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STANDARD OFFER NO. 4

LONG RUN STANDARD OFFER FOR POWER PURCHASE  
AND INTERCONNECTION  
FROM QUALIFYING FACILITIES  
BETWEEN  
SAN DIEGO GAS & ELECTRIC COMPANY  
AND  
CENTRAL PLANTS, INC.  
(BONSALL LANDFILL)

RECEIVED  
San Diego Gas & Electric Company

JAN 9 1984

CONTRACT

Transaction No. 83-0316

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1 Part I

2 PROJECT DESCRIPTION

3 1.1 PARTIES

4  
5 The Parties to this Agreement are Central Plants,  
6 Inc. (Seller), a California Corporation, and San Diego Gas &  
7 Electric Company (SDG&E), a California corporation  
8 (hereinafter individually Party, collectively Parties).

9 1.2 AGREEMENT

10 The Parties agree as follows:

11 1.3 PROJECT SUMMARY

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

16 1.3.1 Seller's Plant:

17 1.3.1.1 Nameplate Rating 1875 kW

18 1.3.1.2 Interconnection Voltage Level ---

19 1.3.1.3 Location Bonsall Landfill: Gopher  
20 Canyon Road, approximately  
21 2½ miles west of Hwy 15,  
22 San Diego County

23 1.3.1.4 Type: Landfill gas recovery  
24 \_\_\_\_\_ Cogeneration Facility  
25 X Small Power Production  
26 Facility  
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1.3.1.5 Operation Date (Section 2.3).  
January, 1985.

Construction Begin Date (Section  
2.6.4.2) July, 1984  
Term as measured from Operation  
Date 20 years.

1.3.2 Electric Service to Seller (Section 2.8).

1.3.2.1 Service under SDG&E Rate Schedule  
to be supplied prior to the Plant  
Start-up Date.

1.3.2.2 Standby Service Under SDG&E Rate  
Schedule to be supplied prior to the  
Plant Start-up Date.

1.3.2.3 Amount of Standby Service: 150 kW

1.3.3 Interconnection Facilities (Section 2.6)

1.3.3.1 Payment Option for cost of SDG&E  
Facilities (check one) (Section 2.6):

  X   Option 1  
       Option 2

1.3.3.2 Estimated cost of SDG&E Facilities  
(Section 2.6.3): To be supplied  
prior to the commencement of  
construction.

1.3.3.3 Estimated Cost of Line Extension  
Facilities (Section 2.6.4):  
To be supplied prior to the  
commencement of construction.

1.3.3.4 Seller will choose to determine the

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cost payable for both the SDG&E and Line Extension Facilities based on either a Binding Estimate or Actual Cost in accordance with Section 2.6.7 prior to the commencement of construction.

1.3.4 Method of Purchase and Sale of Energy

(Section 3.1.1) (Check one):

- Simultaneous Purchase and Sale
- Sale of Surplus Energy

1.3.5 Energy Payment Options (Section 3.2)

(check where applicable):

- 1.3.5.1  Option A (Forecast Energy Payment)

1.3.5.1.1 Weighting of Forecast and Actual Avoided Cost (Section 3.3.2) (20% increments).

x = 80% weighting of forecast.  
y = 20% weighting of actual short-run avoided cost.

x + y = 1.0

1.3.5.1.2 Forecast Period (Section 3.3.5):  
10 years.

- 1.3.5.2  Option B (Levelized Forecast Energy Payment) (Section 3.4).

1.3.5.2.1 Weightings of Levelized Forecast

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and Actual Avoided Cost (Section 3.4.2) (20% increments).

$y =$  \_\_\_\_\_ weighting of actual short-run avoided cost.

$z =$  \_\_\_\_\_ weighting of Levelized Forecast.

$y + z = 1.0$

1.3.5.2.2 Forecast Period (Section 3.4.5) \_\_\_\_\_ years.

1.3.5.2.3 Security Options (Section 3.7)

\_\_\_\_\_ Option 1 (Section 3.7.1)

\_\_\_\_\_ Option 2 (Section 3.7.2)

$C_{est} =$  \_\_\_\_\_

1.3.5.3 \_\_\_\_\_ Option C (Incremental Energy Rate) (Section 3.5.1.2).

1.3.5.3.1 Selection of ceiling and floor

Incremental Energy Rate (Section 3.5.1.2):

	1984	1985	1986	1987	1988	1989	1990
ceiling	_____	_____	_____	_____	_____	_____	_____
floor	_____	_____	_____	_____	_____	_____	_____
	1991	1992	1993	1994	1996	1997	1998
ceiling	_____	_____	_____	_____	_____	_____	_____
floor	_____	_____	_____	_____	_____	_____	_____

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1.3.5.3.2 Forecast Period (Section 3.5.5)

\_\_\_\_\_ years.

1.3.6 Capacity Payment Options (Section 4.1)-

(check where applicable, or fill in number):

1.3.6.1 \_\_\_\_\_ As-Delivered Option 1  
(Section 4.3.1).

1.3.6.2 X As-Delivered Option 2  
(Section 4.3.2).

1.3.6.2.1 Forecast period 10 years

(must be same as Forecast Period  
for Energy - Sections 1.3.5.1.2  
and 1.3.5.2.2 subject to the  
terms of Section 4.3.2.3).

1.3.6.3 X Firm Capacity Option 3  
(Section 4.4).

1.3.6.3.1 Amount of Firm Capacity  
(Section 4.4.1): 800 kW.

1.3.6.3.2 Number of years of guaranteed  
Firm Capacity: 20 years.

1.3.6.3.3 Price per kW of Firm Capacity:  
\$108/kw.

1.4 NOTICES

Any formal communication or notice in connection  
with this Agreement shall be in writing and shall be deemed  
properly given if delivered in person or sent by first class



1 mail, postage prepaid to the person specified below:

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

6 Central Plants, Incorporated

7 Attention: Vice President, Power Marketing

8 6055 E. Washington Boulevard, Suite 817

9 Commerce, CA 90040

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PART II

GENERAL CONDITIONS AND PROVISION

2.1 RECITALS

2.1.1 This Agreement is made available by SDG&E and describes the conditions and prices available to Seller for capacity and energy sold and delivered to SDG&E from a Qualifying Facility (see Definition below) as mandated by the California Public Utilities Commission, and the Federal Energy Regulatory Commission in the Public Utility Regulatory Policies Act of 1978.

2.1.2 Seller desires to construct, own, operate and control a Qualifying Facility, generate electric energy, and sell and deliver capacity and energy produced by said facility to SDG&E.

2.1.3 SDG&E desires to purchase said energy and capacity made available to it from the Qualifying Facility subject to the terms of this Agreement.

2.2 DEFINITIONS

2.2.1 Agreement: This Long-Run Standard Offer for Power Purchase and Interconnection from Qualifying Facilities, between SDG&E and Seller including: Part I - Project Description; Part II - General Conditions and Provisions; Part III - Purchase Provisions for Energy; Part IV - Purchase Provisions for Capacity; Part V - Signature Clause; and Appendix A, Energy Price Summary; Appendix B, Capacity Price Summary; Appendix C, Plant Schematic and Interconnection

1 Facilities; and Appendix D, SDG&E's Electric Department Rule  
2 21.

3           2.2.2       Authorized Representative: An employee of  
4 the Party designated in writing to the other Party to serve as  
5 primary contact for and represent such Party in the  
6 implementation and administration of this Agreement.

7           2.2.3       Bill: A written statement setting forth  
8 charges and requiring payment for electrical service, gas  
9 service, or both, as more fully discussed in SDG&E's Rules of  
10 Service.

11           2.2.4       Cogeneration Facility: A facility which  
12 produces electric energy and steam or forms of useful thermal  
13 energy (such as heat), which are used for industrial, commer-  
14 cial, heating, or cooling purposes, as defined in Title 18  
15 Code of Federal Regulations, Part 292, or any succeeding  
16 publication and as revised from time-to-time by Federal Law.

17           2.2.5       CPUC: The California Public Utilities  
18 Commission or any successor agency having regulatory control  
19 over SDG&E or its successors.

20           2.2.6       Current Capacity Price. The \$/kW-Year  
21 capacity price from the Firm Capacity Payment Schedule,  
22 published by SDG&E, at the time of termination or reduction of  
23 Firm Capacity, assuming a term equal to the balance of the  
24 term of the Agreement.

25           2.2.7       Energy: Electric energy expressed in  
26 kilowatt-hours generated by the Plant.

27           2.2.8       FERC: The Federal Energy Regulatory  
28 Commission or any successor agency having a similar function.

1           2.2.9       Firm Capacity. The amount of kilowatts  
2 that the Plant can supply at all times during the period  
3 covered by the Agreement as specified by Seller in Section  
4 1.3.6.3.1 (if a Firm Capacity option is selected).

5           2.2.10       Forecast Period. The Period during which  
6 Seller shall be paid, at least in part, based on the  
7 forecasted energy prices or forecasted Incremental Energy Rate  
8 set forth in Appendix A and, where applicable, the forecasted  
9 as-delivered capacity prices set forth in Appendix B. Such  
10 period shall commence on the Operation Date set forth in  
11 Section 1.3.1.5 and shall have a duration as specified in  
12 Sections 1.3.5.1.2, 1.3.5.2.2, 1.3.5.3.2 and 1.3.6.2.1, as  
13 applicable.

14           2.2.11       Forced Outage: Any outage resulting from  
15 a design defect, inadequate construction, lack of sufficient  
16 landfill gas supply, operation error or a breakdown of the  
17 mechanical or electrical equipment that fully or partially  
18 curtails the electric output of the Plant.

19           2.2.12       Interconnection Facilities: Facilities  
20 and devices which are required for the proper and safe opera-  
21 tion of the Plant in parallel with SDG&E's electric system and  
22 which are either owned by Seller or are SDG&E Facilities, all  
23 as described in Section 2.6, and generally shown in Appen-  
24 dix C.

25           2.2.13       Line Extension Facilities: All facil-  
26 ities, excluding the Interconnection Facilities, as determined  
27 by SDG&E to be necessary to connect SDG&E's existing system to  
28

1 the Point of Delivery in order to accept the output of the  
2 Plant.

3           2.2.14    Meters: Any meter installed as part of  
4 the Interconnection Facilities to measure the amount of Energy  
5 and capacity delivered to SDG&E, as specified in Parts III and  
6 IV of this Agreement.

7           2.2.15    O&M Charge: An amount paid monthly by  
8 Seller to SDG&E to cover the operation and maintenance of the  
9 SDG&E Facilities.

10           2.2.16   Operation Date: The day upon which the  
11 Plant is deemed, by both Parties, to be capable of reliable  
12 delivery of Energy and Firm Capacity, as specified in  
13 Section 1.3.1.5.

14           2.2.17   Plant: The Cogeneration Facility or Small  
15 Power Production Facility controlled by Seller including the  
16 generator with all associated equipment and improvements  
17 necessary for generating electric energy.

18           2.2.18   Plant Start-up Date: The date upon which  
19 the Plant becomes operational and begins to produce Energy.

20           2.2.19   Point of Delivery: The point shown in  
21 Appendix C where delivery of Energy and capacity by Seller to  
22 SDG&E shall take place.

