 23. |
| 19 | 16. | Authorized Representatives | 25. |
| 20 | 17. | Metering of Energy Deliveries | 26. |
| 21 | 18. | Continuity of Service | 27. |
| 22 | 19. | Nondedication of Facilities | 28. |
| 23 | 20. | Liability | 29. |
| 24 | 21. | Insurance | 29. |
| 25 | 22. | Uncontrollable Force | 31. |
| 26 | 23. | Non-Waiver | 32. |
| 27 | 24. | Successors & Assigns | 32. |

| 1 | | | | | |
|----|---------|------|--------|--|--------|
| 1 | SECTION | TITL | E | | PAGE |
| 2 | 25. | Effe | ect of | Section Headings | 33. |
| 3 | 26. | Gove | erning | Law | 33. |
| 4 | 27. | Seve | eral O | bligations | 33. |
| 5 | | SIGN | NATURE | S | 34. |
| 6 | | EXH | BITS | | |
| 7 | | A | - | Plant Schematic and Interconn Facilities | ection |
| 9 | | В | - | Interconnection and Line Exte Facilities Equipment List | nsion |
| 10 | | С | - | SDG&E's Energy Payment Schedu Qualifying Facilities | le For |
| 11 | | | | - | .a1 . |
| 12 | | D | - , | SDG&E's Capacity Payment Sche For As-Available Qualifying F | acili- |
| 13 | | | | ties | |
| 14 | · | E | - | SDG&E's Electric Department R | ule 21 |
| 15 | | | | | |
| 16 | | | | | |

-ii-

1. PARTIES

The Parties to this Agreement are <u>The City of</u>

Oceanside (Seller), and San Diego Gas & Electric Company

(SDG&E), a California corporation (individually "Party",

collectively "Parties").

2. AGREEMENT

The Parties agree as follows:

3. PROJECT SUMMARY

Seller represents that the statements made below are true and selects the options to this Agreement specified below, which options are described in more detail in the sections referenced below:

3.1 Seller's Plant:

- 3.1.1 Nameplate Rating <u>184</u> kW in 1985 350 kW in 1987
- 3.1.2 Interconnection Voltage Level 480v
- 3.1.3 Location: San Francisco Peak

Hydro Plant
S/O Lake Blvd.

E/O Waverly Road

Oceanside, California

(address)

Cogeneration Facility

3.1.4 Type of Facility: Hydro

X Small Power Production

Facility

3.1.5 Construction begin date (Section 7.3)

Under Construction

| 1 | Operation Date (Section 7.1) |
|----|---|
| 2 | Unit 1 72 kW 9/15/85 |
| 3 | Unit 2 112 kW 9/15/85 |
| 4 | Unit 3 166 kW 6/1/87 |
| 5 | |
| 6 | 3.2 Method of Purchase and Sale (check one) |
| 7 | (Section 9.1): |
| 8 | Simultaneous Purchase and Sale |
| 9 | X Sale of Surplus Energy |
| 10 | 3.3 Electric Service to Seller |
| 11 | 3.3.1 Service under SDG&E Rate Schedule |
| 12 | (Section 10.1): <u>AD/PG</u> . |
| 13 | 3.3.2 Standby Service under SDG&E Rate |
| 14 | Schedule (Section 10.2): |
| 15 | N/A. |
| 16 | 3.3.3 Amount of Standby Service |
| 17 | (Section 10.2): N/A kW. |
| 18 | 3.4 Interconnection Facilities Payment Option for |
| 19 | cost of SDG&E Facilities (Section 13.3) |
| 20 | (check one): |
| 21 | X Option l - Advance Payment |
| 22 | Option 2 - Financed Payment |
| 23 | 3.4.1 The estimated cost of SDG&E |
| 24 | Facilities (Section 13.3): |
| 25 | \$\$3,439.20 |
| 26 | 3.4.2 The estimated cost of Line Extension |
| 27 | Facilities (Section 13.4): |
| 28 | \$_\$56,398.00 |
| | IT |

| 1 | 3.4.3 Seller chooses to determine the cost |
|----|---|
| 2 | payable for both the SDG&E and Line |
| 3 | Extension Facilities as specified in |
| 4 | Section 3.4.1 and 3.4.2 based on (Sec- |
| 5 | tion 13.5): |
| 6 | Binding Estimate |
| 7 | X Actual Cost |
| 8 | 3.4.4 Maximum Capacity of Interconnection |
| 9 | Facilities: 0.750 MW. Limiting |
| 10 | Interconnection Equipment: |
| 11 | 12000/277/480 3¢ Transformer. |
| 12 | 3.5 Seller selects the following metering loca- |
| 13 | tions (Sections 8.3 and 17.1) |
| 14 | Metering on SDG&E's side of |
| 15 | Interconnection Facilities |
| 16 | |
| 17 | |
| 18 | Interconnection Facilities |
| 19 | Transformer Loss Compensation Factor: 2% |
| 20 | |
| 21 | |
| 22 | |
| | |
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4. NOTICES

Any formal communication or notice in connection with the Agreement shall be in writing and shall be deemed properly given if delivered in person or sent by first class mail, postage prepaid, to the person specified below:

San Diego Gas & Electric Company c/o Secretary P. O. Box 1831 San Diego, CA 92112

| Water Utilities Department 320 North Horne Street | City of Oceanside |
|--|----------------------------|
| 320 North Horne Street | Water Utilities Department |
| | |
| occursiac, ch jeus | Oceanside, CA 92054 |

5. RECITALS

- 5.1 This Agreement describes the conditions and prices available to Seller for As-Available Energy and Capacity sold and delivered to SDG&E from a Qualifying Facility (see Definition below) as mandated by the California Public Utilities Commission (CPUC), the Federal Energy Regulatory Commission (FERC) and the Public Utility Regulatory Policies Act of 1978.
- 5.2 Seller desires to construct, own, operate and control a Qualifying Facility, generate electric energy, and sell and deliver As-Available Energy and Capacity produced by said facility to SDG&E.
- 5.3 SDG&E desires to purchase As-Available Energy and Capacity made available to it from the Qualifying Facility subject to the terms of this Agreement.

