City of Palo Alto
City Council Staff Report

(ID # 6641)

Report Type: Consent Calendar **Meeting Date: 3/21/2016**

Council Priority: Environmental Sustainability

Summary Title: Palo Alto CLEAN Program Updates and Extension

Title: Finance Committee Recommendation to Adopt a Resolution Continuing the Palo Alto Clean Local Energy Accessible Now (CLEAN) Program and Decreasing the Contract Rate (1) for Solar Resources to 8.9c/kWh to 9.0c/kWh, and (2) for Non-Solar Renewable Energy Resources to 8.1c/kWh to 8.2c/kWh; and Amending Associated Program Eligibility Rules and Power Purchase Agreement Accordingly

From: City Manager

Lead Department: Utilities

Recommended Motion (Finance Committee Recommendation)
I move that Council:

1. Adopt a resolution (Attachment A) to make the following changes and amend the Clean Local Energy Accessible Now (Palo Alto CLEAN) Program Eligibility Rules and Regulations accordingly:

    a. Continue the Palo Alto CLEAN Program for solar energy resources, reducing the contract price from 16.5 cents per kilowatt-hour (¢/kWh) to a contract price equal to the avoided cost of solar energy resources of 8.9¢/kWh for a 20-year contract, and 9.0¢/kWh for a 25-year contract term, and to continue with a CLEAN Program limit for solar energy resources of 3 megawatts (MW);

    b. Reduce the Palo Alto CLEAN program price for local non-solar eligible renewable energy resources to the updated avoided cost of such energy (8.1¢/kWh for a 20-year contract term, or 8.2¢/kWh for a 25-year contract term), from the prior avoided cost projection (9.3¢/kWh for a 20-year contract term, or 9.4¢/kWh for a 25-year contract term), and continue with a separate program limit of 3 MW specifically for local non-solar eligible renewable resources; and

2. Approve the attached amended CLEAN program Power Purchase Agreement (PPA) (Attachment B) to implement the recommended changes.

Recommendation

The Finance Committee unanimously (4-0) recommends that the City Council:

1. Adopt a resolution (Attachment A) to:

    a. Continue the Palo Alto CLEAN Program for solar energy resources, reducing the contract price from 16.5 cents per kilowatt-hour (¢/kWh) to a contract price equal to the avoided cost of solar energy resources of 8.9¢/kWh for a 20-year contract, and 9.0¢/kWh for a 25-year contract term, and to continue with a CLEAN Program limit for solar energy resources of 3 megawatts (MW);

    b. Reduce the Palo Alto CLEAN program price for local non-solar eligible renewable energy resources to the updated avoided cost of such energy (8.1¢/kWh for a 20-year contract term, or 8.2¢/kWh for a 25-year contract term), from the prior avoided cost projection (9.3¢/kWh for a 20-year contract term, or 9.4¢/kWh for a 25-year contract term), and continue with a separate program limit of 3 MW specifically for local non-solar eligible renewable resources; and

2. Approve the attached amended CLEAN program Power Purchase Agreement (PPA) (Attachment B) to implement the recommended changes.

The attached resolution incorporates the above recommendations. The amended Palo Alto CLEAN Eligibility Rules and Requirements, which implement the above recommendations, are shown in Exhibit A-1 attached to the resolution. As noted above, staff also seeks approval of an amended PPA (Attachment B), which incorporates the above recommendations.

Council has previously delegated authority to the City Manager to execute eligible agreements, and to make additional changes to the CLEAN Program PPA that are approved by the City Attorney's office as may be otherwise necessary to implement the recommendations that are approved by Council. Staff requests the same authority be extended to recommendations approved by Council as part of this staff report.

The recommendation from the Finance Committee differs from the recommendation made by the Utilities Advisory Committee (UAC). At its December 2015 meeting, the UAC voted unanimously (3-0, with one commissioner abstaining and two commissioners absent) to support staff's initial recommendation to continue the Palo Alto CLEAN Program for solar resources at the current 16.5¢/kWh contract price, with a program limit of 3 MW for solar energy resources, while lowering the contract price for local non-solar eligible renewable energy resources to the updated avoided cost of such energy.

Executive Summary

In March 2012 the Council adopted the Palo Alto CLEAN program (also commonly referred to as a feed-in tariff, or FIT, program). The program was designed to address the Long-term Electric Acquisition Plan (LEAP) objective to enhance supply reliability through the pursuit of local generation opportunities, and to complement the City of Palo Alto Utilities' (CPAU's) existing PV Partners solar rebate program. Palo Alto CLEAN created an additional alternative for property owners by enabling them to build a new solar system on their property and sell the energy to CPAU under a long-term, fixed-rate, standardized contract rather than use the energy on site.

Though solar developers expressed interest in Palo Alto CLEAN in 2012, the initial contract price (14 cents per kilowatt-hour (¢/kWh) for a 20-year term) proved insufficient to facilitate the most common business model used by project developers, which involves a third-party investor leasing roof space from a property owner. Council increased the Palo Alto CLEAN price to 16.5¢/kWh in December 2012. In May 2015, Council added a 25-year contract term option, and expanded the program to include non-solar eligible renewable energy resources, setting their contract prices at the avoided cost level (9.3¢/kWh for a 20-year contract or 9.4¢/kWh for a 25-year contract).

Since the last program update in May 2015, the first CLEAN project applications have been received. The Unitarian Universalist Church of Palo Alto submitted the program's first application in December 2015, for a 113 kW solar canopy project to be installed over its parking lot. And in February 2016, Komuna Energy submitted four separate applications for projects that will cover the rooftops of four parking garages that the company is leasing from the City under a 25-year agreement approved in January 2016 (Staff Report 6535). Together, these five projects will account for 42% of the total 3 MW program capacity allocated to solar resources.

Given that the avoided cost of local solar resources has continued to decline since Council's May 2015 decision, and given that five CLEAN project applications have now been received, the Finance Committee recommends reducing the contract price for *future* local solar project applicants from 16.5¢/kWh to the avoided cost level (which is currently estimated at 8.9¢/kWh for a 20-year term, and 9.0¢/kWh for a 25-year term). The five projects that are already in the CLEAN program queue will still receive the 16.5¢/kWh rate, as that was the contract price in effect at the time they submitted their applications.

The Finance Committee's recommendation that Council reduce the CLEAN Program price for solar resources may have implications for a City program (the Community Solar Program) currently under development. Should Council elect to adopt the Finance Committee recommendation to reduce the contract price under the CLEAN Program for solar resources, it's possible that this initiative will need to be significantly modified or will no longer be able to move forward.

Staff, the UAC, and the Finance Committee also recommend continuing to offer non-solar eligible renewable energy resources a CLEAN price equal to the avoided cost of the energy

produced by those resources, which is currently estimated at 8.1¢/kWh for a 20-year term, and 8.2¢/kWh for a 25-year term. The City has not yet received any application for non-solar resources under the CLEAN Program.

Committee Review and Recommendation

The UAC considered staff's recommendation at its December 2, 2015 meeting. After discussion, the UAC voted unanimously (3-0, with one commissioner abstaining and two commissioners absent) to support the staff recommendation to continue the CLEAN program while maintaining the 16.5¢/kWh price offered to local solar resources and adjusting the price offered to local non-solar eligible renewable energy resources as described above. The excerpted minutes from the UAC's discussion at its December 2, 2015 meeting are provided as Attachment D.

At its February 16, 2016, meeting, the Finance Committee discussed the UAC's and staff's recommendation. The Finance Committee staff report (Staff Report 6485), which contains a detailed discussion of the CLEAN program's background and a review of the changes in the value of locally generated renewable energy, is provided as Attachment C. Staff described the program's history, including previous annual updates made to the program since its inception. Staff also described how the value of local solar and non-solar renewable energy has declined significantly over the past few years, and reviewed the various cost components that make up these values.

Finance Committee members commented on the annual excess cost associated with continuing to offer the 16.5¢/kWh rate to solar resources ($380,000 per year for 3 MW of solar resources), noting that it is roughly equivalent to the annual cost of financing approximately $6 million in infrastructure improvements through municipal bonds. Finance Committee members also remarked on the dramatic difference between the proposed 16.5¢/kWh price for local solar energy and the cost of purchasing solar energy from large-scale facilities outside the City. (At the same meeting, the Finance Committee unanimously recommended that Council approve a new long-term PPA for a 26 MW solar facility in Los Angeles County with a contract price of 3.676¢/kWh (Staff Report 6637); however, this price does not include the cost of transmission, distribution system losses, or local capacity.)

After discussion, the Finance Committee voted unanimously (4-0) to recommend that the Council adopt a resolution reducing the CLEAN program price for local solar resources to the avoided cost of such energy (8.9¢/kWh for a 20-year contract term, or 9.0¢/kWh for a 25-year contract term) with a 3 MW participation cap; continuing the CLEAN program for local non-solar renewable energy resources at the updated avoided cost of such energy (8.1¢/kWh for a 20-year contract term, or 8.2¢/kWh for a 25-year contract term) and with a separate 3 MW participation cap; and approving the amended CLEAN program PPA. The excerpted action minutes from the Finance Committee's discussion of the Palo Alto CLEAN program at its February 16, 2016 meeting are provided as Attachment E.

Resource Impact
Staff estimates the current cost of buying energy from solar resources outside of Palo Alto is 8.9¢/kWh (including transmission and capacity) for a 20-year contract, or 9.0¢/kWh for a 25-year contract. Purchasing the energy generated by local solar projects at contract prices equal to these avoided cost values would not impact the cost to Utility customers. On the other hand, purchasing the output from 3 MW of local solar projects at a contract price of 16.5¢/kWh would cost about $380,000 per year more than buying the same energy outside of Palo Alto. This is equivalent to a 0.32% increase in the electric utility's costs. If the program increased costs by $380,000 per year, staff has determined that the system average electric rate would have to increase by 0.04¢/kWh. This is equivalent to a bill impact of $1.85 per year for the median residential customer using 410 kWh/month, or $2.80 per year for a residential customer using 650 kWh/month.

Changing the program price offered to local, non-solar renewable energy projects is not expected to impact the cost to the Utility since the recommended price for those projects is equal to the value of acquiring such projects outside the City.

In addition to the energy costs described above, staff time is associated with marketing and project review. The project review can be absorbed with existing staff over the life of the program, and costs will be recovered through project review fees. The additional marketing will require about 0.1 FTE of staff time and may involve an additional budget for marketing materials, which would be requested through the annual budget process. The marketing work will be absorbed by existing staff, but will decrease time spent on other account management and efficiency program delivery activities.

Policy Implications
The recommendation to continue the CLEAN program supports the City's carbon neutral electric supply portfolio policy as well as the Long-term Electric Acquisition Plan (LEAP) Objective to enhance supply reliability through the pursuit of local generation opportunities.

However, the recommendation to reduce the Palo Alto CLEAN contract price for solar resources from 16.5¢/kWh to the avoided cost level of 8.9¢/kWh for a 20-year contract, or 9.0¢/kWh for a 25-year contract, represents a change in emphasis in adopted Council policy—which has previously prioritized the additional financial and environmental benefits to increasing local solar generation that are not captured in the avoided cost calculation.

Environmental Review
Adoption of the attached resolution is not subject to California Environmental Quality Act (CEQA) review under California Public Resources Code section 21080(b)(8), because the price adopted reflects the reasonable cost of the CLEAN Program's operating expenses. Approval of the amended CLEAN program PPA is not a project under CEQA, and therefore, no environmental assessment is necessary.