23           2.2.20   Qualifying Facility: A Cogeneration  
24 Facility or a Small Power Production Facility, as defined in  
25 Section 2.2.4 and 2.2.24, respectively, which has achieved  
26 Qualifying Facility status as defined from time to time by  
27 Federal law.

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1           2.2.21     SDG&E Facilities: Facilities installed  
2 and owned by SDG&E for the proper parallel operation of the  
3 Plant with SDG&E's system. These facilities will include, but  
4 not be limited to, connection, transformation, switching,  
5 metering, safety equipment and any necessary additions and/or  
6 reinforcements required and added by SDG&E to SDG&E's system,  
7 excluding any Line Extension Facilities.

8           2.2.22     SDG&E's Electric Department Rule 21: The  
9 section of SDG&E's Rules for the Sale of Electric Energy  
10 dealing with customer generation, which is attached as  
11 Appendix D. The Parties recognize that Rule 21 will not be  
12 effective until 30 days after SDG&E's advice filing, but they  
13 anticipate that it will become effective in the form attached  
14 and have signed this Agreement in this form for administrative  
15 conveniences. The provisions of Rule 21 as attached are only  
16 intended to apply once these provisions become effective.  
17 Prior to such time, SDG&E's currently effective Electric  
18 Department Rule 2J shall apply. If the attached provisions of  
19 Rule 21 do not become effective in their entirety, the Parties  
20 shall amend this Agreement to conform to the Rule 21 which  
21 first becomes effective.

22           2.2.23     Short-Run Energy-Payment Schedule:  
23 SDG&E's schedule of time-differentiated payments and  
24 conditions for purchase of Energy from Qualifying Facilities.  
25 The Energy prices contained therein will be derived from  
26 SDG&E's full avoided operating costs, as approved by the CPUC,  
27 throughout the life of the Agreement. The current Short-Run  
28

1 Energy Payment Schedule appears in Table 1 of Appendix A,  
2 attached hereto.

3           2.2.24     Small Power Production Facility: A  
4 facility which produces electric energy solely by the use, as  
5 a primary energy source, of biomass, waste, renewable re-  
6 sources, or any combination thereof, as defined in Title 18,  
7 Code of Federal Regulations, Part 292, as of the date of  
8 execution of this Agreement.

9           2.2.25     Station Load: Load specifically related  
10 to the operation of the generation auxiliary equipment. Such  
11 auxiliary equipment includes, but is not necessarily limited  
12 to, forced and induced draft fans, cooling towers, boiler feed  
13 pumps, lubricating oil systems, plant lighting, fuel handling  
14 systems, control systems, and sump pumps.

15           2.2.26     Statement: A written statement setting  
16 forth amounts of Energy and capacity delivered and sold to  
17 SDG&E and amounts due to Seller for such Energy and capacity,  
18 as more fully described in Section 2.10.

19           2.2.27     Surplus Energy: The total output of the  
20 Plant, less Station Load and other load requirements of the  
21 Seller, that the Seller actually delivers to the Point of  
22 Delivery from the Plant's generation facilities.

23           2.2.28     System Emergency: A condition on SDG&E's  
24 system which is likely to result in imminent significant  
25 disruption of service to any of SDG&E's customers or is  
26 imminently likely to endanger life or property.

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1                   2.2.29     Willful Action:

2                   2.2.29.1   Action taken or not taken by a Party  
3 at the direction of its directors, officers or supervisory  
4 employees affecting its performance under this Agreement,  
5 which action is knowingly or intentionally directed by such  
6 directors, officers or supervisory employees with conscious  
7 indifference to the injurious consequences thereof, or with  
8 intent that injury or damage would result or would probably  
9 result therefrom. Willful Action does not include any act or  
10 failure to act which is merely involuntary, accidental, or  
11 negligent.

12                   2.2.29.2   Action taken or not taken by a Party  
13 at the direction of its directors, officers or supervisory  
14 employees affecting its performance under this Agreement,  
15 which action has been determined by arbitration award or final  
16 judgment or judicial decree to be a contract breach under this  
17 Agreement and which occurs or continues beyond the time spec-  
18 ified in such arbitration award or judgment or judicial decree  
19 for curing such default or, if no time to cure is specified  
20 therein, occurs or continues thereafter beyond a reasonable  
21 time to cure such default.

22                   2.2.29.3   Action taken or not taken by a Party  
23 at the direction of its directors, officers or supervisory  
24 employees affecting its performance under this Agreement,  
25 which action is knowingly or intentionally directed by such  
26 directors, officers or supervisory employees with the knowl-  
27 edge that such action taken or not taken is a contract breach  
28 under this Agreement.



1                   2.2.30     Minimum Load Condition: A situation when  
2 SDG&E's electric system load minus the margin required for  
3 regulation of its generation resources is equal to or less  
4 than the sum of (1) the minimum electrical output of  
5 generating units committed for system security; (2) the  
6 electrical output associated with firm purchases which SDG&E  
7 is obligated to accept due to contractual terms or penalties;  
8 and (3) the output of Qualifying Facilities providing  
9 electricity to SDG&E.

10   2.3   EFFECTIVE DATE AND TERM

11                   2.3.1     This Agreement shall be binding upon  
12 execution and shall remain in effect for the number of years  
13 from the Operation Date specified in Section 1.3.1.5, which  
14 shall not be less than fifteen (15) years nor more than thirty  
15 (30) years.

16                   2.3.2     The Operation Date shall not be more than  
17 five (5) years from the date of execution of this Agreement.

18                   2.3.3     The Operation Date shall be as specified  
19 in Section 1.3.1.5. Seller may change the Operation Date only  
20 upon written notice by Seller to SDG&E and written consent by  
21 SDG&E to such change, which consent shall not be unreasonably  
22 withheld. Seller acknowledges that a change in the Operation  
23 Date will be dependent upon SDG&E's ability to reasonably  
24 accommodate such change. Seller agrees to provide the maximum  
25 notice feasible of any desired change in the Operation Date.  
26 If SDG&E does not consent to the change desired by Seller, the  
27 Parties shall work together to agree on a mutually acceptable  
28 Operation Date.

1           2.3.4       For the period beginning with the Plant  
2 Start-up Date and ending on the Operation Date SDG&E will  
3 purchase Energy and as-available capacity made available from  
4 the Plant and delivered to SDG&E at SDG&E's then current  
5 as-available energy and capacity payment schedules.

6           2.3.5       Seller shall have the right to terminate  
7 this Agreement prior to the Operation Date without liability  
8 for payment pursuant to Section 4.4.8.

9   2.4   SELLER'S GENERAL OBLIGATIONS

10           Seller shall:

11           2.4.1       Design, own, construct, operate and  
12 maintain the Plant, provided that SDG&E shall have the right  
13 to require modifications to such design as set forth in  
14 Section 2.5.2.

15           2.4.2       Operate and maintain the Plant in accor-  
16 dance with prudent electrical practices. If a condition is  
17 created by Seller which may unreasonably interfere with the  
18 reliability and safety of operation of the Plant or the SDG&E  
19 system, the Seller shall correct or eliminate such condition  
20 with reasonable diligence.

21           2.4.3       Notify SDG&E's Authorized Representative  
22 (i) by January 1, May 1 and September 1 of each year, of the  
23 estimated scheduled maintenance and estimated daily Energy and  
24 capacity deliveries for the succeeding four months and (ii) by  
25 September 1 of each year, of the estimated scheduled mainte-  
26 nance and estimated daily Energy and capacity deliveries for  
27 the following year.

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1           2.4.4       Place its main disconnect switch under the  
2 control of both SDG&E and Seller by (i) allowing SDG&E to add  
3 its lock to Seller's lock on the switch door, (ii) allowing  
4 SDG&E to stencil its markings on the switch door, and (iii)  
5 allowing SDG&E 24 hour access to the switch. Switch operation  
6 shall be reserved exclusively for SDG&E and Seller personnel  
7 and each Party will be able to lock out the switch. Switch  
8 maintenance shall be performed by Seller's personnel.

9           2.4.5       Provide SDG&E, by means of a separate,  
10 written instrument, any rights-of-way and access required for  
11 construction, operation, maintenance, inspection and testing  
12 of Interconnection Facilities, testing and reading of Meters,  
13 and operation of the main disconnect switch.

14           2.4.6       Maintain proper daily Plant operating  
15 records including, but not limited to, kilowatts, kilovars and  
16 kilowatt-hours generated and maintenance performed, and make  
17 such records available to SDG&E during normal business hours  
18 upon request, as are reasonably needed by SDG&E to implement  
19 this Agreement.

20           2.4.7       Provide to SDG&E Plant electrical design  
21 and Interconnection Facilities design drawings for SDG&E's  
22 review prior to finalizing Plant design and before beginning  
23 construction work based on such drawings. SDG&E may require  
24 modification of such design as provided in Section 2.5.2.

25           2.4.8       Provide to SDG&E reasonable advance  
26 written notice of any changes in the Plant or Interconnection  
27 Facilities and provide to SDG&E design drawings of any such  
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1 changes for its review and approval as provided in Section  
2 2.5.2. SDG&E may require modification of such changes.

3           2.4.9       Test its Interconnection Facilities at  
4 least every 12 months, by qualified personnel, notify SDG&E at  
5 least 72 hours in advance of such tests and permit SDG&E to  
6 have a representative present at such tests.

7           2.4.10      Maintain the Plant's power factor between  
8 the ranges of 0.95 lagging and 0.99 leading at the Point of  
9 Delivery.

10           2.4.11     At no cost to SDG&E, acquire all permits  
11 and other approvals and perform all environmental impact  
12 studies necessary for the construction, operation and mainte-  
13 nance of the Plant.

14           2.4.12     Notify SDG&E at least fourteen (14) days  
15 prior to:

- 16           (i)        the initial energizing of the Point of  
17                      Delivery;
- 18           (ii)       the initial parallel operation of the  
19                      Plant with SDG&E's electrical system; and
- 20           (iii)       the initial testing of any of the  
21                      Interconnection Facilities.

22 SDG&E shall have the right to have a representative present  
23 for each such event.

24           2.4.13     Prior to the Plant Start-up Date,  
25 reimburse SDG&E for the cost of acquiring any property rights  
26 which are determined by SDG&E to be required pursuant to this  
27 Agreement. Prior to such an acquisition Seller shall provide  
28 advance written notice to SDG&E giving Seller's approval of

1 such an acquisition. No interconnection will be made until  
2 all costs of such an acquisition have been paid by the Seller.

3           2.4.14     Notify SDG&E in a timely manner of any  
4 possible changes in the Operation Date of the Plant. The  
5 Operation Date shall only be changed as agreed to by the  
6 Parties in writing.

7           2.4.15     Incorporate into the Plant design, and  
8 comply with, SDG&E's Electric Department Rule 21, or any  
9 successor rule(s).

10          2.4.16     Comply with (i) all applicable laws and  
11 permits, (ii) all applicable SDG&E tariffs and rules (as  
12 approved by the CPUC) related to the electric service provided  
13 to Seller by SDG&E.