-4-

6. DEFINITIONS

- Agreement: This Standard Offer for Power
 Purchase and Interconnection with an As-Available Qualifying
 Facility between SDG&E and Seller, including: Exhibit A Plant Schematic and Interconnection Facilities; Exhibit B Interconnection and Line Extension Facilities Equipment
 List; Exhibit C SDG&E's Energy Payment Schedule for
 As-Available Qualifying Facilities; Exhibit D SDG&E's
 Capacity Payment Schedule for As-Available Qualifying
 Facilities; and Exhibit E SDG&E's Electric Department Rule
 21, attached hereto and incorporated herein by reference.
- 6.2 <u>As-Available Energy/Capacity</u>: Electricity provided by a Qualifying Facility to a utility as it becomes available, rather than at prearranged times and in prearranged quantities.
- Authorized Representatives: An employee of the Party designated in writing to the other Party to serve as primary contact for and represent such Party in the implementation and administration of this Agreement.
- 6.4 <u>Bill</u>: A written statement setting forth charges and requiring payment for electrical service, gas service, or both, as more fully discussed in SDG&E's Rules of Service.
- 6.5 <u>Capacity Payment Schedule</u>: SDG&E's schedule of time-differentiated prices and conditions for purchase of capacity from As-Available Qualifying Facilities, as updated from time-to-time. The capacity prices contained therein will be derived from SDG&E's full avoided cost, as approved

by the CPUC, throughout the life of the Agreement. SDG&E's current Capacity Payment Schedule is attached as Exhibit D.

- 6.6 Cogeneration Facility: A facility which produces electric energy and steam or forms of useful thermal energy (such as heat), which are used for industrial, commercial, heating, or cooling purposes, as defined in Title 18 Code of Federal Regulations (CFR), Part 292, as of the effective date of this Agreement.
- 6.7 <u>CPUC</u>: The California Public Utilities

 Commission or any successor agency having regulatory control over SDG&E or its successors.
- 6.8 Energy: Electric energy expressed in kilowatt-hours generated by the Plant, delivered and sold to SDG&E.
- Energy Payment Schedule: SDG&E's schedule of time-differentiated prices and conditions for purchase of Energy from As-Available Qualifying Facilities as updated from time-to-time. The Energy prices contained therein will be derived from SDG&E's full avoided operating costs, as approved by the CPUC, throughout the life of the Agreement. SDG&E's current Energy Payment Schedule is attached as Exhibit C.
- 6.10 <u>FERC</u>: The Federal Energy Regulatory Commission or any successor agency having a similar function.
- 6.11 <u>Forced Outage</u>: Any Plant outage resulting from a design defect, inadequate construction, operator error or a breakdown of the mechanical or electrical

equipment that fully or partially curtails the electrical output of the Plant.

- devices which are required for the proper and safe operation of the Plant in parallel with SDG&E's electric system and which are either owned by Seller or are SDG&E Facilities, all as described in Section 13, and generally shown on Exhibits A and B.
- 6.13 <u>Line Extension Facilities</u>: All facilities, excluding the Interconnection Facilities, as generally shown on Exhibit B and as determined by SDG&E to be necessary to connect SDG&E's existing system to the Point of Delivery in order to accept the output of the Plant.
- 6.14 Meters: Any meter installed as part of the Interconnection Facilities to measure the amount of As-Available Energy and Capacity delivered to SDG&E.
- Minimum Load Condition: A situation when SDG&E's electric system load minus the margin required for regulation of its generation resources is equal to or less than the sum of (1) the minimum electrical output of generating units committed for system security; (2) the electrical output associated with firm purchases which SDG&E is obligated to accept due to contractual terms or penalties; and (3) the output of Qualifying Facilities providing electricity to SDG&E.
- 6.16 O&M Charge: An amount paid monthly by Seller to SDG&E to cover the operation and maintenance of the Line Extension and SDG&E Facilities.

- 6.17 Operation Date: The day upon which the Plant is deemed, by both Parties, to be capable of reliable delivery of Energy.
- 6.18 <u>Plant</u>: The Cogeneration Facility or Small
 Power Production Facility controlled by Seller including the
 generator with all associated equipment and improvements
 necessary for generating electric Energy.
- 6.19 <u>Point of Delivery</u>: The point shown on Exhibit A where delivery of As-Available Energy and Capacity shall take place.
- 6.20 Qualifying Facility: A Cogeneration Facility or a Small Power Production Facility as defined in Section 6.6 and 6.22, respectively.
- 6.21 <u>SDG&E Facilities</u>: Facilities owned by SDG&E for the proper parallel operation of the Plant with SDG&E's system. These facilities will include, but not be limited to: connection, transformation, switching, metering, safety equipment and any necessary additions and/or reinforcements required and added by SDG&E to SDG&E's system, excluding any Line Extension Facilities.
- 6.22 <u>Small Power Production Facility</u>: A facility which produces electric energy solely by the use, as a primary energy source, of biomass, waste, renewable resources, or any combination thereof, as defined in Title 18 Code of Federal Regulations, Part 292, as of the effective date of this Agreement.
- 6.23 <u>Station Load</u>: Load specifically related to the operation of the generation auxiliary equipment. Such

auxiliary equipment includes, but is not necessarily 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.

- 6.24 <u>Statement</u>: A written statement setting forth amounts of As-Available Energy and Capacity delivered and sold to SDG&E and amounts due to Seller for such As-Available Energy and Capacity, as more fully described in Section 15.
- 6.25 <u>System Emergency</u>: A condition on SDG&E's system which is likely to result in imminent significant disruption of service to customers, or is likely to endanger life or property.
- 6.26 <u>Surplus Energy</u>: The total output of the Plant, less Station Load and other load requirements of the Seller, that the Seller actually delivers to the Point of Delivery from the Plant's generation facilities.