Attachments:

- Attachment A: Resolution Continuing the Palo Alto CLEAN Program (with Exhibit A-1 Revised Program Rules) (PDF)
- Attachment B: Updated Palo Alto CLEAN Power Purchase Agreement (PDF)
- Attachment C: Finance Committee Staff Report 6485, CLEAN Program Update (without attachments) (PDF)
- Attachment D: Excerpted Final Minutes of the December 2, 2015 UAC Meeting (PDF)
- Attachment E: Final Action Minutes of the February 16, 2016 Finance Committee Meeting (PDF)

ATTACHMENT A

NOT YET APPROVED

Resolution No. _____

Resolution of the Council of the City of Palo Alto Decreasing the Palo Alto Clean Local Accessible Now Program Contract Rate for Solar Resources to 8.9 ¢/kWh to 9.0 ¢/kWh and Decreasing the Contract Rate for Non-solar Renewable Energy Resources to 8.1 ¢/kWh to 8.2 ¢/kWh Based on the Reduced Avoided Cost of Local Renewable Energy and Amending Associated Program Rules

R E C I T A L S

A. On March 5, 2012, the City approved the Palo Alto Clean Local Energy Accessible Now (CLEAN) Program (or feed-in tariff). Under the Palo Alto CLEAN Program, participants who build a new solar generating system in Palo Alto may obtain a long-term, fixed-price contract with the City to sell the energy from the system to the City's electric utility.

B. Council extended the program beyond its original termination date of December 31, 2012 and has periodically reviewed the contract price and program cap.

C. On May 27, 2015, Council approved Resolution 9512, which continued Palo Alto CLEAN at the contract price of 16.5 cents per kilowatt-hour (¢/kWh) for local solar resources, added a 25-year contract term option, and expanded the program's eligibility to local non-solar eligible renewable energy resources, establishing contract prices of 9.3 ¢/kWh for a 20-year term or 9.4 ¢/kWh for a 25-year term for such resources. These contract rates were set to be equal to the then current estimated avoided cost of the energy generated by these resources. The resolution further established separate program caps of 3 megawatts (MW) of generating capacity for both the solar and non-solar resources.

D. In the past few months, the City has received five CLEAN Program project applications for local solar facilities, which together will total 1.26 MW of capacity, or 42% of the 3 MW program cap.

E. In April 2015, the City released a Request for Proposals for projects that could deliver renewable energy to the City, and results indicate that the avoided cost of energy generated by renewable resources has dropped since Council adopted a CLEAN Program price for local non-solar resources in May 2015.

F. The City therefore wants to continue the CLEAN program for solar resources, but at a reduced contract price equal to the avoided cost of the solar energy (8.9 ¢/kWh for a 20-year term or 9.0 ¢/kWh for a 25-year term) while program parameters (including the separate 3 megawatt (MW) caps applicable to the solar and non-solar portions of the program). Additionally, the City wants to reduce the contract prices available to local non-solar eligible renewable resources to 8.1 ¢/kWh for a 20-year term or 8.2 ¢/kWh for a 25-year term for such resources, which is equal to the current estimated avoided cost of energy generated by these resources.

NOT YET APPROVED

The Council of the City of Palo Alto RESOLVES as follows:

SECTION 1. The Council adopts revised Palo Alto CLEAN Program Eligibility Rules Requirements, set forth in Exhibit 1 attached to this Resolution.

SECTION 2. The Council authorizes the City Manager or his designee to sign contracts for the output of one or more solar, or other non-solar eligible renewable energy resource meeting the CLEAN Program Eligibility Rules and Requirements described in Section 1.

SECTION 3. The Council finds that the adoption of this resolution is not subject to California Environmental Quality Act review under California Public Resources Code section 21080(b)(8), because the rate adopted reflects the reasonable cost of the CLEAN Program's operating expenses. Approval of the amended CLEAN Program Eligibility Rules and Requirements attached to the Resolution as Exhibit 1 is not a project under CEQA, and therefore, no environmental review is required.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

_____
City Clerk

_____
Mayor

APPROVED AS TO FORM:

_____
Senior Deputy City Attorney

APPROVED:

_____
City Manager

_____
Director of Utilities

_____
Director of Administrative Services

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PALO ALTO CLEAN (CLEAN LOCAL ENERGY ACCESSIBLE NOW)
PROGRAM ELIGIBILITY RULES AND REQUIREMENTS

A. PARTICIPATION ELIGIBILITY:

The Palo Alto Clean Local Energy Accessible Now Program (the "CLEAN Program") is open to participation by any Eligible Renewable Energy Resource, as defined in Section D.4, that satisfies these Program Eligibility Rules and Requirements.

B. TERRITORIALITY REQUIREMENT:

In order to be eligible to participate in the CLEAN Program, an Eligible Renewable Energy Resource must be located in and generating electricity from within the utility service area of the City of Palo Alto.

C. PRICES AND TERM FOR ELIGIBLE RENEWABLE RESOURCES:

The following purchase price shall apply to the electricity produced by an Eligible Renewable Energy Resource participating in the Program, except as provided in Section D.5.

Solar Energy Resources:

Contract Term	Contract Price
20 years	$0.089 / kWh
25 years	$0.090 / kWh

Other, Non-Solar Eligible Renewable Energy Resources:

Contract Term	Contract Price
20 years	$0.081 / kWh
25 years	$0.082 / kWh

D. ADDITIONAL RULES AND REQUIREMENTS:

1. The owner of the Eligible Renewable Energy Resource shall enter into an Eligible Renewable Energy Resource Power Purchase Agreement ("PPA") with the City of Palo Alto prior to delivering energy to the City.

2. The maximum, aggregate generation capacity from all solar facilities participating in the CLEAN Program is three (3) Megawatts ("MW") (the "Program Capacity", based on the generating facility's California Energy Commission rating, CEC-AC). Generating capacity from non-solar, eligible renewable energy resources will not be counted towards this 3 MW cap for the solar program. Instead non-solar, local eligible renewable energy resources will be subject to a 3 MW cap of their own.

3. An application for participation in the CLEAN Program to sell output to the City (the "Application") may be submitted at any time. Applications will be considered in the

order received.

4. Eligible Renewable Energy Resource means an electric generating facility that: (a) is defined and qualifies as an "eligible renewable energy resource" under California Public Utilities Code Section 399.12(e) and California Public Resources Code Section 25471, respectively, as amended; and (b) meets the territoriality requirement set forth in Section B.

5. The California Energy Commission's ("CEC") certification of the Eligible Renewable Energy Resource shall be required within six (6) months of the commercial operation date of the generating facility; the facility's owner shall provide written notice of the CEC's certification to the City within ten (10) business days of receipt of said certification. If the City agrees, in its sole discretion, to take delivery of the generating facility's electricity prior to the CEC's certification, then, as the facility's electricity cannot be considered in fulfillment of the City's RPS requirements, the price that the City will pay for the generating facility's electricity (the "Pre-Certification Price") will be set to $0.076 per kWh (for a 20-year contract term) or $0.08 per kWh (for a 25-year contract term), based on the estimated levelized cost of brown power over a 20-year or 25-year period, respectively. Upon the CEC's certification of the generating facility and the provision of notice of such certification to the City in accordance with this section, the City will pay the Price set forth in Section C of these CLEAN Program Rules and Requirements and the PPA (collectively referred to as the "Contract Price") for the generating facility's electricity delivered on and after the date of the CEC's certification. The City will, in its sole discretion, "true-up", as appropriate, the difference between the Contract Price and the Pre-Certification Price for any electricity received and paid for by the City, effective as of the date of certification of the Eligible Renewable Energy Resource.

6. If an Eligible Renewable Energy Resource is authorized to participate in the CLEAN Program, then that Resource shall not be entitled to receive any rebate or other incentive from the City's Photovoltaic (PV) Partners Program or any other similar incentive program funded by the City's ratepayers. To the extent any rebate or incentive is paid to the owner of the Resource, that rebate or incentive shall be disgorged and refunded to the City upon 30 days' notice, if the Eligible Renewable Energy Resource continues to participate in the CLEAN Program. If a rebate or an incentive has been paid to the Eligible Renewable Energy Resource, then that Resource shall be ineligible to participate in the CLEAN Program.

7. All electricity generated by the Eligible Renewable Energy Resource shall be delivered only to the City. No portion of the electricity may be used to offset any load of the generating facility (other than incidental loads associated with operating the generating facility).

8. A metering and administration fee will be charged to each Eligible Renewable Energy

Resource that participates in the CLEAN Program. See Utilities Rate Schedule E-15 (Electric Service Connection Fees).

POWER PURCHASE AGREEMENT
ELIGIBLE RENEWABLE ENERGY RESOURCE
(Palo Alto Clean Local Energy Accessible Now Program)

This Power Purchase Agreement - Eligible Renewable Energy Resource, dated, for convenience, _____, 20___(the "Effective Date"), is entered into by and between the CITY OF PALO ALTO, a California chartered municipal corporation, and_____, a_____corporation (individually, a "Party" and, collectively, the "Parties").

RECITALS

1. The Buyer has adopted and implemented its CLEAN Program, which allows an owner of a qualifying electric generation system to sell to the Buyer the power output of a small-scale distributed generation Eligible Renewable Energy Resource, subject to the CLEAN Program's rules and requirements.

2. The Seller owns or operates and desires to interconnect its Facility in parallel with Buyer's Distribution System and sell the Energy produced by its Facility, net of Station Service Load, directly to the Buyer in furtherance of the CLEAN Program.

3. The Parties do not intend this Agreement to constitute an agreement by the Buyer to provide retail electrical service to the Seller.

4. The Parties wish to enter into a power purchase agreement for the sale and purchase of the Output of the Facility. The Parties will enter into a separate "Interconnection Agreement" in connection with this Agreement.

NOW THEREFORE, in consideration of the foregoing recitals and the following covenants, terms and conditions, the Parties agree, as follows:

AGREEMENT

1.1 DEFINITIONS

The initially capitalized terms, whenever used in this Agreement, have the meanings set forth below, unless they are otherwise herein defined. The terms "include," "includes," and "including," when used in this Agreement, shall mean, respectively, "include, without limitation," "includes, without limitation" and "including, without limitation."

"**Agreement**" means this Power Purchase Agreement – Eligible Renewable Energy Resource between the Buyer and the Seller.

"**Business Day**" means any day except a Saturday, Sunday, or a day that the City observes as a regular holiday under Palo Alto Municipal Code section 2.08.100(a).

"**Buyer**" refers to the City of Palo Alto, California, with a principal place of business at 250 Hamilton Avenue, Palo Alto, California 94301.

"**Buyer's Distribution System**" means the wires, transformers, and related equipment used by the Buyer to deliver electric power to the Buyer's retail customers, typically at sub-transmission level voltages or lower.

"**CAISO**" means the California Independent System Operator Corporation, or successor entity.

"**CAISO Tariff**" means the CAISO FERC Electric Tariff, as amended.

"**Capacity**" means the ability of a generator at any given time to produce Energy at a specified rate, as

measured in megawatts ("MW") or kilowatts ("kW"), and any reporting rights associated with it.

"**Capacity Attributes**" means any current or future defined characteristic, certificate, tag, credit, or ancillary service attribute, whether general in nature or specific as to the location or any other attribute of the Facility, intended to value any aspect of the Contract Capacity of the Facility to produce Energy or ancillary services, including contributions towards Resource Adequacy (including those requirements defined in Section 40 of the CAISO Tariff) or reserve requirements (if any), and any other reliability or power attributes.

"**CEC**" means the California Energy Resources Conservation and Development Commission, or successor agency.

"Certificate of RPS Eligibility" means a certificate issued by the CEC as evidence of RPS Certification of the Facility.