14          2.4.17     Prior to the Operation Date, qualify its  
15 generating facility in accordance with the procedures and  
16 requirements as set forth in Title 18, Code of Federal Regula-  
17 tions, Part 292 and maintain Qualifying Facility status as  
18 defined as of the date of execution of this Agreement,  
19 throughout the term of this Agreement.

20          2.4.18     Notify SDG&E of the Plant Start-Up Date at  
21 least forty-five (45) days prior to such date. SDG&E shall  
22 inspect the Interconnection Facilities within thirty (30) days  
23 of receipt of such notice. If SDG&E concludes in good faith  
24 that the Interconnection Facilities are for any reason  
25 unacceptable, SDG&E will notify to Seller in writing within  
26 five (5) days of completion of the inspection, stating the  
27 reasons for its determination. Seller shall correct any  
28 deficiencies noted by SDG&E and shall provide SDG&E with the

1 further right to inspect in accordance with the guidelines set  
2 forth above.

3 2.5 SDG&E'S GENERAL OBLIGATIONS

4 SDG&E shall:

5 2.5.1 Operate and maintain its electrical facil-  
6 ities in accordance with applicable, generally accepted prac-  
7 tices in the electric utility industry.

8 2.5.2 Have the right to review all Plant and  
9 Interconnection Facilities specifications and designs  
10 submitted by Seller. Such a review shall be accomplished  
11 within a reasonable time following submittal by Seller. SDG&E  
12 may require modifications to such specifications and designs  
13 as it deems necessary to allow SDG&E to operate its system  
14 safely and reliably. SDG&E's review of Seller's  
15 specifications and designs shall not be construed as  
16 confirming or endorsing the design or as any warranty of  
17 safety, durability or reliability of the Plant or any of the  
18 equipment or the technical or economic feasibility of the  
19 Plant. SDG&E shall not, by reason of such review or failure  
20 to review, be responsible for strength, details of design,  
21 adequacy or capacity of the Plant or equipment, nor shall  
22 SDG&E's acceptance of such specifications or designs be deemed  
23 to be an endorsement of any facility or equipment.

24 Notwithstanding anything in this Agreement to the contrary,  
25 SDG&E shall not be liable to Seller and Seller shall indemnify  
26 and hold SDG&E harmless from any claim, cost, loss, damage or  
27 liability, including attorney's fees and interest, in  
28

1 connection with SDG&E's review of such designs and specifica-  
2 tions.

3           2.5.3       Make such SDG&E Facilities' records avail-  
4 able to Seller upon request as are needed by Seller to imple-  
5 ment this Agreement.

6   2.6   INTERCONNECTION FACILITIES

7           2.6.1   Seller shall own and shall be solely  
8 responsible for the design, purchase, installation, operation  
9 and maintenance of Interconnection Facilities to protect  
10 SDG&E's system, employees and customers from damage or injury  
11 arising out of or connected with the operation of the Plant.

12           2.6.2   SDG&E shall design, own, construct, operate  
13 and maintain the SDG&E Facilities and Line Extension Facil-  
14 ities required to connect the Seller's Plant to SDG&E's  
15 electric system.

16           2.6.3   Seller shall provide advance written notice  
17 to SDG&E that SDG&E should proceed to purchase and install  
18 SDG&E Facilities. Seller shall then pay SDG&E for all costs  
19 associated with the purchase and installation of SDG&E Facil-  
20 ities, including engineering costs incurred by SDG&E prior to  
21 the execution of this Agreement but in furtherance of  
22 development of an interconnection arrangement between Seller  
23 and SDG&E, according to one of the options set forth in  
24 SDG&E's Electric Department Rule 21. The Option selected by  
25 Seller and the estimated cost of the SDG&E Facilities as  
26 described above are set forth in Sections 1.3.3.1 and 1.3.3.2,  
27 respectively.

28           2.6.4   Seller shall provide advance written notice

to SDG&E that SDG&E should proceed to purchase and install any  
1 Line Extension Facilities. Seller shall then pay SDG&E for  
2 all of this costs associated with the purchase and  
3 installation of any Line Extension Facilities according to the  
4 method set forth in SDG&E's Electric Department Rule 21. The  
5 estimated cost of said Line Extension Facilities is set forth  
6 in Section 1.3.3.3.

7 2.6.4.1 If capacity is available on the  
8 existing SDG&E line(s), such capacity shall be allocated among  
9 all Qualifying Facility's owners wishing to interconnect on  
10 such line(s) on a first-come first-served basis, based on the  
11 date of execution of interconnection agreements by such owners  
12 and SDG&E. Such allocation shall be made as set forth in  
13 SDG&E's Electric Department Rule 21.

14 2.6.4.2 Seller shall commence construction of  
15 the Plant on or before the date as specified in Section  
16 1.3.1.5. Should Seller fail to commence construction by said  
17 date, SDG&E will notify Seller in writing that Seller has  
18 thirty (30) days in which to begin construction. Should  
19 construction not begin within the additional thirty (30) days,  
20 SDG&E shall have the right to reallocate any or all of  
21 Seller's portion of the capacity on the line(s).

22 2.6.5 The Parties recognize that from time to time  
23 certain improvements, additions or other changes in the Inter-  
24 connection Facilities may be required for the proper and safe  
25 operation of the Plant in parallel with SDG&E's system. SDG&E  
26 shall have the right to make such changes or require Seller to  
27 make such changes, whichever is appropriate, upon reasonable  
28 advance written notice to Seller. Seller shall, through the



1 option chosen in Section 1.3.3.1, pay SDG&E for all costs  
2 incurred by SDG&E for any additions or changes in the SDG&E  
3 Facilities to the extent appropriate under SDG&E's Electric  
4 Department Rule 21, and the cost of SDG&E Facilities upon  
5 which the O&M Charge is based shall be adjusted to reflect the  
6 costs of such changes.

7           2.6.6 Seller shall pay for operation and  
8 maintenance of Line Extension and SDG&E Facilities in  
9 accordance with SDG&E's Electric Department Rule 21 and  
10 Section 2.10.2 of this Agreement. Seller shall be solely  
11 responsible for maintaining in good operating condition all  
12 Interconnection Facilities owned by Seller. When the Plant is  
13 generating electrical energy, whether or not it is operating  
14 in parallel with SDG&E's system, all Interconnection  
15 Facilities shall be in good repair and proper operating condi-  
16 tion.

17           2.6.7 The costs payable by Seller for the  
18 Interconnection Facilities and the Line Extension Facilities  
19 as specified in Sections 1.3.3 shall be based on either a  
20 binding estimate or actual cost (non binding) as selected by  
21 Seller prior to the commencement of construction.

22           Actual Cost           Seller shall receive from SDG&E  
23 an estimate of costs for all  
24 Interconnection and Line  
25 Extension work to be performed  
26 by SDG&E, as required to  
27 interconnect with Seller. Upon  
28 completion of construction,

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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 1.3.3 will be revised to reflect any modifications necessary to be made by SDG&E to accomodate changes in Seller's Plant.

1    2.7    CANCELLATION CHARGES

2                    Seller shall be responsible for the reimbursement to  
3   SDG&E of any and all cancellation charges incurred as a result  
4   of SDG&E cancelling order(s) for equipment necessary for the  
5   interconnection between SDG&E and Seller, provided that said  
6   charges be due to Seller's cancellation or modification of the  
7   Plant. Seller shall pay SDG&E within twenty (20) working days  
8   after receipt of notice for said charges.

9  
10   2.8    ELECTRIC SERVICE TO SELLER

11                   2.8.1   SDG&E will provide electric service to Seller  
12   pursuant to the SDG&E Rate Schedule specified in Section  
13   1.3.2.1 or any revision or replacement to such Schedule.

14   Seller shall be subject to SDG&E's Rules for Electric Service  
15   which are incorporated herein by this reference as though  
16   fully set forth. If a change in the service provided to  
17   Seller is necessary during the term of this Agreement, the  
18   parties shall amend this Agreement to reflect any such change.

19                   2.8.2   SDG&E will provide standby service to Seller  
20   in accordance with the SDG&E Schedule specified in Section  
21   1.3.2.2 in the amount specified in Section 1.3.2.3.

22  
23   2.9    METERING OF ENERGY DELIVERIES

24                   2.9.1    Metering for electric service to Seller  
25   and for Energy and capacity purchased by SDG&E shall be as  
26   shown in Appendix C, or as otherwise required by SDG&E.  
27   Metering will be installed which will measure and record flows  
28   in each direction.

1           2.9.2       All Meters shall be sealed and the seal  
2 shall be broken only by SDG&E upon occasions when the Meters  
3 are to be inspected, tested or adjusted.

4           2.9.3       SDG&E shall inspect and test all Meters  
5 upon their installation, and annually thereafter, if requested  
6 in writing by Seller's Authorized Representative. Such tests  
7 will be conducted within a reasonable time following such a  
8 request. If requested to do so by Seller, SDG&E shall inspect  
9 or test a Meter more than once annually, but the expense of  
10 such inspection or test shall be paid by Seller unless the  
11 Meter is found not to comply with the accuracy specifications  
12 found in SDG&E's Electric Department Rule 18, or any  
13 superseding standard.

14           2.9.4       If a Meter is found to be in error, bills  
15 or statements shall be adjusted in accordance with Section B  
16 of SDG&E's Electric Department Rule 18, or any superseding  
17 standard.

18           2.9.5       At the option of SDG&E, Seller shall  
19 either: (i) telemeter the Plant output to SDG&E's Mission  
20 Control Center at SDG&E's cost or (ii) report the hourly and  
21 daily energy readings to SDG&E as agreed upon by the  
22 Authorized Representatives.

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1 2.10 BILLS AND STATEMENTS

2           2.10.1     SDG&E shall read all Meter(s) monthly  
3 according to its regular meter reading schedule beginning no  
4 more than thirty (30) days after the date that Energy and  
5 capacity are first delivered to SDG&E. SDG&E shall mail to  
6 Seller not later than thirty (30) days after the end of each  
7 monthly billing period (i) a Statement showing the Energy and  
8 capacity delivered to SDG&E during on-peak, semi-peak, and  
9 off-peak periods during the monthly billing period, (ii)  
10 SDG&E's computation of the amount due Seller, and (iii)  
11 SDG&E's check in payment of said amount. SDG&E reserves the  
12 right to provide such Statement concurrently with any Bill to  
13 Seller for electric or gas service provided by SDG&E to Seller  
14 and to credit such Bill with the value of SDG&E's purchase of  
15 Energy and capacity. Seller shall pay any amount owing for  
16 electric and gas service provided by SDG&E to Seller in  
17 accordance with applicable Rules of Service.

18           2.10.2     Seller shall pay SDG&E (i) the installed  
19 cost of SDG&E Facilities, (ii) a monthly O&M Charge, pursuant  
20 to SDG&E's Electric Department Rule 21, and (iii) the  
21 installed cost of the Line Extension Facilities pursuant to  
22 Section 2.6. Seller shall pay SDG&E within twenty (20)  
23 working days of receipt of bill for such charges. Charges for  
24 item (ii) shall not commence until the Operation Date as  
25 specified in Section 1.3.1.5. If the Operation Date is  
26 changed, SDG&E reserves the right to commence such charges at  
27 either the actual Operation Date or the Operation Date  
28 specified in this Agreement prior to any change.