6.27 Willful Action:

6.27.1 Action taken or not taken by a Party at the direction of its directors, officers or supervisory employees affecting its performance under this Agreement, which action is knowingly or intentionally directed by such directors, officers or supervisory employees with conscious indifference to the injurious consequences thereof, or with intent that injury or damage would result or would probably result therefrom. Willful Action does not include any act or failure to act which is merely involuntary, accidental, or negligent.

6.27.2 Action taken or not taken by a Party at the direction of its directors, officers or supervisory employees affecting its performance under this Agreement, which action has been determined by arbitration award or final judgment or judicial decree to be a contract breach under this Agreement and which occurs or continues beyond the time specified in such arbitration award or judgment or judicial decree for curing such default, or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such default.

6.27.3 Action taken or not taken by a Party at the direction of its directors, officers of supervisory employees affecting its performance under this Agreement, which action is knowingly or intentionally directed by such directors, officers or supervisory employees with the knowledge that such action taken or not taken is a contract breach under this Agreement.

7. EFFECTIVE DATE AND TERM

- 7.1 This Agreement shall be binding upon execution and shall remain in effect until terminated by the Seller.
- 7.2 Seller shall begin construction of the Plant on or before the date specified in Section 3.1.5.
- 7.3 The scheduled Operation Date of the Plant is as specified in Section 3.1.5. At the end of each calendar quarter, Seller shall give written notice to SDG&E of any change in the scheduled Operation Date. This Agreement shall terminate if the actual Operation Date does not occur

within five years (5) of the effective date of this Agreement.

8. PURCHASE PRICE OF ENERGY AND CAPACITY

- 8.1 Seller shall sell and deliver, and SDG&E shall purchase and accept, Energy produced from the Plant for the term of this Agreement, according to SDG&E's Energy Payment Schedule, as updated from time-to-time. SDG&E's current Energy Payment Schedule is attached as Exhibit C.
- 8.2 Seller shall sell and deliver and SDG&E shall purchase and accept As-Available Capacity as delivered in accordance with SDG&E's Capacity Payment Schedule for As-Available Qualifying Facilities as updated from time-to-time. SDG&E's current Capacity Payment Schedule is attached as Exhibit D.
- 8.3 If Seller selects a metering location on Seller's side of the Interconnection Facilities the power recorded as delivered to SDG&E shall be adjusted by applying the transformer loss compensation factor specified in Section 3.5 to derive the amount of energy and capacity deemed delivered. The transformer loss compensation factor shall be as agreed to by the parties or at Seller's election, shall be calculated based on the measured value of transformer losses from the transformer to be used. If Seller chooses this latter option, Seller shall pay SDG&E for the cost of determining this measured value.

9. METHOD OF PURCHASE AND SALE

9.1 All Energy delivered to SDG&E at the Point of

Delivery and registered by the Meters located thereat shall be provided according to the option described below and selected in Section 3.2.

- 9.1.1 Simultaneous Purchase And Sale
 Seller shall sell and deliver to SDG&E
 the total Plant output, minus Station
 Load, to the Point of Delivery. Seller
 shall purchase from SDG&E all energy
 used by Seller for its own consumption.
- 9.1.2 Sale Of Surplus Energy

 Seller shall sell and deliver to SDG&E

 at the Point of Delivery any Surplus

 Energy generated by the Plant. Seller

 shall purchase from SDG&E any additional

 energy required for Seller's own con
 sumption.
- 9.2 All Energy delivered to SDG&E by Seller shall be metered according to time-of-use metering at Seller's expense.
- 9.3 Seller shall have the ability to convert between the options specified in Section 9.1 provided that the Seller gives SDG&E a minimum of sixty (60) days advance written notice prior to the desired date of such conversion. Seller may not convert more than once in any 12 month period. Any and all costs incurred by SDG&E as a result of any such conversion shall be paid by the Seller within thirty (30) days of receipt of notice from SDG&E of the amount of such costs. In addition, the cost of SDG&E

Facilities and Line Extension Facilities upon which the monthly O&M charge is based shall be adjusted to reflect the costs of such conversion. SDG&E shall not be required to remove or reserve capacity of the Interconnection Facilities or Line Extension Facilities made idle by Seller's energy sale conversion except as provided in SDG&E's Electric Department Rule 21 and may use such facilities at any time to serve other customers or to interconnect with other electric power sources as provided in SDG&E's Electric Department Rule 21.

9.4 SDG&E shall process a request by Seller to convert between the Options specified in Section 9.1 and institute any changes made necessary by such request as expeditiously as possible given SDG&E's other resource commitments. The conversion shall be effective on the date SDG&E notifies Seller that all changes necessary to accommodate such conversion have been completed.

10. ELECTRIC SERVICE TO SELLER

- pursuant to SDG&E's Rate Schedule specified in Section

 3.3.1, if applicable, or any revision or replacement thereof. Said schedules shall be subject to SDG&E's Rules for

 Electric Service, as may be revised from time-to-time, which are incorporated by this reference as though fully set forth herein.
- 10.2 SDG&E will provide standby service to Seller in accordance with SDG&E's Rate Schedule specified in

Section 3.3.2, if applicable, in an amount as specified in Section 3.3.3.

11. SELLER'S GENERAL OBLIGATIONS

Seller shall:

- 11.1 Design, own, construct, operate and maintain the Plant provided that SDG&E shall have the right to require modifications to such design as provided in Section 12.2.
- 11.2 Operate and maintain the Plant in accordance with prudent electrical practices. If a condition is created by Seller which may unreasonably interfere with the reliability or safety of operation of the Plant or the SDG&E system, the Seller shall correct or eliminate such condition with reasonable diligence.
- 11.3 Notify SDG&E's Authorized Representative (i) by January 1, May 1 and September 1 of each year, of the estimated scheduled maintenance and estimated daily As-Available Energy and Capacity for the succeeding four months and (ii) by September 1 of each year, of the estimated scheduled maintenance and estimated daily As-Available Energy and Capacity for the following year.
- 11.4 Place its main disconnect switch under the control of both SDG&E and Seller by (i) allowing SDG&E to add its lock to Seller's lock on the switch door, (ii) allowing SDG&E to stencil its markings on the switch door and (iii) allowing SDG&E 24-hour access to the switch. Switch operation shall be reserved exclusively for SDG&E and Seller personnel, and each Party will be able to lock out

the switch. Switch maintenance shall be performed by Seller's personnel.