"City" means the government of the City of Palo Alto, California.

"**CLEAN Program**" refers to the Palo Alto Clean Local Energy Accessible Now Program, a renewable energy program established by the City by adoption of resolution number_____, dated_____, of the Palo Alto City Council, whereby the Buyer will purchase from the Seller the Output of Eligible Renewable Energy Resources that meet specified criteria set forth in the City's applicable ordinances and resolutions.

"**Commercial Operation**" means the period of operation of the Facility, once the Commercial Operation Date has occurred.

"**Commercial Operation Date**" means the date specified in the Commercial Operation Date Confirmation Letter, which the Parties execute and exchange in accordance with this Agreement.

"**Contract Capacity**" means the installed electrical Capacity available upon the Commercial Operation Date of the Facility in an amount, as specified in Exhibit "PPA-A." "Contract Capacity" is measured at the Buyer's revenue meter at the Delivery Point and is net of any Station Service Loads, any applicable Facility step-up transformer losses, and distribution losses on Buyer's Distribution System up to the Delivery Point.

"**Contract Price**" means the price paid by the Buyer to the Seller for the Output generated at the Facility and received by the Buyer, as set forth in Exhibit "PPA-A."

"CPUC" means the California Public Utilities Commission, or successor agency.

"**Delivery Point**" means the point of interconnection to Buyer's Distribution System, where the Buyer accepts title to the Output.

"**Delivery Term**" has the meaning set forth in Section 14.2 hereof.

"**Eligible Renewable Energy Resource**" means an electric generating facility that is defined and qualified as an "eligible renewable energy resource" under California Public Utilities Code Section 399.12(e) and California Public Resources Code Section 25471, respectively, as amended.

"**Energy**" means electrical energy generated from the Facility and delivered to Buyer's Distribution System with the voltage and quality required by the Buyer, and measured in megawatt-hours ("MWh") or kilowatt-hours ("kWh"), as metered at the Delivery Point.

"**Facility**" means the qualifying renewable energy generation equipment and associated power conditioning and interconnection equipment that deliver the Output to the Buyer at the Delivery Point.

"**FERC**" means the Federal Energy Regulatory Commission, or successor agency.

"**Forced Outage**" means an unplanned outage of one or more of the Facility's components that results in a reduction of the ability of the Facility to produce Capacity.

"**Force Majeure**" means an event or circumstance, which prevents a Party from performing its obligations under this Agreement, and which is not in the reasonable control of, or the result of negligence of, the Party claiming Force Majeure, and which by the exercise of due diligence is unable to overcome or cause to be avoided. "Force Majeure" shall include: (a) An act of nature, riot, insurrection, war, explosion, labor dispute, fire, flood, earthquake, storm, lightning, tidal wave, backwater caused by flood, act of the public enemy, terrorism, or epidemic; (b) Interruption of transmission or generation services as a result of a physical emergency condition (and not congestion-related or economic curtailment) not caused by the fault or negligence of the Party claiming Force Majeure and reasonably relied upon and without a reasonable source of substitution to make or receive deliveries hereunder, civil disturbances, strike, labor disturbances, labor or material shortage, national emergency, restraint by court order or other public authority or governmental agency, actions taken to limit the extent of disturbances on the electrical grid; or (c) Other similar causes beyond the control of the Party affected, which causes such Party could not have avoided by the exercise of due diligence and reasonable care. A Party's financial incapacity, the Seller's ability to sell the Output at a more favorable price or under more favorable conditions, or the Buyer's ability to acquire the Output at a more favorable price or under more favorable conditions or other economic reasons shall not constitute an event of Force Majeure. "Force Majeure" does not include a Forced Outage to the extent such event is not caused or exacerbated by an event of Force Majeure, as described above, and does not include the Seller's inability to obtain financing, permits, or other equipment and instruments necessary to plan for, construct, or operate the Facility.

"**Good Utility Practice**" means those practices, methods and acts that would be implemented and followed by prudent operators of electric energy generating facilities in the western United States, similar to the Facility, during the relevant time period, which practices, methods and acts, in the exercise of prudent and responsible professional judgment in the light of the facts known at the time the decision was made, could reasonably have been expected to accomplish the desired result consistent with good business practices, reliability, and safety. The Seller acknowledges that its use of Good Utility Practice does not exempt it from performing any of its obligations arising under this Agreement. "Good Utility Practice" includes, at a minimum, those professionally responsible practices, methods and acts described in the preceding paragraph that comply with manufacturers' warranties, restrictions in this Agreement, the interconnection requirements of Buyer, the requirements of governmental authorities, and WECC and NERC standards. "Good Utility Practice" also includes the taking of reasonable steps to ensure that:

(a) Equipment, materials, resources, and supplies, including spare parts inventories, are available to meet the Facility's needs;
(b) Sufficient operating personnel are available at all times and are adequately experienced and trained and licensed as necessary to operate the Facility properly and efficiently, and are capable of responding to reasonably foreseeable emergency conditions at the Facility and emergencies whether caused by events on or off the Facility's site;
(c) Preventive, routine, and non-routine maintenance and repairs are performed on a basis that ensures reliable, long-term and safe operation of the Facility, and are performed by knowledgeable, trained, and experienced personnel utilizing proper equipment and tools;
(d) Appropriate monitoring and testing are performed to ensure equipment is functioning as designed; and
(e) Equipment is not operated in a reckless manner, in violation of manufacturer's guidelines or in a manner unsafe to workers, the general public, or the connecting utility's electric system or contrary to environmental laws, permits or regulations or without regard to defined limitations such as, flood conditions, safety inspection requirements, operating voltage, current, volt ampere reactive (VAR) loading, frequency, rotational speed, polarity, synchronization, and control system limits; and equipment and components are designed and manufactured to meet or exceed the standard of durability that is generally used for electric energy generating facilities operating in the western United States and will function properly over the full range of ambient temperature and weather conditions reasonably expected to occur at the Facility site and under both normal and emergency conditions.

"**Green Attributes**" refers to the definition set forth in the Standard Terms and Conditions, Appendix A-2, as amended, Decision D.07-02-011, as modified by D.07-05-057, of the CPUC, which incorporates the definition of "Environmental Attributes" set forth in the Standard Terms and Conditions, Appendix A-1, as amended, D. 04-06-014. "Green Attributes" includes any and all credits, benefits, emissions reductions, environmental air quality credits, offsets, and allowances, howsoever entitled, attributable to the generation from the Facility, and its displacement of conventional energy generation, whether existing now or arising in the future. "Green Attributes" includes RECs, as well as (1) any avoided emissions of pollutants to the air, soil or water, such as sulfur oxides ("SOx"), nitrogen oxides ("NOx"), carbon monoxide ("CO") and other pollutants; (2) any avoided emissions of carbon dioxide ("CO2"), methane ("CH4"), nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and other greenhouse gases ("GHGs") that have been determined by the United Nations Intergovernmental Panel on Climate Change, or otherwise by law, to contribute to the actual or potential threat of altering the Earth's climate by trapping heat in the atmosphere; and (3) the reporting rights to these avoided emissions such as Green Tag Reporting Rights and RECs. "Green Tag Reporting Rights" are the right of a Green Tag Purchaser to report the ownership of accumulated Green Tags in compliance with federal or state law, if applicable, and to a federal or state agency or any other party at the Green Tag Purchaser's discretion, and include those Green Tag Reporting Rights accruing under Section 1605(b) of the Energy Policy Act of 1992 and any present or future federal, state, or local law, regulation or bill, and international or foreign emissions trading program. Green Tags are accumulated on a kWh basis and one Green Tag represents the Green Attributes associated with one (1) MWh of Energy. "Green Attributes" do not include (i) any Energy, Capacity, reliability, or other power attributes of the Facility, (ii) production or investment tax credits associated with the construction or operation of the Facility and other financial incentives in the form of credits, grants, reductions, or allowances associated with the Facility that are applicable to a state or federal income taxation obligation, (iii) fuel-related subsidies or "tipping fees" that may be paid to Seller to accept certain fuels, or local subsidies received by the generator for the destruction of particular pre-existing pollutants or the promotion of local environmental benefits, or (iv) emission reduction credits encumbered, used or created by the Facility for compliance with or sale under local, state, or federal operating and/or air quality permits or programs. If the Facility is a biomass or landfill facility and the Seller receives any tradable Green Attributes based on the Facility's greenhouse gas reduction benefits or other emission offsets attributed to its fuel usage, the Seller shall provide the Buyer with sufficient Green Attributes to ensure that there are zero net emissions associated with the production of electricity from the Facility. "Green Attributes" includes any other environmental credits or benefits recognized in the future and attributable to Energy generated by the Facility during the Term that may not be represented by Green Tag Reporting Rights or RECs, unless otherwise excluded herein. Any Green Attributes provided under this Agreement shall be documented by RECs, or any other representation of the environmental benefits of the Output, the monthly cumulative total of which shall be provided to the Buyer, as specified herein.

"**Interconnection Agreement**" refers to the agreement between the Buyer and the Seller, specific to the interconnection of the Facility to Buyer's Distribution System.

"**NERC**" means the North American Electric Reliability Corporation, or successor organization.

"**NCPA**" means Northern California Power Agency, a California joint action agency, or successor agency.

"**Output**" means all Capacity associated with Contract Capacity and associated Energy made available from the Facility, as well as any Capacity Attributes, Green Attributes, or other attributes existing now or in the future associated with Contract Capacity and/or associated Energy. "Output" does not include production or investment tax credits associated with the construction or operation of the Facility and other financial incentives in the form of credits, grants, reductions, or allowances associated with the Facility that are applicable to a state or federal income taxation obligation.

"**Planned Outage**" means an outage, scheduled in advance, of one or more of the Facility's components that results in a reduction of the ability of the Facility to produce Capacity.

"**Pre-Certification Price**" means the contract price to be paid for all Energy delivered to the Buyer prior to the RPS Certification Date, as specified in Exhibit "PPA-A".

"**Renewable Energy Credit**" or "**REC**" has the meaning set forth in Section 399.12(h)(1) and (2) of the California Public Utilities Code, and includes a certificate of proof that one unit of electricity was generated by an Eligible Renewable Energy Resource. Currently, RECs are used to convey all Green Attributes associated with electricity production by a renewable energy resource. RECs are accumulated on a kWh basis and one REC represents the Green Attributes associated with the generation of 1 MWh (1,000 kWhs) from the Facility. For purposes of this Agreement, the term REC shall be synonymous with the term Green Tag, green ticket, bundled or unbundled renewable energy credit, tradable renewable energy certificates, or any other term used to describe the documentation that evidences the renewable and Green Attributes associated with electricity production by an Eligible Renewable Energy Resource.

"Renewables Portfolio Standard" or **"RPS"** means the standard adopted by the State of California pursuant to Senate Bill 2 1st Extraordinary Session (SBX1 2, Chapter 1, Statutes 2011-12), and California Public Utilities Code Sections 399.11through 399.31, inclusive, as may be amended, setting minimum renewable energy targets for local publicly owned electric utilities.

"**Reservation Deposit**" means the monetary deposit submitted by the Seller (or the Facility sponsor on behalf of the Seller) to secure a reservation of the CLEAN Program's prices. The Reservation Deposit is set forth in Exhibit "PPA-A."

"**Resource Adequacy**" means a requirement by a governmental authority or in accordance with its FERC-approved tariff, or a policy approved by a local regulatory authority, that is binding upon either Party and that requires that Party to procure a certain amount of electric generating capacity.