1           2.10.3     If either Party disputes a Statement,  
2 payment shall be made as if no dispute existed pending resolu-  
3 tion of the dispute by the Authorized Representatives. If the  
4 Statement is determined to be in error, the amount determined  
5 to be in error shall be refunded by the Party owing, with  
6 monthly interest at a rate equal to that applied to SDG&E's  
7 Energy Cost Adjustment Clause pursuant to Section 9.(i).(4) of  
8 SDG&E's Electric Department Preliminary Statement, or  
9 successor CPUC approved interest rate.

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11           2.10.4     If either Party disputes a Bill, such  
12 dispute shall be resolved in accordance with SDG&E's applica-  
13 ble Rules of Service.

14   2.11   CONTINUITY OF SERVICE.

15           2.11.1   SDG&E shall not be obligated to accept, and  
16 SDG&E may require Seller to temporarily curtail, interrupt or  
17 reduce deliveries of Energy upon advance notice to Seller, in  
18 order for SDG&E to construct, install, maintain, repair,  
19 replace, remove, investigate or inspect any of its equipment  
20 or any part of its system, or if SDG&E determines that such  
21 curtailment, interruption or reduction is necessary because of  
22 a System Emergency, forced outage, operating conditions on its  
23 system, or compliance with prudent electrical practices,  
24 provided that SDG&E shall not interrupt deliveries pursuant to  
25 this section solely in order to take advantage, or to make  
26 purchases, of less expensive energy elsewhere. Each Party  
27 shall endeavor to correct within a reasonable period, the  
28 condition on its system which necessitates the disconnection

1 or the reduction of electrical output. The duration of the  
2 disconnection or the reduction in electrical output shall be  
3 limited to the period of time such condition exists.

4           2.11.2 SDG&E shall not be obligated to accept or  
5 pay for, and may require Seller, with a Qualifying Facility  
6 with a nameplate rating of one megawatt or greater, to tempo-  
7 rarily curtail, interrupt or reduce deliveries of Energy up to  
8 a maximum of 300 hours during any calendar year during periods  
9 of Minimum Load Condition where such purchase results in  
10 "negative avoided cost" to SDG&E as such term is defined by  
11 the CPUC. Such curtailment shall not be made during peak and  
12 semi-peak hours.

13           2.11.3 Notwithstanding any other provisions of this  
14 Agreement, if at any time SDG&E determines that either (i) the  
15 facility may endanger SDG&E personnel, or (ii) the continued  
16 operation of Seller's facility may endanger the integrity of  
17 SDG&E's electric system, SDG&E shall have the right upon  
18 notice to Seller, to disconnect Seller's facility from SDG&E's  
19 system. Seller's facility shall remain disconnected until  
20 such time as SDG&E is satisfied that the condition(s) refer-  
21 enced in (i) or (ii) of this Section 2.11.3 have been  
22 corrected.

23           2.11.4 Whenever possible, SDG&E shall give Seller  
24 reasonable advance notice of the possibility that it will  
25 refuse to purchase Energy under this Section 2.11.

26           2.11.5 The Authorized Representatives will coordi-  
27 nate temporary curtailment and interruption or reduction of  
28 deliveries of Energy required for either Party to construct,

1 install, maintain, repair, replace, remove, investigate or  
2 inspect equipment in its respective electric system.

3 2.12 AUTHORIZED REPRESENTATIVES

4 2.12.1 Within thirty (30) days after the date of  
5 execution of this Agreement, each Party shall designate in  
6 writing to the other Party an Authorized Representative to  
7 serve as primary contact for and person to represent such  
8 Party in the implementation and administration of this Agree-  
9 ment.

10 2.12.2 SDG&E's Authorized Representative may  
11 develop detailed written procedures as may be necessary and  
12 convenient for SDG&E to administer this Agreement. Any such  
13 procedures will be submitted to Seller's Authorized Represen-  
14 tative for review, comment and discussion. Both Parties shall  
15 approve such procedures prior to their effectiveness. Such  
16 procedures may include, without limitation, specified  
17 equipment tests and operating matters which affect or may  
18 affect quality and reliability of service to SDG&E electric  
19 customers.

20 2.12.3 The Authorized Representative shall have  
21 no authority to modify any of the provisions of this Agree-  
22 ment.

23 2.13 NONDEDICATION OF FACILITIES

24 Seller does not hereby dedicate any part of the  
25 Plant to serve SDG&E, its customers, or the public. SDG&E  
26 does not hereby dedicate any part of its system or facilities  
27 to serving or accepting Energy from Seller to any greater  
28 extent than may be provided by law.



1    2.14 LIABILITY

2                   2.14.1     Except in the case of Willful Action or  
3 sole negligence, neither Party shall hold the other Party, its  
4 officers, agents and employees liable for any loss, damage,  
5 claim, cost, and expense for loss of or damage to property, or  
6 injury or death of persons, which arises out of the other  
7 Party's ownership, operation or maintenance of facilities on  
8 its own side of the Point of Delivery.

9                   2.14.2     Except as set forth in Section 2.14.1,  
10 each Party agrees to defend, indemnify and save harmless the  
11 other Party, its officers, agents, and employees against all  
12 losses, claims, demands, costs, and expense, including attor-  
13 neys' fees and interest for loss of or damage to property, or  
14 injury or death of persons, which directly or indirectly arise  
15 out of the indemnifying Party's performance pursuant to this  
16 Agreement; provided, however, that a Party shall be solely  
17 responsible for any such losses, claims, demands, costs or  
18 expenses which result from its sole negligence or Willful  
19 Action.

20    2.15 INSURANCE

21                   2.15.1     Seller, at its own expense, shall secure  
22 and maintain in effect prior to commencement of construction of  
23 the Plant the following insurance as will protect Seller and  
24 SDG&E in connection with the operation and construction of the  
25 Plant and Seller's performance under this Agreement:

26                   2.15.1.1   Workers' Compensation in accordance  
27 with statutory requirements.

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1                   2.15.1.2 Comprehensive general liability  
2 insurance, including contractual liability coverage for  
3 liability assumed by Seller in this Agreement in amounts of  
4 not less than \$1,000,000 combined single limit for bodily  
5 injury and property damage. Such liability insurance shall  
6 name SDG&E as additional insured and shall contain a sever-  
7 ability of interest or cross liability clause.

8                   2.15.2 Certificates of Insurance evidencing the  
9 coverages and provisions required in 2.15.1.1 and 2.15.1.2  
10 above shall be furnished to SDG&E prior to commencement of  
11 construction of the Plant of this Agreement and shall provide  
12 that written notice be given to SDG&E at least thirty (30)  
13 days prior to cancellation or reduction of any coverage.  
14 SDG&E shall have the right, but not the obligation, to inspect  
15 the original policies of such insurance.

16 2.16 UNCONTROLLABLE FORCE

17                   Neither Party shall be considered to be in default  
18 with respect to any obligation hereunder, other than  
19 obligations to pay money, if prevented from fulfilling such  
20 obligation by reason of an Uncontrollable Force. The term  
21 "Uncontrollable Force" means causes, other than Forced Outages  
22 beyond the reasonable control of and without the fault or  
23 negligence of the Party claiming Uncontrollable Force, includ-  
24 ing, but not limited to, acts of God, labor disputes, sudden  
25 actions of the elements and actions by federal, state  
26 municipal, or any other government agency. Whichever Party is  
27 rendered unable to fulfill any obligation by reason of  
28 Uncontrollable Forces shall give prompt written notice of such

1 fact to the other Party and shall exercise due diligence to  
2 remove such inability with all reasonable dispatch. Nothing  
3 in this Agreement shall require a Party to settle any strike  
4 or labor dispute in which it is involved.

5 2.17 NON-WAIVER

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

15 2.18 SUCCESSORS AND ASSIGNS

16 2.18.1 This Agreement shall be binding upon and  
17 inure to the benefit of the respective successors and assigns  
18 of the Parties.

19 2.18.2 No assignment or delegation of this Agree-  
20 ment, or any part thereof, by either Party, unless assigned  
21 prior to the Plant Start-up Date, shall be valid unless  
22 approved in writing in advance by the other Party, and the  
23 release of assigning Party shall not be effective until the  
24 obligations so assigned or delegated have been assumed by the  
25 assignee in writing and approved by the other Party. Such  
26 approval of assignment or delegation shall not be unreasonably  
27 withheld.

28

1 2.19 EFFECT OF SECTION HEADINGS

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

5 2.20 GOVERNING LAW

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

10 2.21 SEVERAL OBLIGATIONS

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

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1 PART III

2 PURCHASE PROVISIONS - ENERGY

3 3.1 METHOD OF PURCHASE AND SALE

4 3.1.1 All Energy delivered to SDG&E at the Point  
5 of Delivery and registered by the Meters located thereat shall  
6 be provided according to the option described below and  
7 selected in Section 1.3.4:

8  
9 3.1.1.1 Simultaneous Purchase And Sale

10 Seller shall sell and deliver to SDG&E the total Plant output,  
11 minus Station Load, to the Point of Delivery. Seller shall  
12 purchase from SDG&E all energy used by Seller for its own con-  
13 sumption.

14 3.1.1.2 Sale of Surplus Energy

15 Seller shall sell and deliver to SDG&E at the Point of  
16 Delivery any Surplus Energy generated by the Plant. Seller  
17 shall purchase from SDG&E any additional energy required for  
18 Seller's own consumption.

19 3.1.2 All Energy delivered to SDG&E by Seller  
20 shall be metered according to time-of-use metering at Seller's  
21 expense.

22 3.1.3 Seller shall not be allowed to convert  
23 between 3.1.1.1 and 3.1.1.2 during the Forecast Period as  
24 selected and specified in either Sections 3.3, 3.4, or 3.5.

25 3.1.4 Except as provided in Section 3.1.3,  
26 Seller shall have the ability to convert between the options  
27 specified in Section 3.1.1 commencing at the end of the Fore-  
28 cast Period, provided that the Seller gives SDG&E a minimum of

1 sixty (60) days advance written notice prior to the desired  
2 date of such conversion. Seller may not convert more than  
3 once in any 12 month period. Any and all costs incurred by  
4 SDG&E as a result of any such conversion shall be paid by the  
5 Seller according to the payment option chosen in Section  
6 1.3.3.1. SDG&E shall not be required to remove or reserve  
7 capacity of the Interconnection Facilities or Line Extension  
8 Facilities made idle by Seller's energy sale conversion and  
9 may use such facilities at any time to serve other customers  
10 or to interconnect with other electric power sources.

11           3.1.5       If the option described in Section 3.1.4  
12 is exercised, then termination provisions (as described in  
13 Section 4.4.8) shall apply to the amount by which the Firm  
14 Capacity is reduced as a result of such conversion.

15           3.1.6       SDG&E shall process a request by Seller to  
16 convert between the Options specified in Section 3.1.1 and act  
17 to institute any changes made necessary by such request as  
18 expeditiously as possible. Seller acknowledges that other  
19 demands on SDG&E resources may delay such changes beyond the  
20 desired dated of conversion. The conversion shall be effec-  
21 tive on the later of (i) the desired date of conversion, or  
22 (ii) the date SDG&E notifies Seller that all changes necessary  
23 to accommodate such conversion have been completed.