- 11.5 Provide SDG&E by means of a separate, written instrument, any rights-of-way and access required for construction, operation, maintenance, inspection and testing of Interconnection Facilities and testing and reading of Meters, and operating of Seller's main disconnection switch.
- 11.6 Maintain proper daily Plant operating records, including, but not limited to fuel consumption, cogeneration fuel efficiency, kilowatts, kilowars and kilowatt-hours generated and maintenance performed, and make such records as are reasonably needed by SDG&E to implement this Agreement available to SDG&E during normal business hours upon request.
- 11.7 Provide to SDG&E Plant electrical design and Interconnection Facilities design drawings for its review prior to finalizing Plant design and before beginning construction work based on such drawings. SDG&E may require modification of such design as provided in Section 12.2.
- 11.8 Provide to SDG&E reasonable advance written notice of any changes in the Plant or Interconnection Facilities and provide to SDG&E design drawings of any such changes for its review and approval as provided in Section 12.2.
- 11.9 Test its Interconnection Facilities at least every 12 months, by qualified personnel, notify SDG&E at least 72 hours in advance of such tests and permit SDG&E to have a representative present at such tests.

advo sys: sat: with SDG

11.10 Design and operate the Plant to limit the adverse effects of reactive power flow on the utility system. Seller shall operate the Plant in a manner to satisfy the reactive power requirement of Seller's load within the limits of the Plant's capability as set forth in SDG&E's Electric Department Rule 21.

least forty-five (45) days prior to such date. SDG&E shall inspect the Interconnection Facilities within thirty (30) days of receipt of such notice. If SDG&E concludes in good faith that the Interconnection Facilities are for any reason unacceptable, SDG&E will notify to Seller in writing within five (5) days of completion of the inspection, stating the reasons for its determination. Seller shall correct any deficiencies noted by SDG&E and shall provide SDG&E with the further right to inspect in accordance with the guidelines set forth above.

- 11.12 Notify SDG&E at least fourteen (14) calendar days prior to: (i) the initial energizing of the Point of Interconnection; (ii) the initial parallel operation of each of Seller's generators; and (iii) the initial testing of Seller's protective apparatus. SDG&E shall have the right to have a representative present at such times.
- 11.13 Reimburse SDG&E for the cost of acquiring any property rights which are determined by SDG&E to be required pursuant to this Agreement.
- 11.14 Be liable to SDG&E for any loss of whatever kind which SDG&E incurs as a result of (i) Seller's failure

to obtain or maintain any necessary permit or approval, including completion of required environmental studies, necessary for the construction, operation and maintenance of the Plant, and (ii) Seller's failure to comply with necessary permits and approvals or with any applicable law.

- 11.15 As of the Operation Date of the Plant and throughout the term of this Agreement, maintain and operate the Plant to assure that the Plant meets the requirements of a Qualifying Facility established as of the effective date of this Agreement. Seller warrants that the Plant will meet the requirements of a Qualifying Facility as defined herein from the date of first power delivery throughout the term of this Agreement.
- 11.16 Comply with the requirements of and design the Plant consistently with SDG&E Electric Department Rule 21 as attached hereto as Exhibit E; provided, however, that the charge for operation and maintenance of Line Extension and Interconnection Facilities specified in Rule 21 is subject to revision from time-to-time as authorized by the CPUC.

12. SDG&E'S GENERAL OBLIGATIONS

SDG&E shall:

- 12.1 Operate and maintain its electrical facilities in accordance with applicable generally accepted practices in the electric utility industry.
- 12.2 Have the right to review all Plant and Interconnection Facilities specifications and designs submitted by Seller. SDG&E may require modifications to

such specifications and designs as it deems necessary to allow SDG&E to operate its system safely and reliably. SDG&E shall notify Seller in writing of the results of the review of the specifications and designs of the Interconnection Facilities submitted by Seller, within thirty (30) days of receipt of such specifications and designs by SDG&E. SDG&E shall include its notification to Seller any flaws perceived by SDG&E in its review of the material submitted by the Seller. SDG&E's review of Seller's specifications and designs shall not be construed as confirming or endorsing the design or as any warranty of safety, durability or reliability of the Plant or any of the equipment or the technical or economic feasibility of the Plant. SDG&E shall not, by reason of such review or failure to review, be responsible for strength, details of design, adequacy or capacity of the Plant or equipment, nor shall SDG&E's acceptance of such specifications or designs be deemed to be an endorsement of any facility or equipment. Notwithstanding anything in this Agreement to the contrary, SDG&E shall not be liable to Seller and Seller shall indemnify and hold SDG&E harmless from any claim, cost, loss, damage or liability, including attorney's fees and interest, in connection with SDG&E's exercising its rights under this Section 12.2.

12.3 Make such SDG&E Facilities' records available to Seller upon request as are needed by Seller to implement this Agreement.

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12.4 Make available to Seller any data filed in accordance with CPUC Decision No. 83-10-093, Ordering Paragraph 5f, as specifically requested by Seller.

12.5 Make available SDG&E Electric Department rules and other existing publications governing interconnection, at Seller's request.

13. INTERCONNECTION FACILITIES

13.1 Seller shall own and shall be solely responsible for the design, purchase, installation, operation and maintenance of those Interconnection Facilities necessary to protect SDG&E's system, employees and customers from damage or injury arising out of or connected with the operation of the Plant.

13.2 SDG&E shall design, own, operate and maintain the SDG&E Facilities and Line Extension Facilities required to connect the Seller's Plant to SDG&E's electric system as set forth in Exhibit B of this Agreement. Exhibit B shall be modified as necessary to accommodate interconnection to Seller. SDG&E shall construct and install the Facilities so designated in Exhibit B. Seller shall construct and install and, after installation, transfer title to SDG&E free of all liens, the Facilities so designated in Exhibit B, in accordance with SDG&E's Electric Department Rule 21.