"**RPS Certification**" means certification by the CEC that the Facility qualifies as an Eligible Renewable Energy Resource for RPS purposes, and that all Energy produced by the Facility qualifies as generation from an Eligible Renewable Energy Resource, as evidenced by a Certificate of RPS Eligibility.

"RPS Certification Date" means the date on which the RPS Certification begins, as specified in the Certificate of RPS Eligibility.

"Seller" means _____ with a principal place of business at _____,_____,_____.

"**Station Service Load**" means the electrical loads associated with the operation and maintenance of the Facility, which may at times be supplied from the Facility's Energy.

"**Term**" has the meaning set forth in Section 14.1 hereof.

"WECC" means the Western Electricity Coordinating Council, the regional entity responsible for coordinating and promoting regional bulk electric system reliability in the Western Canada and the United States, or any successor organization.

2.0 SELLER'S GENERATING FACILITY, PURCHASE PRICE AND PAYMENT

2.1 Facility. This Agreement governs the Buyer's purchase of the Output from the Facility, as described in Exhibit "PPA-A." The Seller shall not modify the Facility to increase or decrease the Contract Capacity after the Commercial Operation Date.

2.2 Products Purchased. During the Delivery Term, the Seller shall sell and deliver, or cause to be delivered, and the Buyer shall purchase and receive, or cause to be received, the Output from the Facility. The Seller shall not have the right to procure the Output from sources other than the Facility for sale or delivery to the Buyer under this Agreement or to substitute the Output.

2.3 Delivery Term. The Delivery Term shall commence on the Commercial Operation Date under this Agreement, and shall continue for an uninterrupted period of twenty (20) years. This period will commence on the first day of the calendar month immediately following the Commercial Operation Date. As evidence of the Commercial Operation Date, the Parties shall execute and exchange the "Commercial Operation Date Confirmation Letter," attached hereto as Exhibit "PPA-B." The Commercial Operation Date shall be the date on which the Parties acknowledge, in writing, that the Facility starts operating and is otherwise in compliance with applicable interconnection and system protection requirements, including the final approvals by the City's building department official.

2.4 Payment for Products Purchased.

2.4.1 Deliveries Prior to RPS Certification Date. Once the Facility has achieved Commercial Operation, if the CEC has not issued a Certificate of RPS Eligibility for the Facility or the Facility has not been registered with the appropriate entity for the tracking of Green Attributes, the Buyer will pay the Seller for the Output by multiplying the Pre-Certification Price by the quantity of Energy.

2.4.2 Deliveries After RPS Certification Date. Once the Facility has achieved Commercial Operation, the CEC has issued a Certificate of RPS Eligibility for the Facility, and the Facility has been registered with the appropriate entity for the tracking of Green Attributes, the Buyer shall pay the Seller for all Output on or after the RPS Certification Date by multiplying the Contract Price by the quantity of Energy.

2.4.3 True-up Upon Issuance of Certificate of RPS Eligibility. Once the Facility has achieved Commercial Operation, the CEC has issued a Certificate of RPS Eligibility for the Facility, and the Facility has been registered with the appropriate entity for the tracking of Green Attributes, the Buyer will pay the Seller an amount equal to the difference between the Contract Price and the Pre-Certification Price for the Output (a) that was delivered on or after the RPS Certification Date and (b) for which the Seller has already received payment at the Pre-Certification Energy Price.

2.4.4 Energy in Excess of Contract Capacity. The Seller shall not receive payment for any Energy or Green Attributes delivered in any hour to the Buyer in excess of the following amount of energy (in kilowatt-hours): 110% of the Contract Capacity (in kilowatts) multiplied by one hour. Any payment in excess of this amount shall be refunded to the Buyer, on demand.

2.5 Billing. The Buyer shall pay the Seller by check or electronic funds transfer, on a monthly basis, within thirty (30) days of the meter reading date.

2.6 Title and Risk of Loss. Title to and risk of loss related to the Output shall be transferred from the Seller to the Buyer at the Delivery Point. The Seller warrants that it will deliver to the Buyer the Output free and clear of all liens, security interests, claims, encumbrances or any interest therein or thereto by any person, arising prior to the Delivery Point.

2.7 No Additional Incentives. The Seller warrants that it has not received any other incentives funded by the Buyer's ratepayers and it further agrees that, during the Term, it shall not seek additional compensation or other benefits from the Buyer pursuant to the following programs of the Buyer: (a) Photovoltaic (PV) Partners Program; (b) Power from Local Ultra-Clean Generation Incentive (PLUG-In) Program; or (c) other similar programs that are or may be funded by the Buyer's ratepayers.

3.0 RPS CERTIFICATION; GREEN ATTRIBUTES

3.1 CEC Certification. The Seller, at its own cost and expense, shall obtain the RPS Certification within six (6) months of the Commercial Operation Date. The Seller shall maintain the RPS Certification at all times during the Delivery Term. The foregoing provision notwithstanding, the Seller shall not be in breach of this Agreement and the Buyer shall not have the right to terminate this Agreement, if the Seller's failure to obtain or maintain the RPS Certification is due to a change in California law, occurring after the Commercial Operation Date, so long as the Seller has used commercially reasonable efforts to obtain and maintain the RPS Certification and the Seller's actions or omissions did not contribute to its inability to obtain and maintain the RPS Certification.

3.2 Obligation to Deliver Green Attributes. The Seller shall sell and deliver to the Buyer, and the Buyer shall buy and receive from the Seller, all right, title, and interest in and to Green Attributes associated with Energy, produced by the Facility and delivered to the Buyer at the Delivery Point, whether now existing or that hereafter come into existence during the Term, except as otherwise excluded herein; provided, the Buyer shall not be obligated to purchase and pay the Seller for any Green Attributes associated with any amount of the Output, that is generated by any fuel which is not renewable and which cannot be counted for the purpose of the production of Green Attributes. The Seller agrees to sell and make all such Green Attributes available to the Buyer to the fullest extent allowed by applicable law, in accordance with the terms and conditions of this Agreement. The Seller warrants that the Green Attributes provided under this Agreement to the Buyer shall be free and clear of all liens, security interests, claims and encumbrances.

3.3 Conveyance of Green Attributes. The Seller shall provide Green Attributes associated with the Facility, which shall be documented and conveyed to the Buyer in accordance with the procedure described in Exhibit "PPA-D."

3.4 Additional Evidence of Green Attributes Conveyance. At the Buyer's request, the Seller shall provide additional reasonable evidence to the Buyer or to third parties of the Buyer's right, title, and interest in the Green Attributes and any other information with respect to Green Attributes, as may be requested by the Buyer.

3.5 Modification of Green Attributes Conveyance Procedure. The Buyer may unilaterally modify Exhibit "PPA-D" in order to reflect changes necessary in the Green Attributes conveyance procedures, so that the Buyer may be able to receive and report the Green Attributes, purchased under this Agreement, as belonging to the Buyer.

3.6 Reporting of Ownership of Green Attributes. The Seller shall not report to any person or entity that the Green Attributes sold and conveyed to the Buyer belong to any person other than the Buyer. The Buyer may report under any applicable program that Green Attributes purchased by the Buyer hereunder belong to it.

3.7 Greenhouse Gas Emissions. The Seller shall comply with any laws and/or regulations regarding the need to offset emissions of GHGs by delivering to the Buyer the Energy from the Facility with a net zero GHG impact.

4.0 CONVEYANCE OF CAPACITY ATTRIBUTES

4.1 Conveyance of Resource Adequacy Capacity. The Seller shall not report to any person or entity that the Resource Adequacy Capacity, as defined in the CAISO Tariff) associated with the Facility, if any, belongs to a person other than the Buyer, which may report that Resource Adequacy Capacity purchased hereunder belongs to it to fulfill the Resource Adequacy requirements, as defined in Section 40 of the CAISO Tariff, as amended, or any successor program. The Seller shall take those actions described in Section 6.0 hereof, as applicable, to secure recognition of Resource Adequacy Capacity by the CAISO.

4.2 Conveyance of Other Capacity Attributes. In addition to the obligations imposed on the

Seller under Section 4.1, the Seller will undertake any and all actions reasonably needed to enable the Buyer to effect the recognition and transfer of any Capacity Attributes in addition Resource Adequacy, to the extent that such Capacity Attributes exist now or will exist in the future; provided, if such actions require any actions beyond the giving of notice by the Seller, then the Buyer shall reimburse all out-of-pocket costs and charges of such actions.

4.3 Reporting of Ownership of Capacity Attributes. The Seller shall not report to any person or entity that the Capacity Attributes sold and conveyed to the Buyer belong to any person other than the Buyer. The Buyer may report under any such program that such Capacity Attributes purchased hereunder belong to it.

5.0 METERING AND OPERATIONS

5.1 Timing of Outages. The Seller may not schedule or take any Planned Outage from 12:00 p.m. through 7:00 p.m. Pacific Time during the months of June through October.

5.2 Outage Reporting.

5.2.1 Buyer Request. The Seller is not required to report any Planned Outage or Forced Outage, unless the Buyer first submits a written request to the Seller to commence Outage reporting. Upon receipt of such a request, the Seller shall report all subsequent Planned Outages and the Forced Outages according to the procedures described in subsections 5.2.2 and 5.2.3, and shall continue such reporting until (a) the termination of this Agreement for any reason, or (b) the Buyer subsequently provides written notice to the Seller that the Seller may cease such reporting in the future.

5.2.2 Planned Outage Notifications. The Seller shall notify the Buyer at least 72 hours in advance of any Planned Outage that would result in a reduction in the effective Output of the Facility during the period over which the Planned Outage is scheduled. Notification shall be provided by e-mail to the e-mail address (or addresses) set forth in Exhibit "PPA-F."

5.2.3 Forced Outage Notifications. Within 24 hours of the occurrence of a Forced Outage of the Facility that impacts the ability of the Facility to produce Energy, the Seller shall notify the Buyer of the Forced Outage, including the Capacity of the Facility that is impacted, and the expected duration of the Forced Outage. Within 24 hours of the return of the Facility to service following the Forced Outage, the Seller shall notify the Buyer of the return-to-service details. Notification shall be made by e-mail to the address (or addresses) set forth in Exhibit "PPA-F."

5.3 Metering. The Buyer shall furnish and install one or more standard watt-hour meters to read Energy generated by the Facility, and it will charge a meter fee to the Seller to cover the costs associated with the meter's purchase and installation. As requested, the Seller shall provide and install a meter socket in accordance with the Buyer's metering standards. The Buyer reserves the right to install additional metering equipment at its sole cost and expense.

6.0 PARTICIPATING GENERATORS

6.1 Applicability. This Section 6.0 shall apply if the Facility meets the definition of a "Participating Generator," as may be defined by the CAISO Tariff. This Section 6.0 shall not apply if the definition applies to the Facility only upon the election by the Seller. For the purposes of this Section 6.0, all special terms not otherwise defined in Section 1.0 are defined in the CAISO Tariff.

6.2 Participating Generator Agreement. The Buyer will notify the CAISO of the Seller's interconnection to Buyer's Distribution System. If the CAISO requires it, the Seller, at its own expense, shall negotiate and enter in to two contracts, a "Participating Generator Agreement" and a "Meter Services Agreement for CAISO Metered Entities," with the CAISO.

6.3 Scheduling Coordination. If the CAISO requires the Seller to enter in to a Participating Generator Agreement, then the Seller shall designate NCPA as the Buyer's scheduling coordinator. The Buyer, acting in its sole discretion, may replace NCPA as the scheduling coordinator for the Facility. If NCPA ceases to be the scheduling coordinator for the Facility and the Buyer has not, upon fourteen (14) days' prior written notice of inquiry from the Seller, appointed a replacement scheduling coordinator, then the Seller shall have the right to appoint a replacement scheduling coordinator on the Buyer's behalf. Thereafter, the Buyer shall enter into all reasonable and appropriate agreements with such replacement scheduling coordinator at its own costs.