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1 3.2 ENERGY PAYMENT OPTIONS

2 3.2.1 Seller may choose between three (3) Energy  
3 Payment Options whose terms are specified below, except that  
4 Option B is not available to oil or gas Cogeneration Facil-  
5 ities. Seller shall comply with each and every term of the  
6 option selected. The three (3) energy options available are:

- 7 (i) Energy Payment Option A  
(Forecast Energy Payment-Section 3.3)
- 8 (ii) Energy Payment Option B  
(Levelized Forecast Energy  
9 Payment-Section 3.4)
- 10 (iii) Energy Payment Option C  
11 (Incremental Energy Rate-Section  
12 3.5).

12 The Option applicable for this Agreement is specified in  
13 Section 1.3.5.

14 3.2.2 Upon written notice to SDG&E, Seller may  
15 convert between Options A and B at any time prior to ninety  
16 (90) days before the Operation Date set forth in Section  
17 1.3.1.5; provided, however, that the percentage weighting of  
18 actual short-run avoided cost shall not be allowed to change.  
19

20 3.3 ENERGY PAYMENT OPTION A (Forecast Energy Payment)

21 Except as otherwise provided in this Agreement,  
22 Seller shall sell and deliver and SDG&E shall purchase Energy  
23 delivered to SDG&E at a purchase price determined as follows:

24 3.3.1 The purchase price shall be on a cents per  
25 kilowatt-hour basis.  
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3.3.2 The Purchase price during the Forecast

Period shall be determined from the following formula:

$$P = (x F + yC) A ; \quad x + y = 1.0$$

where P = purchase price for Energy delivered in cents per kilowatt hour by time of use period.

x = weighting of price based on forecasted marginal energy cost, not to exceed .20 for oil or gas Cogeneration Facilities.

y = weighting of price based on SDG&E's short-run avoided energy cost appearing in SDG&E's Short-Run Energy Payment Schedule, as filed with the CPUC and updated from time to time.

F = SDG&E's forecasted marginal energy cost for the period of delivery as set forth in Table 2 of Appendix A, attached hereto. Such forecast shall not be modified for the duration of this Agreement.

C = SDG&E's published short-run avoided energy cost appearing in SDG&E's Short-Run Energy Payment Schedule, as filed with the CPUC and updated from time to time.



1                   A     =     adjustment factor reflecting  
2                                   time of delivery, as updated by  
3                                   SDG&E from time to time.

4 Seller may select the weightings for the formula set forth  
5 above provided that such weightings shall be selected at  
6 twenty (20) percent increments and shall be effective for the  
7 duration of the Forecast Period. If Seller's Plant is an oil  
8 or gas Cogeneration Facility, Seller may not weight the  
9 forecasted marginal energy cost any greater than .20. The  
10 weightings selected are specified in Section 1.3.5.1.1.

11                   3.3.3       At the conclusion of the Forecast Period,  
12 and continuing for the remaining term of the Agreement, the  
13 purchase price shall revert to SDG&E's short-run avoided  
14 energy cost appearing in SDG&E's Short-Run Energy Payment  
15 Schedule, as filed with the CPUC and updated from time to  
16 time.

17                   3.3.4       The Forecast Period shall commence with  
18 the Operation Date of the Plant, as specified in Section  
19 1.3.1.5.

20                   3.3.5       The Forecast Period shall be selectable by  
21 Seller in one (1) year increments, for up to a maximum period  
22 specified as follows: (i) where the term of this Agreement is  
23 twenty (20) years or greater from the Operation Date as set  
24 forth in Section 1.3.1.5, the Forecast Period shall be a  
25 maximum of ten (10) years, (ii) where the term of this Agree-  
26 ment is less than twenty (20) years from the Operation Date,  
27 the Forecast Period shall not exceed one-third (1/3) of such  
28

1 term. The Forecast Period for this Agreement shall be as  
2 specified in Section 1.3.5.1.2.

3 3.4 ENERGY PAYMENT OPTION B (Levelized Forecast Energy  
4 Payment) (This Option is not available for oil or gas  
5 Cogeneration Facilities.)

6 Except as otherwise provided in this Agreement,  
7 Seller shall sell and deliver and SDG&E shall purchase Energy  
8 delivered to SDG&E at a purchase price determined as follows:

9 3.4.1 The purchase price shall be on a cents per  
10 kilowatt-hour basis.

11 3.4.2 The purchase price during the Forecast  
12 Period shall be determined from the following formula:

13 
$$P = (yC + zL) A ; y + z = 1.0$$

14 where P = purchase price for Energy  
15 delivered in cents per  
16 kilowatt-hour by  
17 time-of-use period.  
18 y = weighting of price based on  
19 SDG&E's short-run avoided  
20 energy cost appearing in  
21 SDG&E's Short-Run Energy  
22 Payment Schedule, as filed  
23 with the CPUC and updated  
24 from time to time.  
25 z = weighting of price based on  
26 levelized forecasted  
27 marginal energy cost.  
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- L = levelized forecasted marginal energy cost as set forth in Table 3 of Appendix A, attached hereto.
- C = SDG&E's short-run avoided Energy appearing in SDG&E's Short-Run Energy Payment Schedule, as filed with the CPUC and updated from time to time.
- A = Adjustment factor reflecting time of delivery, as updated by SDG&E from time to time.

Seller may select the weightings for the formula set forth above provided that such weighting shall be selected at twenty (20) percent increments and shall be effective for the duration of the Forecast Period. The weightings selected are specified in Section 1.3.5.2.1.

3.4.3 At the conclusion of the Forecast Period, and continuing for the remaining term of the Agreement, the purchase price shall revert to SDG&E's short-run avoided energy price appearing in SDG&E's Short-Run Energy Payment Schedule, as published and updated from time to time by SDG&E.

3.4.4 The Forecast Period shall commence with the Operation Date of the Plant, as specified in Section 1.3.1.5.

1           3.4.5       The Forecast Period shall be selectable,  
2 by Seller, in one (1) year increments, for up to a maximum  
3 period specified as follows: (i) where the term of this  
4 Agreement is twenty (20) years or greater from the Operation  
5 Date as set forth in Section 1.3.1.5, the Forecast shall be a  
6 maximum of ten (10) years; (ii) where the term of this Agree-  
7 ment is less than twenty (20) years, from the Operation Date,  
8 the Forecast Period shall not exceed one-third (1/3) of such  
9 term. The Forecast Period for this Agreement shall be as  
10 specified in Section 1.3.5.2.2.

11   3.5   ENERGY PAYMENT OPTION C (Incremental Energy Rate)

12           Except as otherwise provided in this Agreement,  
13 Seller shall sell and deliver and SDG&E shall purchase Energy  
14 delivered to SDG&E at a purchase price determined as follows:

15           3.5.1       The purchase price shall be on a cents per  
16 kilowatt-hour basis.

17           3.5.1       The purchase price during the Forecast  
18 Period shall be determined as follows:

19           3.5.1.1     Seller shall select, for each year of  
20 the Forecast Period, a symmetrical  
21 band width around the forecast of  
22 Incremental Energy Rates (IER)  
23 representing a ceiling and a floor  
24 annual IER of from zero percent (0%)  
25 to one hundred percent (100%) of the  
26 forecasted IERs set forth in Table 4  
27 of Appendix A, selectable in one  
28 hundred (100) BTU/kWhr increments, as

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a basis for energy payment calculations. Such selections shall be as indicated by Seller in Section 1.3.5.3.1 and shall not be changed for the duration of the Forecast Period.

3.5.1.2 The purchase price shall be calculated according to the formula below:

price/kWhr IER based payment = (oil/gas fuel price x Contract IER x A + O&M)

where A = Adjustment factor reflecting time of delivery as updated by SDG&E from time to time.

oil/gas fuel price = the oil or gas fuel price used to compute short-run avoided energy cost for the period in which the Energy is sold by Seller.

Contract IER = Actual annual IER as approved by the CPUC for the applicable year, except that where such IER is greater than the ceiling IER selected by Seller in Section 1.3.5.3.1, the IER used for calculation shall be the ceiling IER, and where such IER is less than the floor IER selected by Seller in Section 1.3.5.3.1, the IER used for calculation shall be the floor IER.

O&M = Variable Operation and Maintenance in an amount as defined from time-to-time by the CPUC.

3.5.3 At the conclusion of the Forecast Period and continuing for the remaining term of the Agreement (where applicable), the purchase price shall revert to SDG&E's short-

1 run avoided energy price as published and updated from time to  
2 time by SDG&E.

3           3.5.4       The Forecast Period shall commence with  
4 the Operation Date of the Plant, as specified in Sec-  
5 tion 1.3.1.5.

6           3.5.5       The Forecast Period shall be selectable by  
7 Seller in one (1) year increments, up to a maximum period of  
8 fifteen (15) years from the date of execution of this Agree-  
9 ment. The length of the Forecast Period shall be selected in  
10 Section 1.3.5.3.2.

11 3.6 SECURITY PROVISIONS

12           If Seller chooses Energy Payment Option B, as  
13 security for Seller's continued performance under this Agree-  
14 ment, Seller shall provide and maintain during the Forecast  
15 Period at Seller's sole cost and expense one or more of the  
16 following as further specified in Section 3.7.

17           3.6.1       An unconditional and irrevocable bank  
18 letter of credit (i) with form and substance acceptable to  
19 SDG&E, (ii) which shall be callable by SDG&E upon demand and  
20 without further authorization in the event of material breach  
21 by Seller, including a significant decrease in the amount of  
22 Energy sold to SDG&E pursuant to Section 3.7.4, and (iii)  
23 dated to expire not sooner than thirty (30) days following the  
24 end of the Forecast Period; provided that if the letter of  
25 credit expires sooner than thirty (30) days following the end  
26 of the Forecast Period, SDG&E may draw on the letter of credit  
27 thirty (30) days prior to the expiration date unless, before  
28 such date, Seller has amended the letter of credit to extend

1 the expiration date, or provided security of equivalent  
2 quality and amount as required in this Agreement.

3           3.6.2       A surety bond providing for payment to  
4 SDG&E in the event of material breach by Seller, failure of  
5 Seller to perform as required by this Agreement, including a  
6 significant decrease in the amount of Energy sold to SDG&E  
7 pursuant to Section 3.7.4, or as otherwise provided by this  
8 Agreement, upon notice by SDG&E to the surety. Such bond  
9 shall be issued by a surety company acceptable to SDG&E with  
10 terms acceptable to SDG&E and shall have an expiration date of  
11 not sooner than thirty (30) days following the end of the  
12 Forecast Period; provided that if the surety bond expires  
13 sooner than the thirty (30) days following the end of the  
14 Forecast Period, SDG&E shall be entitled to payment thirty  
15 (30) days prior to the expiration date unless, before such  
16 date, Seller has extended the expiration date of the surety  
17 bond or provided security of equivalent quality and amount as  
18 required in this Agreement.

19           3.6.3       Fully paid-up, noncancellable Project  
20 Failure Insurance made payable to SDG&E with terms of such  
21 policy(ies) acceptable to SDG&E, and to expire not sooner than  
22 thirty (30) days following the end of the Forecast Period.