13.3 Seller shall reimburse SDG&E for all costs incurred by SDG&E associated with the purchase, installation and inspection of SDG&E Facilities according to one of the following options:

13.3.1 Option 1 - Advance Payment

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13.3.2 Option 2 - Financed Payment as set forth in SDG&E's Electric Department Rule 21 and as selected in Section 3.4. The estimated cost of the SDG&E Facilities is as specified in Section 3.4.1.

13.4 Seller shall reimburse SDG&E for all costs incurred by SDG&E associated with the purchase, installation and inspection of any Line Extension Facilities according to the method set forth in SDG&E's Electric Department Rule 21. The estimated cost of the Line Extension Facilities is as specified in Section 3.4.2.

13.5 <u>Interconnection Priority</u>

13.5.1 To accommodate power deliveries from Seller's Plant under this Agreement, SDG&E shall allocate to Seller existing available SDG&E line capacity, and a priority for said line capacity in accordance with the terms of this Agreement, SDG&E's Electric Department Rule 21, and the CPUC Interconnection Priority Procedure ("IPP"), as now established and as it may be changed periodically by the CPUC. Seller acknowledges that it has read SDG&E's Electric Department Rule 21 and the IPP and understands its obligations and the consequences if it fails to meet any of the performance objectives ("milestones") in the IPP. Parties acknowledge that as of the date of execution of this Agreement, SDG&E had not filed and received CPUC approval of the Rule 21 incorporating the requirements of the IPP. Parties agree to amend this Agreement to add Rule 21 as first approved by the CPUC incorporating the IPP.

13.5.2 Seller shall commence construction of the Plant on or before the date as specified in Section 3.1.5. Should Seller fail to commence construction by said date, SDG&E will notify Seller in writing that Seller has thirty (30) days in which to begin construction. Should construction not begin within the additional thirty (30) days, SDG&E shall have the right to reallocate any or all of Seller's portion of the capacity on the line(s).

13.5.3 In the event Seller loses its priority for existing available line capacity, Seller shall, pursuant to SDG&E's Electric Department Rule 21 and the IPP, be obligated to pay any additional cost for upgrades or additions, necessary to accommodate Seller's deliveries. In such event, SDG&E and Seller shall amend this Agreement to reflect the conditions resulting from the change in priority.

13.6 The costs payable by Seller for the Interconnection Facilities and the Line Extension Facilities as specified in Sections 3.4.1 and 3.4.2 shall be based on either a binding estimate or actual cost (non-binding) as selected in Section 3.4.3.

Actual Cost: Seller shall receive from SDG&E an estimate of costs for all Interconnection and Line Extension work to be performed by SDG&E, as required to interconnect with Seller. Upon completion of construction, SDG&E shall either bill or reimburse Seller for the

difference between the actual and estimated costs according to the procedures specified in SDG&E's Electric Department Rule 21.

Binding Estimate:

Seller shall receive a binding estimate of costs for all Interconnection and Line Extension work to be performed by SDG&E as required to interconnect with Seller. Such costs shall not be changed except that in the event that changes are deemed necessary in the Interconnection or Line Extension Facilities prior to the Operation Date due to a change in the Seller's Plant, the costs as specified in Section 3.4.1 and 3.4.2 will be revised to reflect any modifications necessary to be made by SDG&E to accommodate changes in Seller's Plant.

13.7 The Parties recognize that from time-to-time certain improvements, additions or other changes in the Interconnection Facilities may be required for the proper and safe operation of the Plant in parallel with SDG&E's system. SDG&E shall have the right to make such changes or require Seller to make such changes, whichever is appropriate, upon reasonable advance written notice to Seller. Seller shall, through the option chosen in Section 3.4, reimburse SDG&E for all costs incurred by SDG&E for any additions or changes in the SDG&E Facilities to the extent

appropriate under SDG&E's Electric Department Rule 21, and the cost of SDG&E Facilities upon which the O&M Charge is based shall be adjusted to reflect the costs of such changes.

13.8 Seller shall pay for operation and maintenance of Line Extension and SDG&E Facilities in accordance with SDG&E's Electric Department Rule 21 and Section 15.2 of this Agreement. Seller shall be solely responsible for maintaining in good operating condition all Interconnection Facilities owned by Seller. When the Plant is generating electrical energy, whether or not it is operating in parallel with SDG&E's system, all Interconnection Facilities shall be in good repair and proper operating condition.

14. CANCELLATION CHARGES

Seller shall be responsible for the reimbursement to SDG&E of any and all cancellation charges incurred as a result of SDG&E cancelling order(s) for equipment necessary for the interconnection between SDG&E and Seller, provided that said charges be due to Seller's cancellation or modification of the Plant. Seller shall pay SDG&E within thirty (30) days after receipt of notice for said charges.

15. BILLING AND PAYMENT

15.1 SDG&E shall read all Meter(s) monthly according to its regular meter reading schedule beginning no more than thirty (30) days after the date that As-Available Energy and Capacity are first delivered to SDG&E. SDG&E shall mail to Seller not later than thirty (30) days after the end of each monthly billing period (i) a Statement

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showing the As-Available Energy and Capacity delivered to SDG&E during on-peak, semi-peak, and off-peak periods during the monthly billing period, (ii) SDG&E's computation of the amount due Seller, and (iii) SDG&E's check in payment of said amount. If within thirty (30) days of receipt of the Statement Seller does not make a report in writing to SDG&E of an error, Seller shall be deemed to have waived any error in SDG&E's Statement, computation, and payment, and they shall be considered correct and complete. SDG&E reserves the right to provide such Statement concurrently with any Bill to Seller for electric or gas service provided by SDG&E to Seller and to credit such Bill with the value of SDG&E's purchase of As-Available Energy and Capacity. Seller shall pay any amount owing for electric and gas service provided by SDG&E to Seller in accordance with applicable Rules of Service.

of SDG&E Facilities (to the extent appropriate) pursuant to Option 1 of Sections 3.4 and 13.3 of this Agreement and the installed cost of any Line Extension Facilities, (ii) a monthly payment for specified SDG&E Facilities, if appropriate, pursuant to Option 2 of Sections 3.4 and 13.3 of this Agreement, (iii) a monthly O&M Charge for Line Extension Facilities and SDG&E Facilities, pursuant to SDG&E Electric Department Rule 21, and (iv) a monthly charge to reimburse SDG&E for leased communication facilities when required by SDG&E for telemetering the Plant output. Seller shall pay

SDG&E for such charges within thirty (30) days of the receipt of a bill for any such charge.