6.4 Scheduling Procedure. The Buyer may require the Seller to provide the Buyer with Energy forecasts on a periodic basis, as may be necessary for the Buyer to account for expected Facility generation in its daily power scheduling process. The requirements are set forth in Exhibit "PPA-C."

6.5 Modification of Scheduling and Outage Notification Procedure. The Buyer may unilaterally modify Exhibit "PPA-C" to reflect changes necessary in the scheduling and Outage notification procedures. The Buyer shall give the Seller reasonable notice of any such changes.

6.6 Provision of Other Equipment. If the Seller is required to enter into a Participating Generator Agreement with the CAISO, then the Seller, at its own cost and expense, shall provide and maintain data transmission-grade phone line and telecommunications equipment at the meter location that complies with applicable requirements of the CAISO, the Buyer, and NCPA. Any meter installed by the Seller shall comply at all times with the CAISO's metering requirements. If the Seller fails to provide or maintain any such required equipment or data connection, then the Buyer shall acquire, install and maintain the same at the Seller's sole cost and expense.

6.7 Designation as Resource Adequacy Resource. The Buyer may submit a written request to the Seller to obtain the CAISO's designation of the Facility as a Resource Adequacy Resource. Upon receipt of such request, the Seller shall provide such information and undertake such steps as may be required by the CAISO in order to complete such an assessment. If the Buyer makes such a request, then the Buyer shall be responsible for the following: (1) any costs charged to the Seller by the CAISO as a condition of applying for or receiving designation as a Resource Adequacy Resource, including any deposits required during the study process or the cost of any related studies or deliverability assessments performed by the CAISO; (2) the capital, installation, and maintenance costs of any additional equipment required by the CAISO as a condition of receiving designation as a Resource Adequacy Resource; (3) the costs of any Network Upgrades, as defined in the CAISO Tariff, as may be required by the CAISO, provided, the Buyer shall receive any subsequent repayments from the CAISO or the Participating Transmission Owner related to such upgrades; and (4) any charges or penalties assessed by the CAISO as a consequence of the Facility's designation as a Resource Adequacy Resource.

6.8 CAISO Charges. The Buyer shall be solely responsible for paying all costs and charges associated with the receipt of Energy under this Agreement, at the Delivery Point, and for the transmission and delivery of Energy from the Delivery Point to any other point downstream of the Delivery Point, including transmission costs and charges, competition transition charges, applicable control area service charges, transmission congestion charges, inadvertent energy flows, any other CAISO charges related to the transmission of such Energy by the CAISO and any charge assessed or collected in the future pursuant to any utility tariff or rate schedule, however defined, for transmission or transmission-related service rendered by or for any transmission-owning or operating entity. The Seller will undertake any and all actions reasonably needed to allow the Buyer to comply with any obligations, and minimize any potential liability, under the CAISO tariff. If and to the extent that the Seller fails to comply with the notice provision in Exhibit "PPA-C," concerning Outages, or with its obligations as outlined in the previous sentence, the Seller shall be wholly responsible for all imbalances, deviations, or any other CAISO charges or penalties associated with such Outage or other CAISO Tariff obligation.

6.9 Inclusion in Metered Subsystem. At the option of the Buyer, the Facility may be included within NCPA's metered sub-system in connection with the scheduling of power over the CAISO grid and related functions; provided, however, that such inclusion shall have no adverse effect on the Facility's operations or the Seller (or any such effect shall be fully mitigated by the Buyer). The Seller will undertake any and all actions reasonably needed to allow the Buyer to comply with any obligations, and

minimize any potential liability, under the CAISO Tariff; provided, that if such actions require any actions beyond the giving of notice to be provided by the Buyer, then the Buyer shall reimburse the Seller for all out-of-pocket costs and charges of such actions.

7.0 COMMERCIAL OPERATION DATE; REFUND OF RESERVATION DEPOSIT

7.1 Commercial Operation Date. The Facility shall achieve Commercial Operation by the Commercial Operation Date deadline (the "Deadline"), which is one (1) year from the Effective Date.

7.2 Reservation Deposit. The Buyer acknowledges that, as of the Effective Date or other date established by the Buyer, the Seller has provided the Reservation Deposit to the Buyer.

7.2.1 If the Commercial Operation Date occurs on or prior to the Deadline, the Buyer shall refund to the Seller the Reservation Deposit without interest.

7.2.2 If the Commercial Operation Date commences within seventy (70) days of the Deadline, the Seller, as liquidated damages and not as a penalty, shall relinquish its claim to a ten percent (10%) portion of the amount of the Reservation Deposit for every full week transpiring between the Deadline and the Commercial Operation Date, but the total amount to be relinquished to the Buyer shall not exceed 100% of the Reservation Deposit.

7.2.3 If the Facility has not achieved Commercial Operation within seventy (70) days of the Deadline, then the Buyer may terminate this Agreement without liability of either Party to the other Party by giving written notice of termination to the Seller.

7.2.4 If the Seller gives notice of termination to terminate the Agreement before Commercial Operation occurs, then the Buyer shall refund a percentage of the Reservation Deposit equal to the following: the percentage to be refunded will equal A/B, where A equals the number of days between the date of the Seller's notice of termination, received by the Buyer, and the Deadline, and B equals the number of days between the Effective Date and the Deadline.

7.3 Return of Reservation Deposit. The Buyer shall return to the Seller the Reservation Deposit, without interest, in the event that (a) the Buyer furnishes written notice of the costs of interconnection (defined in the Interconnection Agreement to include the costs related to the Interconnection Facilities and Distribution Upgrades) to the Seller and (b) within thirty (30) days of receipt of the notice regarding costs of interconnection, the Seller provides the Buyer with written notice that the Seller does not intend to sign the Interconnection Agreement and does intend to proceed with the project.

8.0 REPRESENTATION AND WARRANTIES; COVENANTS

8.1 Representations and Warranties. On the Effective Date, each Party represents and warrants to the other Party that:

8.1.1 It is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;

8.1.2 The execution, delivery and performance of this Agreement is within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or the like applicable to it;

8.1.3 This Agreement and each other document executed and delivered in accordance with this Agreement constitutes its legally valid and binding obligation enforceable against it in accordance with its terms;

8.1.4 It is not bankrupt and there are no proceedings pending or being contemplated by it or, to its knowledge, threatened against it which would result in it being or becoming bankrupt;

8.1.5 There is not pending or, to its knowledge, threatened against it or any of its affiliates, if any, any legal proceedings that could materially adversely affect its ability to perform its obligations under this Agreement; and

8.1.6 It is acting for its own account, has made its own independent decision to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other Party in so doing, and is capable of assessing the merits of, and understands and accepts, the terms, conditions and risks of this Agreement.

8.2 General Covenants. Each Party covenants that, during the Term:

8.2.1 It shall continue to be duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;

8.2.2. It shall maintain (or obtain from time to time as required, including through renewal, as applicable) all regulatory authorizations necessary for it to legally perform its obligations under this Agreement; and

8.2.3 It shall perform its obligations under this Agreement in a manner that does not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or the like applicable to it.

8.3 Covenant by Seller. The Seller covenants that, during the Term:

8.3.1 If the Eligible Renewal Energy Resource or the Facility is considered an 'eligible qualifying facility' under applicable law and has a net power production capacity of greater than one (1) megawatt, then the Seller covenants and agrees that, within thirty (30) days of the Effective Date or longer period allowed by law, it will complete and file Form No. 556 or other similar form with FERC as the same may be required by law."

9.0 GENERAL CONDITIONS

9.1 Facility Care and Interconnection. During the Delivery Term, the Seller shall execute and maintain an "Interconnection Agreement" with the Buyer, whereby the Seller shall pay and be responsible for designing, installing, operating, and maintaining the Facility in accordance with all applicable laws and regulations and shall comply with all applicable Buyer, WECC, FERC, and NERC requirements, including applicable interconnection and metering requirements. The Seller shall also comply with any modifications, amendments or additions to the applicable tariff and protocols. The Seller also shall arrange and pay independently for any and all necessary costs under the Interconnection Agreement with the Buyer.

9.2 Standard of Care. The Seller shall: (a) operate and maintain the Facility in a safe manner in accordance with its existing applicable interconnection agreements, manufacturer's guidelines, warranty requirements, Good Utility Practice, industry norms (including standards of the National Electrical Code, Institute of Electrical and Electronic Engineers, American National Standards Institute, and the Underwriters Laboratories, and in accordance with the requirements of all applicable federal, state and local laws and the National Electric Safety Code, as such laws and code norms may be amended from time to time; (b) obtain any governmental authorizations and permits required for the construction and operation thereof. The Seller shall make any necessary and commercially reasonable repairs with the intent of optimizing the availability of electricity to the Buyer. The Seller shall reimburse the Buyer for any and all losses, damages, claims, penalties, or liability that the Buyer incurs as a result of the Seller's failure to obtain or maintain any governmental authorizations and permits required for the construction and operation of the Facility throughout the Term.

9.3 Access Rights. The Buyer, its authorized agents, employees and inspectors shall have the right to inspect the Facility on reasonable advance notice during normal business hours and for any purposes reasonably connected with this Agreement or the exercise of any and all rights secured to the Buyer by law, including, without limitation, its ordinances, resolutions, tariffs, utility rate schedules or utilities rules and regulations. The Buyer shall make reasonable efforts to coordinate its emergency activities with the safety and security departments, if any, of the Facility's operator. The Seller shall keep the Buyer advised of current procedures for communicating with the Facility operator's safety and security departments.

9.4 Protection of Property. Each Party shall be responsible for protecting its own facilities from possible damage resulting from electrical disturbances or faults caused by the operation, faulty operation, or non-operation of the other Party's facilities and such other Party shall not be liable for any such damages so caused.

9.5 Insurance. During the Term, the Seller shall obtain and maintain and otherwise comply with the insurance requirements, as set forth in Exhibit "PPA-E."

9.6 Buyer's Performance Excuse; Seller Curtailment.

9.6.1 Buyer Performance Excuse. The Buyer shall not be obligated to accept or pay for the Output during Force Majeure that affects the Buyer's ability to accept Energy.

9.6.2 Seller Curtailment. The Buyer may require the Seller to interrupt or reduce deliveries of Energy: (a) whenever necessary to construct, install, maintain, repair, replace, remove, or investigate any of its equipment or part of the Buyer's Distribution System or facilities; or (b) if the Buyer determines that curtailment, interruption, or reduction is necessary due to a System Emergency, as defined in the CAISO Tariff, an unplanned outage on Buyer's Distribution System, Force Majeure, or compliance with Good Utility Practice.

9.7 Notices of Outages. Whenever possible, the Buyer shall give the Seller reasonable notice of the possibility that interruption or reduction of deliveries may be required.

9.8 No Additional Loads. The Seller shall not connect any loads not associated with Station Service Loads at the location of the Facility in a manner that would reduce Energy provided from the Facility to the Buyer hereunder. The Seller shall obtain separate retail electric service under the Buyer's rate schedules for the service of such additional loads.

10.0 FORCE MAJEURE

10.1 Effect of Force Majeure. A Party shall be excused from its performance under this Agreement to the extent, but only to the extent, that its performance hereunder is prevented by Force Majeure. A Party claiming Force Majeure shall exercise due diligence to overcome or mitigate the effects

of Force Majeure; provided, that nothing in this Agreement shall be deemed to obligate the Party affected by Force Majeure (a) to forestall or settle any strike, lock-out or other labor dispute against its will; or (b) for Force Majeure affecting the Seller only, to purchase electric power to cure Force Majeure.