23           3.6.4       A performance bond providing for payment  
24 to SDG&E in the event of Seller's failure to perform or breach  
25 of this Agreement, including a decrease in the amount of  
26 energy sold to SDG&E pursuant to Section 3.7.4, upon notice by  
27 SDG&E to the performance bondholder. Such performance bond  
28 shall be issued by a company acceptable to SDG&E, with terms

1 acceptable to SDG&E, and shall have an expiration date of not  
2 sooner than thirty (30) days following the end of the Forecast  
3 Period. SDG&E's rights under such bond shall not terminate  
4 prior to thirty (30) days following the end of the Forecast  
5 Period.

6           3.6.5       A corporate guarantee which SDG&E, at its  
7 discretion, deems to be equivalent in quality to the security  
8 as listed in Sections 3.6.1 through 3.6.4. Such corporate  
9 guarantee(s) shall have terms and provision acceptable to  
10 SDG&E and shall expire not sooner than thirty (30) days  
11 following the end of the Forecast Period.

12           3.6.6       Other forms of security which SDG&E does  
13 not deem to be equivalent in quality to the security listed in  
14 Sections 3.6.1 through 3.6.5, and which SDG&E, at its  
15 discretion, may deem adequate. Such other forms of security  
16 may include, but not necessarily be limited to, corporate  
17 guarantees, or first liens on the Facility or the land upon  
18 which it is located. Should a form of security under this  
19 Section 3.6.6 be deemed to be acceptable by SDG&E, a one and  
20 one-half (1 1/2%) percent discount shall be deducted from the  
21 levelized portion of the energy payment for the entire  
22 Forecast Period as specified in Section 3.4.5.

### 23   3.7   SECURITY OPTIONS

24           The amount of security that must be maintained at  
25 any given point during the term of the Agreement in accordance  
26 with Section 3.6 shall be determined as follows:

#### 27                   3.7.1       Option 1

28                                   Commencing ninety (90) days prior to



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the Operation Date, security as described in Section 3.6 with form and content acceptable to SDG&E shall be in place in an amount equal to:

$$S = [(C_{est}) (R) (8760)] \left[ \sum_{n=1}^Y (z) (L_n - F_n) (1.15)^{Y-n} \right]$$

- Where S = Amount of Security which must be in place by the time specified above
- R = Plant rated capacity as set forth in Section 1.3.1.1
- Y = number of years or fraction thereof after the Operation Date at which Forecasted energy prices exceed levelized energy prices as set forth in Appendix A, Tables 2 and 3, respectively
- n = year of the Forecast Period
- z = weighting of price based on levelized forecasted marginal energy cost as set forth in Section 1.3.5.2
- L<sub>n</sub> = levelized Forecasted marginal energy cost as set forth in Table 3 of Appendix A
- F<sub>n</sub> = forecasted marginal energy cost in year n of the Forecast Period, as set forth in Table 2 of Appendix A
- C<sub>est</sub> = estimated capacity factor of the Plant. For purposes of this Agreement, C<sub>est</sub> shall be determined by the type of plant as follows:
  - Wind Turbines = .40
  - Solar = .50
  - Geothermal = .80

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If the Plant is not a type specified above,  $C_{est}$  shall be established by mutual Agreement of the Parties at the time of execution of this Agreement.  $C_{est}$  for this Agreement is set forth in Section 1.3.5.2.3

3.7.2                    Option 2

3.7.2.1

Commencing ninety (90) days prior to the Operation Date, security as described in Section 3.6, with form and content acceptable to SDG&E shall be in place in an amount equal to that computed by the following formula:

$$S = (C_{est}) (R) (8760) (z) (L-F)$$

- where    S    =    Amount of security which must be in place by the time specified above
  
- R    =    Plant rated capacity as set forth in Section 1.3.1.1
  
- z    =    weighting of price based on levelized marginal energy cost as set forth in Section 1.3.5.2
  
- L    =    levelized forecasted marginal energy cost as set forth

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in Table 3 of Appendix A

F = forecasted marginal energy cost for applicable year of Forecast Period as set forth in Table 2 of Appendix A

C<sub>est</sub> = estimated capacity factor of the Plant. For purposes of this Agreement C<sub>est</sub> shall be determined by the type of Plant as follows:

Wind Turbines = .40  
Solar = .50  
Geothermal = .80

If the Plant is of a type not specified above, C<sub>est</sub> shall be established by mutual agreement of the Parties at the time of execution of this Agreement. C<sub>est</sub> for this

Agreement is set forth in Section 1.3.5.2.3

3.7.2.2 On or before August 1 of each year, Seller shall provide SDG&E with adequate documentation of the Plant's actual capacity factor for the preceding period from July 1 to June 30.

3.7.2.3 On or before December 1 of each year, the level of security shall be adjusted by adding to the existing security the following total:

$$A = [(C_{est}) (R) (8760) (z) (L-F) + (.15) (E)]$$

where A = Adjustment of security as specified above

1                                   E       =       Existing level of security  
2 Each other term shall have the meaning ascribed to it in  
3 Section 3.7.2.1.

4                                   3.7.2.4    On or before October 1 of each year,  
5 Seller shall provide for SDG&E's review and approval documen-  
6 tation demonstrating the means by which Seller will adjust the  
7 existing security by December 1 as set forth in Section  
8 3.7.2.3.

9                                   3.7.3       If, at any time, Seller is unable to  
10 provide or maintain the level and quality of security required  
11 under this Agreement, or if Seller is otherwise in breach of  
12 the terms of this Agreement including a reduction in the  
13 Energy delivered and sold to SDG&E as described in  
14 Section 3.7.4, SDG&E may, at its discretion, immediately draw  
15 on the entire amount of the security posted or require Seller  
16 to pay to SDG&E an amount equal to the required level of  
17 security. In addition, Seller shall pay to SDG&E all of  
18 SDG&E's costs, whether direct or indirect, incurred as a  
19 result of Seller's breach or failure to perform. Thereafter,  
20 Seller shall receive Energy payments for the remainder of the  
21 Forecast Period under the terms of Energy Payment Option A  
22 with the weighting of forecasted marginal cost equal to the  
23 weighting previously applied to levelized marginal cost. The  
24 foregoing shall not be SDG&E's sole or exclusive remedy for  
25 Seller's breach, but the Parties agree that such amounts  
26 payable to SDG&E constitute a reasonable approximation of the  
27 minimum damages incurred as a result of such breach.

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1                   3.7.4       Seller shall operate and maintain the  
2 Plant in accordance with good engineering practices in order  
3 to maximize the likelihood that the Plant's output as  
4 delivered to SDG&E during the latter part of the Forecast  
5 Period, when the levelized forecasted marginal energy cost  
6 (Appendix A, Table 3) is less than the forecasted marginal  
7 energy cost (Appendix A, Table 2), will essentially equal or  
8 exceed the Plant's output during the first part of the Fore-  
9 cast Period, when the levelized forecasted marginal energy  
10 cost exceeds the forecasted marginal energy cost. In the  
11 event that the Plant's output sold to SDG&E during any year or  
12 series of years during the latter part of the Forecast Period  
13 (as defined above) is determined by SDG&E to be seventy (70)  
14 percent of the Plant's average annual output during the first  
15 part of the Forecast Period (as defined above), SDG&E may, at  
16 its discretion, draw on up to the full security provided for  
17 its benefit. In such event, Seller's Energy Payment option  
18 shall be converted to Energy Payment Option A with the weight-  
19 ing of the forecasted marginal energy payments equal to the  
20 weighting previously applied to levelized marginal cost.  
21 SDG&E shall not draw on the security and Seller's Energy  
22 Payment Option shall not be converted to Energy Payment  
23 Option A as described above if the reduction in Plant output  
24 sold to SDG&E is solely because of limitations in the avail-  
25 ability or supply of sun, wind, water, or other such  
26 resources used as fuel, because of the effects of an  
27 Uncontrollable Force, or because of curtailment of deliveries  
28 pursuant to Section 2.11.1 and 2.11.2.



1 the one hundred (100%) percent of the Firm  
2 Capacity commitment.

3 4.2. TIME PERIODS

4 Purchase of capacity shall be based on time of  
5 delivery of such capacity as expressed in the option selected  
6 on a cents per kilowatt-hour basis. The time periods pres-  
7 ently in use are currently defined as set forth in Appendix B  
8 but may be revised by SDG&E from time to time.

9 4.3 AS-DELIVERED CAPACITY OPTIONS

10 4.3.1 Option 1. Seller shall sell and deliver and  
11 SDG&E shall purchase capacity from the Plant on an  
12 as-delivered basis. Such capacity payments will be made on a  
13 cents per kilowatt-hour of delivery basis, according to the  
14 current capacity payment schedule for As-Available Qualifying  
15 Facilities filed by SDG&E with the CPUC. SDG&E will update  
16 the capacity payment schedule from time-to-time in accordance  
17 with the requirements of the CPUC. The current capacity  
18 payment schedule appears in Table 1 of Appendix B of this  
19 Agreement.

20 4.3.2 Option 2. Seller shall sell and deliver and  
21 SDG&E shall purchase capacity on an as-delivered basis. Such  
22 capacity payments will be made on a cents per kilowatt-hour of  
23 delivery basis, according to a forecast of avoided capacity  
24 cost.

25 4.3.2.1 SDG&E shall make such payments based on the  
26 forecast appearing in Table 2 of Appendix B. Payments shall  
27 be adjusted based on time of delivery and SDG&E reserves the  
28 right to change these adjustment factors as necessary upon

1 written notice. Commencing at the conclusion of the Forecast  
2 Period, Seller shall receive payments for capacity delivered  
3 in accordance with As-Delivered Capacity Option 1; provided,  
4 however, that in no event shall the yearly price for as-  
5 delivered capacity be less than the greater of (i) the as-  
6 delivered capacity price for the last year of the Forecast  
7 Period, as set forth in Table 2 of Appendix B, or (ii) the as-  
8 delivered capacity price for the first year after the end of  
9 the Forecast Period.

10 4.3.2.2 The Forecast Period for capacity payments  
11 shall be selectable by Seller in one year increments for up to  
12 a maximum period specified as follows:

13 (i) where the term of this Agreement is twenty (20)  
14 years or greater from the Operation Date as set  
15 forth in Section 1.3.1.5, the Forecast Period shall  
16 be a maximum of ten (10) years; and

17 (ii) where the term of this Agreement is less than  
18 twenty (20) years, from the Operation Date, the  
19 Forecast Period shall not exceed one-third of such  
20 term. The Forecast Period for this Agreement shall  
21 be as specified in Section 1.3.6.2.1.

22 4.3.2.3 The Forecast Period shall be of the same  
23 duration as that selected for the Energy Payment Options in  
24 Sections 3.3, or 3.4 or, if Energy Payment Option C  
25 (Section 3.5) is selected by Seller, the Forecast Period shall  
26 be the lesser of (i) the Forecast Period applicable to such  
27 option and (ii) one-third (1/3) of the term of this Agreement,  
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factors may be changed upon one year notice from SDG&E.