- 15.3 If either Party disputes a Statement, payment shall be made as if no dispute existed, pending resolution of the dispute by the Authorized Representatives. If the Statement is determined to be in error, the amount determined to be in error shall be refunded by the Party owing, with monthly interest at a rate equal to that applied to SDG&E's Energy Cost Adjustment Clause pursuant to Section 9.(i).(4) of SDG&E's Electric Department Preliminary Statement, or successor CPUC approved interest rate.
- 15.4 If either Party disputes a Bill, such dispute shall be resolved in accordance with SDG&E's applicable Rules of Service.

16. AUTHORIZED REPRESENTATIVE

- 16.1 Within thirty (30) days after the date of execution of this Agreement, each Party shall designate in writing to the other Party an Authorized Representative to serve as primary contact for, and person to represent, such Party in the implementation and administration of this Agreement.
- develop detailed written procedures as may be necessary and convenient to administer this Agreement. Any such procedures will be submitted to Seller's Authorized Representative for review, comment and discussion before being put into effect. Such procedures may include, without limitation, specified equipment tests and operating matters which

affect or may affect quality and reliability of service to SDG&E's electric customers.

16.3 The Authorized Representative shall have no authority to modify any of the provisions of this Agreement.

17. METERING OF ENERGY DELIVERIES

- 17.1 Metering for electric service to Seller and for Energy purchases by SDG&E shall be at the Point of Delivery as shown in Exhibit A. Metering will be installed which will measure and record flows in each direction. All the meters and equipment used for measuring power delivered to SDG&E shall be located on the side of the Interconnection Facilities selected by Seller and as shown on Exhibit A and selected in Section 3.5. If metering is on the Seller's side of the Interconnection Facilities a transformer loss compensation factor shall also be specified (see Section 8.3).
- 17.2 All Meters shall be sealed and the seal shall be broken only by SDG&E, upon occasions when the Meters are to be inspected, tested or adjusted.
- 17.3 SDG&E shall inspect and test all Meters upon their installation and on its regular testing schedule. If requested to do so by Seller, SDG&E shall inspect or test a Meter, but the expense of such inspection or test shall be paid by Seller unless the Meter is found not to comply with the accuracy specifications found in SDG&E's Electric Department Rule 18, or any superseding standard.

17.4 If a Meter is in error, Section B of SDG&E's Electric Department Rule 18, or any superseding standard, shall be applied.

17.5 Seller shall report the hourly and daily Energy recordings to SDG&E periodically as agreed upon by the Authorized Representatives. Where the Plant's rated capacity is greater than 2 MW, the Plant's output shall be telemetered to SDG&E's Mission Control Center as specified in SDG&E's Electric Department Rule 21.

18. CONTINUITY OF SERVICE

18.1 SDG&E shall not be obligated to accept or pay for, and SDG&E may require Seller to temporarily curtail, interrupt or reduce deliveries of As-Available Energy and Capacity upon advance notice to Seller, in order for SDG&E to construct, install, maintain, repair, replace, remove, investigate or inspect any of its equipment or any part of its system, or if SDG&E determines that such curtailment, interruption or reduction is necessary because of a System Emergency, forced outage, operating conditions on its system, 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 to make purchases, of less expensive energy elsewhere.

18.2 SDG&E shall not be obligated to accept or pay for, and may require Seller, with a Qualifying Facility with a nameplate rating of one megawatt or greater, to temporarily curtail, interrupt or reduce deliveries of As-Available Energy and Capacity during periods of Minimum Load

Conditions where such purchase results in "negative avoided cost" to SDG&E, as such term is defined by the CPUC.

- 18.3 Notwithstanding any other provision of this Agreement, if at any time SDG&E determines that either (i) the facility may endanger SDG&E personnel, or (ii) the continued operation of Seller's facility may endanger the integrity of SDG&E's electric system, SDG&E shall have the right upon notice to Seller, to disconnect Seller's facility from SDG&E's system. Seller's facility shall remain disconnected until such time as SDG&E is satisfied that the condition(s) referenced in (i) or (ii) of this Section 18.3 have been corrected.
- 18.4 Whenever possible, SDG&E shall give Seller reasonable advance notice of its intent to refuse to purchase As-Available Energy and Capacity under this Section 18.
- 18.5 The Authorized Representatives will coordinate temporary curtailment and interruption or reduction of deliveries of As-Available Energy and Capacity required for either Party to construct, install, maintain, repair, replace, remove, investigate or inspect equipment in its respective electric system.

19. NONDEDICATION OF FACILITIES

Seller does not hereby dedicate any part of the Plant to serve SDG&E, its customers, or the public. SDG&E does not hereby dedicate any part of its system or facilities to serve or accept As-Available Energy and Capacity from Seller to any greater extent than may be provided by law.

20. LIABILITY

20.1 Except in the case of Willful Action or sole negligence, neither Party shall hold the other Party, its officers, agents or employees liable for any loss, damage, claim, cost, or expense for loss of or damage to property, or injury or death of persons, which arises out of the other Party's ownership, operation or maintenance of facilities on its own side of the Point of Delivery.