10.2 Remedial Action. A Party shall not be liable to the other Party if the Party is prevented from performing its obligations hereunder due to Force Majeure. The Party rendered unable to fulfill an obligation by reason of Force Majeure shall take all action necessary to remove such inability with all due speed and diligence. The nonperforming Party shall be prompt and diligent in attempting to remove the cause of its failure to perform, and nothing herein shall be construed as permitting that Party to continue to fail to perform after that cause has been removed. Notwithstanding the foregoing, the existence of Force Majeure shall not excuse any Party from its obligations to make payment of amounts due hereunder.

10.3 Notice of Force Majeure. In the event of any delay or nonperformance resulting from Force Majeure, the Party directly impacted by Force Majeure shall, as soon as practicable under the circumstances, notify the other Party, in writing, of the nature, cause, date of commencement thereof and the anticipated extent of any delay or interruption in performance.

10.4 Termination Due to Force Majeure. If a Party will be prevented from performing its material obligations under this Agreement for an estimated period of twelve (12) consecutive months or longer due to Force Majeure, then the unaffected Party may terminate this Agreement, without liability of either Party to the other, upon thirty (30) Days' prior written notice at any time during Force Majeure.

11.0 INDEMNITY

11.1 Indemnity by the Seller. The Seller shall indemnify, defend, and hold harmless the Buyer, its elected and appointed officials, directors, officers, employees, agents, and representatives against and from any and all losses, claims, demands, liabilities and expenses, actions or suits, including reasonable costs and attorney's fees, resulting from, or arising out of or in any way connected with claims by third parties associated with (A) (i) Energy delivered at the Delivery Point; (ii) the Seller's operation and/or maintenance of the Facility; or (iii) the Seller's actions or inactions with respect to this Agreement, and (B) any loss, claim, action or suit, for or on account of injury, bodily or otherwise, to, or death of, persons, or for damage to or destruction of property belonging to the Buyer or other third party, excepting only such loss, claim, action or suit as may be caused solely by the willful misconduct or gross negligence of the Buyer, its agents, employees, directors or officers.

11.2 Indemnity by the Buyer. The Buyer shall indemnify, defend, and hold harmless the Seller, its directors, officers, employees, agents, and representatives against and from any and all losses, claims, demands, liabilities and expenses, actions or suits, including reasonable costs and attorney's fees resulting from, or arising out of or in any way connected with claims by third parties associated with acts of the Buyer, its officers, employees, agents, and representatives, relating to: (A) Energy delivered by the Seller under this Agreement after the Delivery Point, and (B) any loss, claim, action or suit, for or on account of injury, bodily or otherwise, to, or death of, persons, or for damage to or destruction of property belonging to the Seller or other third party, excepting only such loss, claim, action or suit as may be caused solely by the willful misconduct or gross negligence of the Seller, its agents, employees, directors or officers.

12.0 LIMITATION OF DAMAGES

EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED UNLESS EXPRESSLY HEREIN PROVIDED. NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR

CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. UNLESS EXPRESSLY HEREIN PROVIDED, AND SUBJECT TO THE PROVISIONS OF SECTION 11 (INDEMNITY), IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.

13.0 NOTICES

Notices shall, unless otherwise specified herein, be given, in writing, and may be delivered by hand delivery, United States mail, overnight courier service, facsimile or electronic messaging (e-mail) to the addresses set forth in Exhibit "PPA-F.". Whenever this Agreement requires or permits delivery of a "notice" (or requires a Party to "notify"), the Party with such right or obligation shall provide a written communication in the manner specified below. A notice sent by facsimile transmission or electronic mail will be recognized and shall be deemed received on the Business Day on which such notice was transmitted if received before 5 p.m. Pacific Time (and if received after 5 p.m., on the next Business Day) and a notice by overnight mail or courier shall be deemed to have been received two (2) Business Days after it was sent or such earlier time as is confirmed by the receiving Party unless it confirms a prior oral communication, in which case any such notice shall be deemed received on the day sent. A Party may change its addresses by providing notice of same in accordance with this provision. A Party may request a change to Exhibit "PPA-F" as necessary to keep the information current.

14.0 TERM, TERMINATION EVENT AND TERMINATION

14.1 Term. The Term shall commence upon the execution by the duly authorized representatives of each of the Parties, and shall remain in effect until the conclusion of the Delivery Term, unless terminated sooner pursuant to the terms and conditions of this Agreement. All indemnity rights shall survive the termination of this Agreement for twelve (12) months.

14.2 Delivery Term. The Delivery Term of the Agreement is _____ years and is defined as the period of time from the Commercial Operation Date through the expiration or early termination of this Agreement.

14.3 Termination Event.

14.3.1 The Buyer shall have the right, but not the obligation, to terminate this Agreement upon the occurrence of any of the following, each of which is a "Termination Event": (a) The Facility has not achieved Commercial Operation within seventy (70) days following the Deadline; (b) After the Commercial Operation Date, the Seller has not sold or delivered Energy from the Facility to the Buyer for a period of twelve (12) consecutive months; (c) If the Facility does not obtain RPS Certification within six (6) months of the Commercial Operation Date and maintain RPS Certification as required by Section 3.2; or (d) The Seller breaches any other material obligation of this Agreement.

14.3.2 The Seller shall have the right, but not the obligation, to terminate this Agreement upon the occurrence of any of the following, each of which is a "Termination Event": (a) The Buyer fails to make a payment due and payable under this Agreement within thirty (30) days after written notice that such payment is due; or (b) The Buyer breaches any other material obligation of this Agreement. The preceding sentence notwithstanding, the Seller may terminate this Agreement without cause at any time prior to the Commercial Operation Date, subject to the provisions of Section 7 of this Agreement.

14.4 Time to Cure. None of the events described in Section 14.2.1 and 14.2.2 shall constitute a Termination Event if the Buyer or the Seller cures the event, failure, or circumstance within thirty (30) days after receipt of written notification sent by the other Party, seeking termination, or such longer period as may be necessary to cure so long as the Party subject to the Terminating Event is exercising diligent efforts to cure.

14.5 Termination.

14.5.1 Declaration of a Termination Event. If a Termination Event has occurred and is continuing, the Party with the right to terminate shall have the right to: (a) send notice, designating a day, no earlier than thirty (30) days after such notice is deemed to be received (as provided in Section 13), as an early termination date of this Agreement (the "Early Termination Date"), unless the Seller has timely communicated with the Buyer and the Parties have agreed to resolve the circumstances giving rise to the Termination Event; (b) accelerate all amounts owing between the Parties; and (c) terminate this Agreement and end the Delivery Term effective as of the Early Termination Date.

14.5.2 Release of Liability for Termination Event. Upon termination of this Agreement pursuant to this section neither Party shall be under any further obligation or subject to liability hereunder, except with respect to the indemnity provision in Section 11 hereof, which shall remain in effect for a period of 12 months following the Early Termination Date.

14.6 No Limitation on Damages. Nothing in this Agreement shall be deemed or construed to limit a Party's right to recover damages from the other Party, except as otherwise provided in this Agreement.

15.0 RELEASE OF DATA

Except as may be exempt from disclosure under applicable law, the Seller authorizes the Buyer to release to any regulatory authority having jurisdiction over the Facility or a Party, or to any request made pursuant to the California Constitution or the California Public Records Act, information regarding the Facility, including the Seller's name and location, operational characteristics, the Term of this Agreement, the Facility resource type, the scheduled Commercial Operation Date, the actual Commercial Operation Date, the Contract Capacity, payments made to the Seller and Energy production information. The Seller acknowledges that this information may be made publicly available.

16.0 ASSIGNMENT

Neither Party shall assign this Agreement or its rights hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

16.1 Upon the written request of the Seller, the Buyer will execute a "Lender Consent and Agreement" between the Seller and the Seller's lender(s), if any, in the form acceptable to the Parties; provided, for illustration purposes only, an exemplar is attached hereto as Exhibit "PPA-G."

16.2 Notwithstanding the foregoing, no Consent and Agreement shall be required for:

16.2.1 Any assignment or transfer of this Agreement by the Seller to an affiliate of the Seller, provided that such affiliate's creditworthiness is equal to or better than that of Seller, as reasonably determined by the non-assigning or non-transferring Party; or

16.2.2 Any assignment or transfer of this Agreement by the Seller or the Buyer to a person succeeding to all or substantially all of the assets of such Party, provided that such person's creditworthiness is equal to or greater than that of such Party, as reasonably determined by the non-assigning or non-transferring Party.

16.2.3 Notification of any assignment or transfer of this Agreement under Section 16.2.1 or 16.2.2 shall be given to the non-assigning or non-transferring Party in accordance with Exhibit "PPA-F."

17.0 APPLICABLE LAW, VENUE, ATTORNEYS' FEES, AND INTERPRETATION

This Agreement will be governed by and construed in accordance with the laws of the State of California. The Parties will comply with applicable laws pertaining to their obligations arising under this

Agreement. In the event that an action is brought, the Parties agree that trial of such action will be vested exclusively in the state courts of California or in the United States District Court for the Northern District of California in the County of Santa Clara, State of California. The prevailing party in any action brought to enforce the provisions of this Agreement may recover its reasonable costs and attorneys' fees expended in connection with that action. If a court of competent jurisdiction finds or rules that any provision of this Agreement, the Exhibits, or any amendment thereto is void or unenforceable, the unaffected provisions of this Agreement, the Exhibits, or any amendment thereto will remain in full force and effect. The Parties agree that the normal rule of construction to the effect that any ambiguity is to be resolved against the drafting party will not be employed in the interpretation of this Agreement or any Exhibit or any amendment thereof.

18.0 SEVERABILITY

If any provision in this Agreement is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Agreement and the Parties shall use their best efforts to modify this Agreement to give effect to the original intention of the Parties.

19.0 COUNTERPARTS; INTERPRETATION OF CONFLICTING PROVISIONS

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall be deemed one and the same Agreement. Delivery of an executed counterpart of this Agreement by facsimile or portable document format ("PDF") transmission will be deemed as effective as delivery of an originally executed counterpart. Each Party delivering an executed counterpart of this Agreement by facsimile or PDF transmission will also deliver an originally executed counterpart, but the failure of any Party to deliver an originally executed counterpart of this Agreement will not affect the validity or effectiveness of this Agreement. In the event of a conflict between the Agreement and any, some or all of the Exhibits, the document imposing the more specific duty or obligation will prevail.

20.0 GENERAL

No amendment to or modification of this Agreement shall be enforceable unless reduced to writing and executed by both Parties. This Agreement shall not impart any rights enforceable by any third party other than a permitted successor or assignee bound to this Agreement. Waiver by a Party of any default by the other Party shall not be construed as a waiver of any other default. The headings used herein are for convenience and reference purposes only.

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21. EXHIBITS

The following exhibits shall be deemed incorporated in and made a part of this Agreement.

Exhibit "PPA-A" - Facility Description, Prices, and Reservation Deposit
Exhibit "PPA-B" - Commercial Operation Date Confirmation Letter
Exhibit "PPA-C" - Scheduling and Outage Notification Procedure
Exhibit "PPA-D" - Green Attributes Reporting and Conveyance Procedures
Exhibit "PPA-E" - Insurance Requirements
Exhibit "PPA-F" - Notices
Exhibit "PPA-G" - Form of Lender Consent and Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their authorized representatives as of the Effective Date.