The MDC is determined as follows:

- (1) Determine the Performance Factor (P), which is defined as follows:

$$P = \frac{A}{C \times (B-S) \times (E)} \quad (P - 1)$$

A = Total kilowatt-hours delivered during all on-peak and semi-peak hours excluding any Energy associated with generation levels greater than the Firm Capacity.

C = Firm Capacity in kilowatts.

B = Total on-peak and semi-peak hours during the month.

S = Total on-peak and semi-peak hours during the month the Plant is out of service on scheduled maintenance.

E = 0.8 to reflect a 20% allowance for Forced Outage.

- (2) Determine the Monthly Capacity Factor (MCF), which is computed using the following expression:

$$MCF = P \times (1.0 - \frac{M}{D})$$

M = The number of hours during the month the Plant is out of service on scheduled maintenance.

D = The number of hours in the month.

- (3) Determine the MDC by multiplying the MCF by C;

$$MDC \text{ (kilowatts)} = MCF \times C$$

The monthly payment for Firm Capacity is then determined by multiplying the proper PPF determined above by MDC and CBF.

CBF = Capacity Bonus Factor (See Following Section)

The payment for a month in which there is an outage for scheduled maintenance shall also include an amount equal to the product of the average hourly capacity payment for the most recent month during which deliveries were made and the number of hours of outage for scheduled maintenance in the current month.

1           4.4.2 Capacity Bonus Factor (CBF). Seller who  
2 actually delivers Firm Capacity during the on-peak hours of  
3 the peak months at a Capacity Factor of .85, as defined by the  
4 CPUC, is entitled to an incentive payment. The CBF will be  
5 calculated as follows:

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7           ED = Energy delivered during on-peak hours of the  
8           peak months excluding any Energy associated  
9           with generation levels greater than the Firm  
10          Capacity.

11          C = Firm Capacity in Kilowatts

12          PP = Peak hours in peak months

13          CBF = 
$$\frac{ED}{C \times PP \times (.85)} \quad (\text{CBF} \_ 1.0)$$

14           Conditions

- 15           (1) Agreement must be in effect and Plant must be  
16           operable for all of the peak months in order  
17           that CBF be calculated.  
18           (2) The CBF for the period October 1 to September  
19           30 will be determined by the Plant's  
20           performance in the peak months of the preceding  
21           October 1 to September 30.  
22           (3) CBF will be equal to 1.0 until Seller's peak  
23           month data is available.  
24           (4) During probationary period CBF will be limited  
25           to 1.0.

26           4.4.3 Scheduled Maintenance. Scheduled maintenance  
27 shall be taken into account in computing capacity payments  
28 subject to the following conditions:

          4.4.3.1 Outage periods for scheduled maintenance  
shall not exceed 840 hours (35 days) in any 12-month period.

          4.4.3.2 Seller may accumulate unused scheduled  
maintenance hours on a year-to-year basis up to a maximum of

1 1,080 hours (45 days). This accrued time must be used consec-  
2 utively and only for major overhauls.

3 4.4.3.3 Major overhauls shall not be scheduled  
4 during the peak months and shall be limited to once every  
5 three years.

6 4.4.3.4 Scheduled maintenance shall not exceed 30  
7 peak hours during the peak months.

8 4.4.3.5 Seller shall notify SDG&E's Authorized  
9 Representative: 24 hours prior to a scheduled outage of less  
10 than one day, one week prior to a scheduled outage of one day  
11 or more (except for major overhauls), and six months prior to  
12 a major overhaul during periods acceptable to both parties.  
13 Agreed upon dates shall not be changed without formal written  
14 notice to SDG&E in accordance with Section 1.4 of this Agree-  
15 ment.

16 4.4.3.6 Capacity payments will continue during  
17 allowed outages for scheduled maintenance.

18 4.4.4 Minimum Performance Requirements. To receive  
19 capacity payments the Plant must meet the following require-  
20 ments:

21 (1) The amount of Firm Capacity shall be as actual-  
22 ly delivered to SDG&E for all of the on-peak and semi-peak  
23 hours of all peak months (Option 3). These months are cur-  
24 rently defined as the months of June, July, August and  
25 September, and may be changed upon one-year notice by SDG&E.  
26 All Energy generated by the Plant at levels greater than the  
27 amount of Firm Capacity will be specifically excluded from the  
28 Firm Capacity payment calculations.

1           (2) If Seller chooses Option 3, the Firm Capacity  
2 must be actually delivered to SDG&E for all of the on-peak and  
3 semi-peak hours of all peak months, subject to a 20 percent  
4 monthly allowance for Forced Outages and scheduled mainte-  
5 nance.

6           4.4.5 Curtailments by SDG&E. Subject to the  
7 conditions as detailed below, whenever curtailments are made  
8 at the request of SDG&E, under this Agreement, such curtail-  
9 ments shall not result in a loss of kilowatt-hours for the  
10 purposes of calculating capacity performance or capacity bonus  
11 factors, provided the QF would have been able to perform  
12 during the hours of curtailment.

13           4.4.5.1 Calculations for the purpose of determining  
14 capacity performance and capacity bonus factors, under  
15 Option 3 of this Agreement, shall be made as if the Plant were  
16 in operation during the hours when curtailments were made by  
17 and for the utility, subject to Sections 4.4.5.2 and 4.4.5.3  
18 below.

19           4.4.5.2 A determination of whether the QF would  
20 have been able to perform during the hours of curtailments  
21 shall be based on the following criteria:

22           (i) The Plant was in operation or capable of  
23           operation prior to the curtailment request, or

24           (ii) The Plant would have been able to perform  
25           during the time of the curtailments

26           4.4.5.3 The Plant output shall be based on either  
27 (a) the actual capacity of the Plant, averaged for the hour  
28 just prior to curtailment; or (b) the capacity that the Plant

1 would have been able to perform during the time of curtailment  
2 in the cases where (i) the Plant was either partially or fully  
3 out of service during the hour preceding curtailment; or (ii)  
4 the Plant was in the process of ramping up its capacity at the  
5 time of curtailment.

6           4.4.6 Failure to Meet Minimum Performance Require-  
7 ments. If Seller fails to meet the minimum performance  
8 requirements, on a monthly basis, then the Seller will be  
9 placed on probation for a period not to exceed 15 months.  
10 During the probationary period the Seller shall earn capacity  
11 payments for the amount of capacity actually delivered. If  
12 the Seller fails to deliver the full contract capacity during  
13 each of the following year's peak months, the amount of Firm  
14 Capacity shall be derated to the greater of the Firm Capacity  
15 actually delivered when the minimum requirements are not met,  
16 or the amount of Firm Capacity which would be reasonably  
17 likely to be met. The amount by which the Firm Capacity is  
18 reduced shall be subject to Section 4.4.8 of the Agreement.

19           4.4.7 Adjustments to Firm Capacity.

20           4.4.7.1 Seller may increase the amount of Firm  
21 Capacity with the approval of SDG&E, which approval shall not  
22 be unreasonably withheld, and receive payment for the  
23 additional capacity thereafter. A new overall capacity price  
24 will be established based on the original capacity price for  
25 the original Firm Capacity and the applicable capacity price  
26 for the remaining term of this Agreement published by SDG&E at  
27 the time the increase is first delivered to SDG&E. This new  
28

1 overall capacity price will be prorated in proportion to the  
2 original Firm Capacity and the increase in Firm Capacity.

3 4.4.7.2 Either Party may request, when it rea-  
4 sonably appears that the capacity of the Plant<sup>1</sup> may have  
5 changed for any reason, that a new Firm Capacity be de-  
6 termined. If a decrease occurs, that decrease will be subject  
7 to Section 4.4.8 of the Agreement.

8 4.4.8 Reduction and Termination.

9 4.4.8.1 The Parties recognize that the payments due  
10 SDG&E under this Section 4.4.8 represent liquidated damages  
11 and adjustments due to Seller's failure to provide the guaran-  
12 teed Firm Capacity or reduction or termination of Firm  
13 Capacity. In view of the difficulty of assessing the actual  
14 damages to SDG&E and the reliability of SDG&E's system, the  
15 Parties agree that such payments represent a fair and reason-  
16 able estimate of the minimum losses to SDG&E resulting from  
17 such reduction or termination of guaranteed capacity. In the  
18 event the reduction or termination of Firm Capacity is the  
19 result of an uncontrollable force or a lack of sufficient  
20 landfill gas supply, then only Termination Payment A and  
21 Termination Payment B, if applicable, shall apply. These  
22 payments shall be made within thirty (30) days receipt of  
23 notice.

24 4.4.8.2 For purposes of this Section 4.4.8,  
25 "Termination Payment A" shall mean an amount equal to the  
26 difference between payments for Firm Capacity to date based on  
27 the original Agreement length and payments that would have  
28 been made, based upon the period of Seller's actual

1 performance, up to reduction or termination. In addition,  
2 Seller shall pay interest on the above difference, compounded  
3 monthly, at a rate of 1/12 of the sum of (i) interest rate on  
4 Commercial Paper (prime, 3 months), published the prior month  
5 in the Federal Reserve Statistical Release, and (ii) 50 basis  
6 points, to compensate for opportunity costs lost due to  
7 overpayment. An example of this computation appears in  
8 Section 4.4.8.5.

9 4.4.8.3 If Seller terminates this Agreement, or all  
10 or part of the Firm Capacity stated in Section 1.3.6.3.1, with  
11 the following prescribed written notice:

12	13	14
	<u>Amount of Capacity</u> <u>Terminated</u>	<u>Length of Notice</u>
15	Under 5,000 kW	12 months
16	5,001 kW to 10,000 kW	36 months
	10,001 kW to 20,000 kW	48 months
	20,001 kW and over	60 months

17 Seller shall refund to SDG&E Termination Payment A as de-  
18 scribed in Section 4.4.8.2. SDG&E shall then make capacity  
19 payments to Seller for the remainder of Seller's performance,  
20 if any, at an adjusted capacity price.

21 4.4.8.4 If Seller terminates this Agreement, or all  
22 or part of the Firm Capacity stated in Section 1.3.6.3.1,  
23 without the notice prescribed in Section 4.4.8.3, Seller shall  
24 pay SDG&E "Termination Payment B". Termination Payment B  
25 shall consist of the sum of (i) Termination Payment A and  
26 (ii) a one-time payment. The one-time payment shall be equal  
27 to the amount of Firm Capacity being terminated times the  
28

1 difference between the Current Capacity Price on the date of  
2 termination for a term equal to the balance of the term of the  
3 Agreement and the Firm Capacity price. This product shall be  
4 pro-rated for the length of notice given, if any, by taking  
5 the difference between the amount of months of notice pre-  
6 scribed minus the amount of months of notice given divided by  
7 twelve (See Section 4.4.8.5, Example 2). In the event that  
8 the Current Capacity Price is less than the Firm Capacity  
9 price or the termination or reduction is a result of an  
10 Uncontrollable Force on the part of the Seller, then only  
11 Termination Payment A shall apply.

12 4.4.8.5 The examples provided in this Section are  
13 for demonstration purposes only and should not be construed as  
14 a projection of actual termination payments that may be due.