20.2 Except as set forth in Section 20.1, each Party agrees to defend, indemnify and save harmless the other Party, its officers, agents, and employees against all losses, claims, demands, costs, or expenses for loss of or damage to property, or injury or death of persons, which directly or indirectly arise out of the indemnifying Party's performance pursuant to this Agreement; provided, however, that a Party shall be solely responsible for any such losses, claims, demands, costs or expenses which result from its sole negligence or Willful Action.

21. INSURANCE

- 21.1 Seller, at its own expense, shall secure and maintain in effect during the life of this Agreement the following insurance as will protect Seller and SDG&E during the performance of operation hereunder:
 - 21.1.1 General Liability Insurance with a combined single limit for bodily injury and property damage of not less than (a) \$1,000,000 each occurrence if the Plant is 100 kW or greater; (b) \$500,000 each

occurrence if the Plant is between 20 kW and 100 kW; and (c) \$100,000 each occurrence if the Plant is 20 kW or less. Such General Liability Insurance shall include coverage for Premises-es-Operations, Owners and Contractors Protective, Products/Completed Operations Hazard, Explosion, Collapse, Underground, Contractual Liability, and Broad Form Property Damage including Completed Operations.

- 21.1.2 The liability insurance specified in Section 21.1.1 shall name SDG&E as additional insured and shall contain a severability of interest or cross-liability clause. The requirement to name SDG&E as additional insured shall be waived if such requirement prevents Seller from obtaining insurance as specified herein.
- 21.2 Certificates of Insurance evidencing the coverages and provision as required in Sections 21.1.1 and 21.1.2 above shall be furnished to SDG&E prior to interconnected operation of the Plant and shall provide that written notice be given to SDG&E at least thirty (30) days prior to cancellation or reduction of any coverage. SDG&E shall have the right, but not the obligation, to inspect the original policies of such insurance. Seller will not be allowed to

commence interconnected operations unless evidence of satisfactory insurance has been provided to SDG&E in a timely manner.

- 21.3 SDG&E will allow Seller to self-insure in lieu of compliance with the requirements of Section 21.1 under the following conditions:
 - 21.3.1 Seller must be a governmental agency with an established record of self-insurance.
 - 21.3.2 Seller must provide to SDG&E at least thirty (30) days prior to the Operation Date evidence of an acceptable plan to self-insure to a level of coverage equivalent to that required under Section 21.1
 - 21.3.3 If Seller ceases to self-insure to the level required hereunder, or if Seller is unable to provide continuing evidence of Seller's ability to self-insure, Seller shall immediately obtain the coverage required under Section 21.1.

22. UNCONTROLLABLE FORCE

Neither Party shall be considered to be in default with respect to any obligation hereunder, other than the obligations to pay money, if prevented from fulfilling such obligation by reason of an uncontrollable force. The term "uncontrollable force" means unforeseeable causes, other than Forced Outages, beyond the reasonable control of and

without the fault or negligence of the Party claiming uncontrollable force, including but not limited to, acts of God, labor disputes, sudden actions of the elements, actions by any legislative, judicial or regulatory agency which conflict with the terms of this Agreement, and actions by federal, state, municipal or any other government agency. Whichever Party is rendered unable to fulfill any obligation by reason of uncontrollable force shall give prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability with all reasonable dispatch. Nothing in this Agreement shall require a Party to settle any strike or labor dispute in which it is involved.

23. NON-WAIVER

None of the provisions of this Agreement shall be considered waived by either Party except when such waiver is given in writing. The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.

24. SUCCESSORS & ASSIGNS

24.1 This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties.

24.2 Neither Party shall voluntarily assign its rights nor delegate its duties under this Agreement, or any part of such rights or duties, 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 will not be withheld unreasonably. Such assignment shall include, unless otherwise specified therein, all of Seller's rights to any refunds which might become due under this Agreement.

25. EFFECT OF SECTION HEADINGS

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

26. 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.

27. 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 ever 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 individually and severally liable for its own obligations under this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed in their respective names, in duplicate by their respective official representatives hereunto this 29 day of 3985.

| APPROVED AS TO FORM OCEANSIDE CITY ATTORNEY |
|---|
| Charles Revlett |
| CHARLES REVLETT |

| ву | Donca | ull |
|----|-------------|-----|
| | [Signature] | 7 |

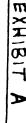
| City | Manager |
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City of Oceanside
[Seller]

By /folcombe [Signature]

Vice President
[Title]