CITY OF PALO ALTO

APPROVED AS TO FORM

_____
Senior Deputy City Attorney

APPROVED

_____
City Manager

_____
Director of Utilities

SELLER

_____

EXHIBIT "PPA-A"

Facility Description, Rates, and Reservation Deposit

Program Rates

Contract Term:	Twenty (20) or twenty-five (25) years
Contract rate:	$0.089 per kWh for solar resources, 20 year contract term
	$0.090 per kWh for solar resources, 25 year contract term
	$0.081 per kWh for non-solar resources, 20 year contract term
	$0.082 per kWh for non-solar resources, 25 year contract term
Pre-certification rate:	$0.08 per kWh

Reservation Deposit

Reservation Deposit ($20/kW of Contract Capacity) $_____

Service address: _____

Facility Description:

_____

_____

_____

_____

Contract Capacity: _____ kW (CEC-AC), based on solar array rating (Panel rated output at PV USA test conditions x inverter efficiency)

Facility primary fuel/technology: _____

EXHIBIT "PPA-B"

Commercial Operation Date Confirmation Letter

In accordance with the terms of the Power Purchase Agreement (Palo Alto CLEAN), dated _____ (the "Agreement") by and between the City of Palo Alto, as the Buyer, and _____, as the Seller, this Confirmation Letter serves to document the Parties' agreement that (i) the conditions precedent to the occurrence of the Commercial Operation Date have been satisfied, and (ii) the Buyer has received Energy, as specified in the Agreement, as of_____,_____. The actual installed Contract Capacity is_____kW.

This Confirmation Letter shall confirm the Commercial Operation Date, as defined in the Agreement, as of the date referenced in the preceding sentence.

IN WITNESS WHEREOF, each Party has caused this letter to be duly executed by its authorized representative as of the date of last signature provided below:

Buyer	**Seller**
By: _____	**By**: _____
Name:	**Name:** _____
Title: Director of Utilities	**Title:** _____
Date: _____	**Date:** _____

In recognition of the Commercial Operation Date relative to the Effective Date of the Agreement by and between the Buyer and the Seller, the Seller hereby calculates the amount to return, if any, of the Seller's deposit, as follows:

Original Reservation Deposit Amount: $_____

Commercial Operation Date Deadline: _____

□ Commercial Operation Date is prior to Deadline

□ Commercial Operation Date occurred _ weeks following the Deadline, meaning that % of the Reservation Deposit is relinquished by Seller per Section 7.2.2 of the Power Purchase Agreement.

Amount (if any) of Reservation Deposit to return to the Seller is: $_____

EXHIBIT "PPA-C"

Scheduling and Outage Notification Procedure

C.1 Applicability. This Exhibit" PPA-C" shall apply if the Facility is subject to Section 6.0 of this Agreement.

C.2 Annual Operations Forecast

C.2.1 By the tenth (10th) day September of each calendar year, the Seller will provide NCPA with an annual operations forecast detailing hourly expected generation and all proposed planned Outages for the next calendar year. The annual operations forecast for the calendar year shall be provided by not later than ninety (90) days prior to the scheduled Commercial Operation Date of the Generating Facility.

C.2.2 NCPA may request modifications to the annual operations forecast at any time, and the Seller shall use good faith efforts to accommodate the requested modifications.

C.2.3 The Seller shall not conduct Planned Outages at times other than as set forth in its annual operations forecast, unless approved in advance by NCPA, which approval shall not be withheld or delayed unreasonably.

C.2.4 The Seller shall not schedule or conduct Planned Outages from 12:00 p.m. through 7:00 p.m. Pacific Time during the months of June through October.

C.3. Short Term Operations Forecasts

C.3.1. Quarterly Operations Forecast

C.3.1.1 By the fifth (5th) day of January, April and July of each Contract Year, the Seller shall provide a calendar quarter-operations forecast by hour of expected generation and all proposed Planned Outages for the next full calendar quarter and the twelve (12) months following that calendar quarter. As an example, by January 5, 2014, the Seller would provide a calendar quarter-operations forecast by hour of expected generation for the period, April 1, 2014 through June 30, 2014, and identify all proposed Planned Outages for the period, April 1, 2014 through June 30, 2015.

C.3.1.2 NCPA will approve or require modifications to the proposed calendar quarter-operations forecast within ten (10) days of receipt of the forecast.

C.3.1.3 If required by NCPA, the Seller will provide a modified calendar quarter-operations forecast within seven (7) days after receipt of required modifications from NCPA.

C.3.2 Weekly Update

C.3.2.1 By 14:00 of each Wednesday, the Seller shall provide an electronic update, in a format specified by NCPA, to the calendar quarter-operations forecast for the following seven (7) days (Thursday through the next Wednesday).

C.3.2.2 The weekly update shall include hourly expected generation and all proposed planned Outages for the relevant seven (7) day period.

C.4 Outage Detail for Annual and Short Term Operations Forecasts. Outage information provided by the Seller shall include, at a minimum, the start time and stop time of the Outage, capacity out of service (kW), the equipment that is or will be out of service, and the reason for the Outage.

C.5 General Scheduling Protocols

C.5.1 Daily Modifications to Forecasts. Unless otherwise mutually agreed, the Seller may make changes to the weekly update to the calendar quarter-operations forecast by providing such changes to NCPA prior to 08:00 of the day that is two (2) Business Days before the active scheduling day as determined by the WECC prescheduling calendar. Example: For power that is scheduled for generation or delivery on Friday, March 29, 2014, changes must be submitted to NCPA by 08:00 on Wednesday, March 27, 2014.

C.5.2 Hourly Modifications to Active Schedules. Unless otherwise mutually agreed, the Seller may request changes to active schedules by providing such changes to NCPA with a minimum of four (4) hours' notice prior to the applicable CAISO market deadline (e.g. Hour Ahead Scheduling Process ("HASP") Scheduling deadline, as defined in the CAISO Tariff). Active day Schedule changes are not binding. Changes to active Schedules are limited to two (2) changes per day, excluding forced Outages, unless otherwise agreed to between the Parties. One request for a Schedule change, of one-hour or multiple-hours duration, constitutes one Schedule change. Example: For power that is scheduled for generation or delivery in hour ending 15:00 (for the period from 14:01 to 15:00), changes must be submitted to NCPA by 10:00.

C.5.3. Unforeseen Circumstances. At the Seller's request, NCPA may, but is not required to, modify the Schedules for the Generation Facility Output due to unforeseen circumstances in accordance with the above scheduling timeline constraints described in this Exhibit PPA-C.

C.5.4. Absence of Forecasts. In the absence of forecasts and schedules as required by this Agreement or this Exhibit, NCPA shall utilize the most current information the Seller provides in the development and submission of Schedules.

C.6 Outage Reporting Protocols

C.6.1. Notification. The Seller shall notify NCPA of all planned or forced Outages of the Generating Facility to ensure compliance with the CAISO Outage Coordination and Enforcement Protocols.

C.6.1.1 Outage information provided by the Seller shall include, at a minimum, the start time and stop time of the Outage, Capacity out of service (kW), equipment out of service, and the reason for the Outage.

C. 6.1.2 Seller shall provide the Planned Outages not included in the annual operations forecast, the calendar quarter-operations forecast, or the weekly update, to NCPA at least four (4) Business Days prior to the start of the requested outage.

C. 6.1.3 At any time prior to the start of a Planned Outage, the CAISO may deny the Outage due to a System Emergency (as defined in the CAISO Tariff) or as otherwise permitted under the CAISO Tariff. If NCPA receives notice that the CAISO has denied an Outage in accordance with the CAISO Tariff, NCPA will notify the Seller as soon as possible and the Seller shall modify the planned Outage as required by the CAISO.

C.6.2 Commencement of an Outage. The Seller shall not begin any Planned Outage without the prior approval of NCPA and the CAISO.

C.6.3 Forced Outages

C.6.3.1 The Seller shall report the Forced Outages to NCPA within twenty (20)

minutes of such Outages.

C.6.3.2 The Seller's notice of a Forced Outage sent to NCPA shall include the reason for the Outage (if known), expected duration of the Outage, and the Capacity reduction.

C.6.3.3 By the end of the next Business Day following the day on which a Forced Outage has occurred, the Seller shall provide to NCPA a detailed written report, specifying the reason for the Outage, expected duration of such Outage, capacity reduction, and actions taken to mitigate such Outage.

C.6.4 Return to Service. The Seller shall notify NCPA as soon as possible, but in any case before the Generating Facility is returned to service.

C.7 Notices. All Scheduling notices and Schedules shall be submitted to NCPA by phone, fax or email, or other means as may be mutually agreed by the Parties, to the persons designated in Exhibit "PPA-F."

C.8 Changes in Scheduling and Outage Procedure. The Buyer shall revise Exhibit "PPA-C," or, as appropriate, give written notice to the Seller regarding the revision, and issue a new Exhibit "PPA-C," which shall then become part of the Agreement to reflect changes in the scheduling and outage notification procedure.

EXHIBIT "PPA-D"

Green Attributes Reporting and Conveyance Procedures

D.1 Additional Definitions for the Conveyance of Green Attributes

D.1.1 "Certificate Transfers" means the process, as described in the WREGIS Operating Rules, whereby a WREGIS account holder may request that WREGIS Certificates from a specific generating unit shall be directly deposited to another WREGIS account.

D.1.2 "WREGIS Certificates" means a certificate created within the WREGIS system that represents all Renewable and Green Attributes from one MWh of electricity generation from an Eligible Renewable Energy Resource that is registered with WREGIS.

D.1.3 "WREGIS Operating Rules" means the document published by WREGIS that governs the operation of the WREGIS system for registering, tracking, and conveying, among others, RECs produced from Eligible Renewable Energy Resources that shall be registered with WREGIS.

D.1.4 "WREGIS" means Western Renewable Energy Generation Information System.

D.2 RECs. Green Attributes shall be conveyed by the Seller to the Buyer through RECs, which shall be registered tracked and conveyed to the Buyer, using WREGIS.

D.3 WREGIS Registration. Prior to the Commercial Operation Date, the Buyer will register the Facility in the Buyer's WREGIS account on behalf of the Seller. The Buyer shall charge back to the Seller any costs of registering and maintaining the registration of the Facility with WREGIS. The Seller shall provide to the Buyer any documents required by WREGIS and assign the Seller's rights to register the Facility in WREGIS, using agreements provided by WREGIS.

D.4 Buyer's WREGIS Account. The Buyer shall, at its sole expense, establish and maintain the Buyer's WREGIS account sufficient to accommodate the WREGIS Certificates produced by the output of the Facility. The Buyer shall be responsible for all expenses associated with (A) establishing and maintaining the Buyer's WREGIS Account, and (B) subsequently transferring or retiring WREGIS Certificates.

D.5 Qualified Reporting Entity. The Buyer shall be the Qualified Reporting Entity (as such term is defined by WREGIS) for the Facility, and shall be responsible for providing the metered Output data to WREGIS.

D.6 Reporting of Environmental Attributes. In lieu of the Seller's transfer of the WREGIS Certificates using Certificate Transfers from the Seller's WREGIS account to the Buyer's WREGIS account, the Buyer shall report the Facility as being held directly in its WREGIS account, which will preclude the Seller from reporting the Facility in its own WREGIS account.

D.6.1 By avoiding the use of Certificate Transfers, there will be no transaction costs to the Seller or the Buyer for the Certificate Transfers that would otherwise be used.