15 Example 1:

16 Termination with 36 months written notice given 12  
17 years after the Operation Date for termination 15  
18 years after the Operation Date or on December 31,  
19 1999.

20 Assumptions for this example:

21 Contract Capacity - 10 megawatts (10,000 kilowatts)  
22 Contract Term - 25 years  
23 Operation Date - January 1, 1985  
24 Contract Capacity  
25 Price - \$115 per kilowatt per year  
26 Monthly Interest  
27 Rate - 1% per month (assumed to be  
28 constant)



- 1 (a) Total Capacity Payment made - \$1,150,000 per year.  
2 (b) Total Capacity Payments which would have been made  
3 for a 15 year Contract Term = \$100/Kw-yr x 10,000 Kw  
4 = \$1,000,000 per year.  
5 (c) The difference between (a) and (b) of annual over-  
6 payments = \$1,150,000 - \$1,000,000/yr = \$150,000/yr.

7 Termination Payment A

8 \$150,000/yr x 1 yr/12 months x (Compound Amount Factor at  
9 1% month for 12 years) = \$3,619,950.

10  
11 SDG&E would then purchase capacity from the QF for the  
12 remaining 36 months of revised contract term based on a  
13 price of \$100/kw-yr.

14 Example 2:

15 Termination without prescribed notice 12 years after  
16 the Operation Date or on December 31, 1997.

17 Assumptions for this example:

18 Contract Capacity - 10 megawatts (10,000 kilowatts)  
19 Contract Term - 25 years  
20 Operation Date - January 1, 1985  
21 Contract Capacity  
22 Price - \$115 per kilowatt per year  
23 Current Capacity  
24 Price - \$200 per kilowatt per year  
25 Length of Notice  
26 Given - 3 months

27  
28

1 Monthly Interest

2 Rate - 1% per month (assumed to be  
3 constant)

4 Termination Payment B is equal to the sum of Termination  
5 Payment A (using the same methodology as in Example 1 above),  
6 and a one-time payment, as follows:

7 Termination Payment A

8 (a) Total Capacity Payment made = \$115/Kw-yr x 10,000 kW  
9 = \$1,150,000/yr

10 (b) Total Capacity Payment which would have been made, using  
11 the same Capacity Payment Schedule in effect at the time  
12 of execution, for a 12 year Contract Term = \$93/Kw-yr x  
13 10,000 Kw  
14 = \$930,000/yr

15 (c) The difference between (a) and (b), of overpayment  
16 \$1,150,000 - \$930,000 = \$220,000/yr

17 Termination Payment A

18 \$220,000/year x 1 year/12 months x (Compound Amount  
19 Factor at 1% month for 12 years) = \$5,309,260.

20 One Time Payment

21 The payment can be formulated as follows:

22 = (Amount of Firm Capacity Terminated x (Current  
23 Capacity Price - Firm Capacity Price) x (Amount of  
24 notice prescribed - Amount of Notice Given)  
25 12 months/year

26 = (10,000 Kw) (200 \$/Kw-yr - 115 \$/Kw-yr)  $\frac{(36-3 \text{ mos})}{(12 \text{ mos/yr})}$   
27 = \$2,337,500

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Termination Payment B

$$\begin{aligned} \text{Termination Payment B} &= \text{Termination Payment A} + \text{One Time} \\ &\qquad\qquad\qquad \text{Payment} \\ &= \$5,309,260 + \$2,337,500 \\ &= \$7,646,760 \end{aligned}$$

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PART V  
SIGNATURE CLAUSE

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 December, 1983.

ATTEST:  
By: \_\_\_\_\_

SELLER:  
By: Lee H. Freeman, VICE PRESIDENT

ATTEST:  
By: \_\_\_\_\_

SAN DIEGO GAS & ELECTRIC  
COMPANY  
By: R. W. Wood

APPENDIX A

ENERGY PRICE SUMMARY

SAN DIEGO GAS & ELECTRIC

Page 1 of 5

Introduction

These prices are available to all Qualifying Facilities generating energy in accordance with the terms of this Agreement.

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

	<u>Summer</u>	<u>Winter</u>
	<u>MAY 1 - September 30</u>	<u>All Other</u>
On-Peak	10 a.m. - 5 p.m. Weekdays	5 p.m. - 9 p.m. Weekdays
Semi-Peak	5 p.m. - 9 p.m. Weekdays	10 a.m. - 5 p.m. Weekdays
Off-peak	9 p.m. -10 p.m. Weekdays Plus Weekends & Holidays	9 p.m. -10 a.m. Weekdays Plus Weekends & Holidays

All time periods listed are in Pacific Standard Time. During periods when Pacific Daylight Savings Time is in effect, one hour must be added to the listed time to arrive at corresponding time periods.

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 by SDG&E from time to time as approved by the CPUC.

APPENDIX A

TABLE 1

SHORT RUN ENERGY PAYMENT SCHEDULE

(Effective November 1, 1983 through February 29, 1984)

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

TRANSMISSION VOLTAGE LEVEL

<u>Time Period</u>	<u>Purchase Price ¢/kWhr</u>
	<u>Winter</u> <u>November 1-February 29</u>
On-Peak	5.94
Semi-Peak	5.76
Off-Peak	5.65

PRIMARY AND SECONDARY VOLTAGE LEVEL

<u>Time Period</u>	<u>Purchase Price ¢/kWhr</u>
	<u>Winter</u> <u>November 1-February 31</u>
On-Peak	6.17
Semi-Peak	5.97
Off-Peak	5.81

These energy payments will be calculated and published at such times as ordered by the CPUC.

APPENDIX A  
TABLE 2

FORECAST MARGINAL ENERGY COST (¢/kWhr)  
NON-TIME DIFFERENTIATED

Page 3 of 5

<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
5.9	6.4	6.4	6.3	6.7	7.9	8.6	9.2
<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	
10.0	10.3	11.1	11.8	12.6	13.4	14.2	

Includes 5.6% adjustment to Primary Voltage Level.  
There will be no additional adjustments for voltage level of Seller.

## APPENDIX A

LEVELIZATION OF FORECASTED MARGINAL ENERGY COSTTABLE 3

Page 4 of 5

<u>Operating Date Beginning</u>	<u>Length of Forecast Period (Years) (¢/kWhr)</u> (Non-time Differentiated)									
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>
1984	5.9	6.1	6.2	6.2	6.3	6.5	6.7	6.9	7.0	7.2
1985	6.4	6.4	6.4	6.4	6.7	6.9	7.1	7.3	7.5	7.7
1986	6.4	6.4	6.5	6.7	7.0	7.3	7.5	7.7	7.9	8.1
1987	6.3	6.5	6.9	7.2	7.5	7.8	8.0	8.3	8.5	8.7
1988	6.7	7.3	7.6	8.0	8.3	8.5	8.7	9.0	9.2	9.4

Discount Rate = 15.0%

Includes 5.6% adjustment to Primary Voltage Level.

There will be no further adjustments for the Voltage Level of Seller.



APPENDIX A

TABLE 4

Page 5 of 5

Incremental Energy Rate Forecast\*

<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
9100	8600	7700	7700	7700	8200	8200	8200
<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	
8200	8200	8200	8200	8200	8200	8200	

\*Figures shown are based on oil as incremental fuel. These figures should be multiplied by 1.046 if gas is the incremental fuel.

APPENDIX B

CAPACITY PRICE SUMMARY

San Diego Gas & Electric

Page 1 of 4

Introduction

These prices are available to all Qualifying Facilities with a capacity agreement in accordance with the terms of this Agreement.

Time Periods are currently in accordance with the following table:

	<u>Summer</u> May 1 - September 30	<u>Winter</u> All Other
On Peak	10 a.m. - 5 p.m. Weekdays	5 p.m. - 9 p.m. Weekdays
Semi-Peak	5 p.m. - 9 p.m. Weekdays	10 a.m. - 5 p.m. Weekdays
Off-Peak	9 p.m. -10 a.m. Weekdays Plus Weekends & Holidays	9 p.m. -10 a.m. Weekdays Plus Weekends & Holidays

All time periods listed are in Pacific Standard Time. During periods when Pacific Daylight Savings Time is in effect, one hour must be added to the listed times to arrive at corresponding time periods.

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 by SDG&E from time to time as approved by the CPUC.

APPENDIX B

TABLE 1

Capacity Payment Schedule  
for  
As-Delivered Qualifying Facilities  
Effective November 1, 1983 through February 29, 1984

Page 2 of 4

Payment

The capacity payment will be made on an energy basis for energy delivered during time periods to SDG&E by the Qualifying Facility in accordance with the following table:

TRANSMISSION VOLTAGE LEVEL

<u>Time Period</u>	<u>Purchase Price ¢/kWhr</u>
	<u>Winter</u>
	November 1-February 29
On-Peak	2.50
Semi-Peak	0.52
Off-Peak	0.21

PRIMARY AND SECONDARY VOLTAGE LEVEL

	<u>Purchase Price ¢/kWhr</u>
	<u>Winter</u>
	November 1-February 29
On-Peak	2.61
Semi-Peak	0.54
Off-Peak	0.21

These capacity payments will be calculated and published, as such times as ordered by the CPUC.

APPENDIX B

TABLE 2

Page 3 of 4

Forecast As-Delivered Capacity

Non-Time Differentiated

¢/kWhr

<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
.70	.74	.80	.87	.95	1.02	1.10	1.31
<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	
1.40	1.50	1.60	1.72	1.84	1.96	2.10	

APPENDIX B

TABLE 3

San Diego Gas & Electric Company  
 Firm Capacity Payment Schedule  
 for  
 Qualifying Facilities  
  
 Capacity Payment Table  
 Dollars/Kw-Yr

<u>INITIAL OPERATING</u>	<u>DURATION OF CONTRACT (YEARS)</u>												
<u>DATE</u>	1	2	3	4	5	6	7	8	9	10	11	12	13
1983	56	59	61	63	65	67	69	71	73	75	77	80	82
1984	62	63	65	67	70	72	74	76	79	82	84	86	88
1985	65	68	70	73	75	77	80	83	86	89	91	93	96
1986	70	73	76	78	81	84	87	91	94	96	99	101	104
1987	76	79	81	84	88	92	96	99	102	105	107	110	112

<u>INITIAL OPERATING</u>	<u>DURATION OF CONTRACT (YEARS)</u>												
<u>DATE</u>	14	15	16	17	18	19	20	21	22	23	24	25	30
1983	83	85	87	89	90	92	93	94	96	97	98	99	104
1984	90	92	94	96	97	99	100	102	103	104	106	107	112
1985	98	100	102	104	105	107	108	110	111	113	114	115	121
1986	106	108	110	112	114	115	117	119	120	122	123	124	131
1987	115	117	119	121	123	125	127	128	130	131	133	134	141

## APPENDIX C

### PLANT SCHEMATIC AND INTERCONNECTION FACILITIES

A one-line diagram shall be included as this Appendix C with sufficient detail to clearly show the major elements of the final Plant layout, the Interconnection Facilities and the Point of Delivery.

Due to time constraints a one-line diagram was not available for inclusion at the time this Agreement was signed. However, such a diagram shall be included as Exhibit A prior to the Plant Start-up Date, as mutually approved by both Parties.