SAN DIEGO GAS & ELECTRIC COMPANY



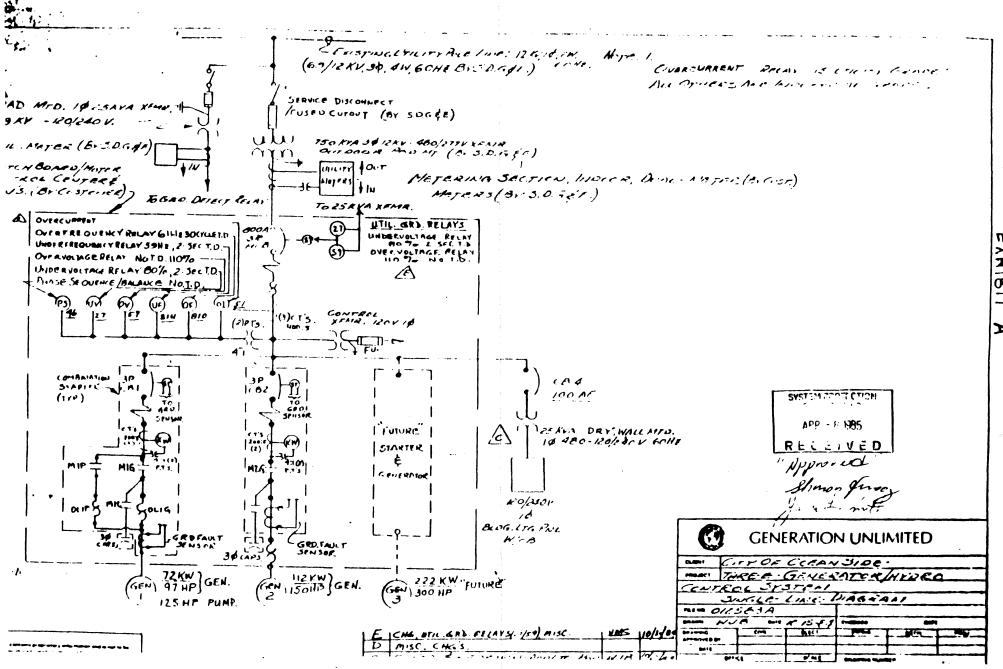


EXHIBIT B

INTERCONNECTION EQUIPMENT LIST

| Quantity | Description |
|----------|--------------------------------|
| 1 | C/T Kwhr Meter |
| 1 | TMR-82 Kwhr Meter |
| 1 | CL 200 Kwhr Meter |
| 1 | Polyphase Detent |
| 3 | 800/5 600V Current Transformer |
| 1 | 10 Blade Test Switch |
| 1 | Test Switch Cover |

Winter

EXHIBIT C

San Diego Gas & Electric
Energy Payment Schedule for
As-Available Qualifying Facilities
Effective August 1, 1985 through October 31, 1985

Introduction

These prices are available to all Qualifying Facilities which deliver Energy to SDG&E in accordance with the terms of the As-Available Agreement.

Time periods are currently defined in accordance with the following table:

| | May 1 - September | <u>r 30</u> | All Other | | |
|-----------|-------------------|-------------|-----------------|----------|--|
| | 11 a.m 6 p.m. | | 5 p.m 8 p.m. | _ | |
| 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 6 a.m. | Weekdays | 10 p.m 6 a.m. | Weekdays | |
| | Plus Weekends & | Holidays | Plus Weekends & | Holidays | |

All time periods listed are clock time.

Summer

The holidays specified are: New Year's Day, Washington's Birth-day, Memorial Day, Independence Day, Labor Day, Veteran's Day, Thanks-giving 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:

| Effective Date | Applicable Period |
|----------------|-------------------------|
| February 1 | February 1 - April 30 |
| May 1 | May 1 - July 31 |
| August 1 | August 1 - October 31 |
| November 1 | November 1 - January 31 |

EXHIBIT C

San Diego Gas & Electric Energy Payment Schedule for As-Available Qualifying Facilities Effective August 1, 1985 through October 31, 1985

Payment will be made during the applicable months for which energy is delivered to SDG&E by the Qualifying Facility in accordance with the following table:

GENERATION VOLTAGE LEVEL

| Time Period | Purchase Price | ¢/Kwhr |
|-------------|----------------|--------|
| | Winter | Summer |
| On-Peak | 5.53 | 5.64 |
| Semi-Peak | 5.39 | 5.39 |
| Off-Peak | 4.99 | 4.90 |

TRANSMISSION VOLTAGE LEVEL

| Time Period | Loss | Loss Factor | | Purchase Price ¢/Kwhr | |
|-------------|--------|-------------|--------|-----------------------|--|
| | Winter | Summer | Winter | Summer | |
| On-Peak | 1.0306 | 1.0313 | 5.70 | 5.81 | |
| Semi Peak | 1.0282 | 1.0298 | 5.54 | 5.55 | |
| Off-Peak | 1.0215 | 1.0214 | 5.10 | 5.00 | |

PRIMARY AND SECONDARY VOLTAGE LEVELS

| Time Period | Loss Factor | | Purchase Price ¢/Kwhr | |
|-------------|-------------|--------|-----------------------|--------|
| | Winter | Summer | Winter | Summer |
| On-Peak | 1.0734 | 1.0752 | 5.94 | 6.06 |
| Semi-Peak | 1.0675 | 1.0714 | 5.75 | 5.78 |
| Off-Peak | 1.0512 | 1.0511 | 5.25 | 5.15 |

EXHIBIT D San Diego Gas & Electric Capacity Payment Schedule for

As-Available Qualifying Facilities Effective August 1, 1985 through October 31, 1985

Introduction

This Exhibit describes the terms and conditions under which ${\tt SDG\&E}$ will pay Seller for capacity under the As-Available Agreement.

Time periods are currently defined in accordance with the following table.

<u>Summer</u> <u>Winter</u>

May 1 - September 30

All Other

| On-Peak | 11 a.m 6 p.m. Weekday | ys 5 p.m 8 p.m. Weekdays |
|-----------|-------------------------|-----------------------------|
| Semi-Peak | 6 a.m 11 a.m. Weekday | ys 6 a.m 5 p.m. Weekdays |
| | 6 p.m 10 p.m. Weekday | ys 8 p.m 10 p.m.Weekdays |
| Off-Peak | 10 p.m 6 a.m. Weekday | ys 10 p.m 6 a.m.Weekdays |
| | Plus Weekends & Holiday | ys Plus Weekends & Holidays |

All time periods listed are clock time.

The holidays specified are: New Year's Day, Washington's Birthday, 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 conform with CPUC orders regarding billing hours.

EXHIBIT D

San Diego Gas & Electric Capacity Payment Schedule

As-Available Qualifying Facilities Effective August 1, 1985 through October 31, 1985

The Capacity payments will be made during the applicable months for which energy is delivered during time periods to SDG&E by the Qualifying Facility in accordance with the following table:

TRANSMISSION VOLTAGE LEVEL

| Time Period | Purchase Price | | | |
|-------------|----------------|--|--------|--|
| | Winter | | Summer | |
| On-Peak | 1.05 | | 1.98 | |
| Semi-Peak | 0.14 | | 0.20 | |
| Off-Peak | 0.00 | | 0.00 | |

PRIMARY AND SECONDARY VOLTAGE LEVEL

| Time Period | Purchase | Price | ¢/Kwhr |
|-------------|----------|-------|--------|
| | Winter | | Summer |
| On-Peak | 1.09 | | 2.07 |
| Semi-Peak | 0.15 | | 0.21 |
| Off-Peak | 0.00 | | 0.00 |