D.6.2 WREGIS Certificates for the Facility will be created on a calendar month basis in accordance with the certification procedure established by the WREGIS Operating Rules in an amount equal to the Energy generated by the Project and delivered to the Buyer in the same calendar month.

D.6.3 WREGIS Certificates will only be created for whole MWh amounts of energy generated. Any fractional MWh amounts (i.e., kWh) will be carried forward until sufficient generation is accumulated for the creation of a WREGIS Certificate and all such accumulated

MWh of Environmental Attributes will then be available to Buyer.

D.6.4 If a WREGIS Certificate Modification (as such term is defined by WREGIS) will be required to reflect any errors or omissions regarding the Green Attributes from the Facility, then the Buyer will manage the submission of the WREGIS Certificate Modification.

D.6.5 Due to the expected delay in the creation of WREGIS Certificates relative to the timing of invoice payments under Section 2, the Buyer will normally be making an invoice payment for the Output for a given month in accordance with Section 2 before the WREGIS Certificates for such month may be created in the Buyer's WREGIS account. Notwithstanding this delay, the Buyer shall have all right and title to all such WREGIS Certificates upon payment to the Seller in accordance with Section 2.

D.7 Changes in Green Attributes Reporting and Conveyance Procedures. The Buyer shall revise this Exhibit "PPA-D," as appropriate, give written notice to the Seller regarding the revision, and issue a new Exhibit "PPA-D," which shall then become part of this Agreement in the event that:

D.7.1 WREGIS changes the WREGIS Operating Rules (as defined by WREGIS) after the Effective Date or applies the WREGIS Operating Rules in a manner inconsistent with this Exhibit "PPA-D" after the Effective Date; or,

D.7.2 WREGIS is replaced as the primary method that the Buyer uses for conveyance of Green Attributes, or additional methods to convey all Green Attributes, are required.

EXHIBIT "PPA-E"

Insurance Requirements

CONTRACTORS TO THE CITY OF PALO ALTO (CITY), AT THEIR SOLE EXPENSE, WILL FOR THE TERM OF THE CONTRACT OBTAIN AND MAINTAIN INSURANCE IN THE AMOUNTS FOR THE COVERAGE SPECIFIED BELOW, **AFFORDED BY COMPANIES WITH A BEST'S KEY RATING OF A-:VII, OR HIGHER, LICENSED OR AUTHORIZED TO TRANSACT INSURANCE BUSINESS IN THE STATE OF CALIFORNIA.**

AWARD IS CONTINGENT ON COMPLIANCE WITH CITY'S INSURANCE REQUIREMENTS, AS SPECIFIED, BELOW:

REQUIRED	TYPE OF COVERAGE	REQUIREMENT	MINIMUM LIMITS	
			EACH OCCURRENCE	AGGREGATE
YES YES	WORKER'S COMPENSATION AUTOMOBILE LIABILITY	STATUTORY STATUTORY		
YES	COMMERCIAL GENERAL LIABILITY, INCLUDING PERSONAL INJURY, BROAD FORM PROPERTY DAMAGE BLANKET CONTRACTUAL, AND FIRE LEGAL LIABILITY	BODILY INJURY PROPERTY DAMAGE BODILY INJURY & PROPERTY DAMAGE COMBINED.	$1,000,000 $1,000,000 $1,000,000	$2,000,000 $2,000,000 $2,000,000
YES	COMPREHENSIVE AUTOMOBILE LIABILITY, INCLUDING, OWNED, HIRED, NON-OWNED	BODILY INJURY - EACH PERSON - EACH OCCURRENCE PROPERTY DAMAGE BODILY INJURY AND PROPERTY DAMAGE, COMBINED	$1,000,000 $1,000,000 $1,000,000 $1,000,000 $1,000,000	$1,000,000 $1,000,000 $1,000,000 $1,000,000 $1,000,000
NO	PROFESSIONAL LIABILITY, INCLUDING, ERRORS AND OMISSIONS, MALPRACTICE (WHEN APPLICABLE), AND NEGLIGENT PERFORMANCE	ALL DAMAGES	$1,000,000	
YES	**THE CITY OF PALO ALTO IS TO BE NAMED AS AN ADDITIONAL INSURED**: PROPOSER, AT ITS SOLE COST AND EXPENSE, SHALL OBTAIN AND MAINTAIN, IN FULL FORCE AND EFFECT THROUGHOUT THE ENTIRE TERM OF ANY RESULTANT AGREEMENT, THE INSURANCE COVERAGE HEREIN DESCRIBED, INSURING NOT ONLY PROPOSER AND ITS SUBCONSULTANS, IF ANY, BUT ALSO, WITH THE EXCEPTION OF WORKERS' COMPENSATION, EMPLOYER'S LIABILITY AND PROFESSIONAL INSURANCE, **NAMING AS ADDITIONAL INSURES CITY, ITS COUNCIL MEMBERS, OFFICERS, AGENTS, AND EMPLOYEES.**			

I. INSURANCE COVERAGE MUST INCLUDE:

A. A PROVISION FOR A WRITTEN THIRTY DAY ADVANCE NOTICE TO CITY OF CHANGE IN COVERAGE OR OF COVERAGE CANCELLATION; AND

B. A CONTRACTUAL LIABILITY ENDORSEMENT PROVIDING INSURANCE COVERAGE FOR CONTRACTOR'S AGREEMENT TO INDEMNIFY CITY – SEE, SAMPLE AGREEMENT FOR SERVICES.

II. SUBMIT CERTIFICATE(S) OF INSURANCE EVIDENCING REQUIRED COVERAGE, **OR** COMPLETE THIS SECTION AND IV THROUGH V, BELOW.

A. NAME AND ADDRESS OF COMPANY AFFORDING COVERAGE (NOT AGENT OR BROKER):

_____

B. NAME, ADDRESS, AND PHONE NUMBER OF YOUR INSURANCE AGENT/BROKER:

_____

C. POLICY NUMBER(S):

_____

D. DEDUCTIBLE AMOUNT(S) (DEDUCTIBLE AMOUNTS IN EXCESS OF $5,000 REQUIRE CITY'S PRIOR APPROVAL):

_____

III. AWARD IS CONTINGENT ON COMPLIANCE WITH CITY'S INSURANCE REQUIREMENTS, AND PROPOSER'S SUBMITTAL OF CERTIFICATES OF INSURANCE EVIDENCING COMPLIANCE WITH THE REQUIREMENTS SPECIFIED HEREIN.

IV. ENDORSEMENT PROVISIONS, WITH RESPECT TO THE INSURANCE AFFORDED TO "ADDITIONAL INSURES"

A. PRIMARY COVERAGE

WITH RESPECT TO CLAIMS ARISING OUT OF THE OPERATIONS OF THE NAMED INSURED, INSURANCE AS AFFORDED BY THIS POLICY IS PRIMARY AND IS NOT ADDITIONAL TO OR CONTRIBUTING WITH ANY OTHER INSURANCE CARRIED BY OR FOR THE BENEFIT OF THE ADDITIONAL INSURES.

B. CROSS LIABILITY

THE NAMING OF MORE THAN ONE PERSON, FIRM, OR CORPORATION AS INSURES UNDER THE POLICY SHALL NOT, FOR THAT REASON ALONE, EXTINGUISH ANY RIGHTS OF THE INSURED AGAINST ANOTHER, BUT THIS ENDORSEMENT, AND THE NAMING OF MULTIPLE INSUREDS, SHALL NOT INCREASE THE TOTAL LIABILITY OF THE COMPANY UNDER THIS POLICY.

C. NOTICE OF CANCELLATION

1. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR ANY REASON OTHER THAN THE NON-PAYMENT OF PREMIUM, THE ISSUING COMPANY SHALL PROVIDE CITY AT LEAST A THIRTY (30) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.

2. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR THE NON-PAYMENT OF PREMIUM, THE ISSUING COMPANY SHALL PROVIDE CITY AT LEAST A TEN (10) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.

V. PROPOSER CERTIFIES THAT PROPOSER'S INSURANCE COVERAGE MEETS THE ABOVE REQUIREMENTS:

THE INFORMATION HEREIN IS CERTIFIED CORRECT BY SIGNATURE(S) BELOW. SIGNATURE(S) MUST BE SAME SIGNATURE(S) AS APPEAR(S) ON SECTION II, ATTACHMENT A, PROPOSER'S INFORMATION FORM.

Firm: _____

Signature: _____

Name: _____
(Print or type name)

Signature: _____

Name: _____
(Print or type name)

NOTICES SHALL BE MAILED TO:

PURCHASING AND
CONTRACT ADMINISTRATION
CITY OF PALO ALTO
P.O. BOX 10250
PALO ALTO, CA 94303.

EXHIBIT "PPA-F"

Notices

Contract Administration

BUYER:
City of Palo Alto
Utilities Resource Management
250 Hamilton Avenue
Palo Alto, CA 94301
Ph: 650-329-2689
Email: UtilityCommoditySettlements@CityofPaloAlto.Org

SELLER:

Billing and Settlements

BUYER:
City of Palo Alto
Utilities Resource Management
250 Hamilton Avenue
Palo Alto, CA 94301
Ph: 650-329-2689
Email: UtilityCommoditySettlements@CityofPaloAlto.Org

SELLER:

Forecasting and Outage Reporting under Section 6 of this Agreement

Planned Outages:

BUYER:
Northern California Power Agency Real-Time Dispatch
651 Commerce Drive
Roseville, CA 95678
Ph: 916-786-3518

SELLER:

Forced Outages

BUYER:
Northern California Power Agency Real-Time Dispatch
651 Commerce Drive
Roseville, CA 95678
Ph: 916-786-3518

SELLER:

Forecasting and Scheduling

BUYER:
Northern California Power Agency
Operations and Pre-Scheduling
651 Commerce Drive
Roseville, CA 95678
Ph: 916-786-0123

SELLER:

EXHIBIT "PPA-G"

Form of Lender Consent and Agreement

This CONSENT AND AGREEMENT (this "Consent"), dated as of _ _ , 20_ , is entered into by and among the CITY OF PALO ALTO, a California chartered municipal corporation (the "City"), _____, a _____ corporation (the "Lender)," by its agent, _____ (the "Administrative Agent"), and , a _____corporation (the "Borrower") (collectively, the "Parties"). Unless otherwise defined, all capitalized terms have the meaning given in the Contract (as hereinafter defined).

RECITALS

A. Borrower intends to develop, construct, install, test, own, operate and use an approximately _____MW electric generating facility located in the city of Palo Alto in the State of California, known as the _ Project (the "Project").

B. In order to partially finance the development, construction, installation, testing, operation and use of the Project, Borrower has entered into that certain financing agreement dated as of __ (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Financing Agreement"), among Borrower, the financial institutions from time to time parties thereto (collectively, the "Lenders") , and Administrative Agent for the Lenders, pursuant to which, among other things, Lenders have extended commitments to make loans and other financial accommodations to, and for the benefit of, Borrower.

C. The City and Borrower have entered into that certain Power Purchase Agreement, dated as of _____(attached hereto and incorporated herein by reference, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof and hereof, the "Power Purchase Agreement").

D. The City and Borrower have entered into that certain Interconnection Agreement, dated as of _____ (attached hereto and incorporated herein by reference, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof and hereof, the "Interconnection Agreement").

E. Pursuant to a security agreement executed by Borrower and Administrative Agent for the Lenders (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Security Agreement"), Borrower has agreed, among other things, to assign, as collateral security for its obligations under the Financing Agreement and related documents (collectively, the "Financing Documents"), all of its right, title and interest in, to and under the Power Purchase Agreement and Interconnection Agreement to Administrative Agent for the benefit of itself, the Lenders and each other entity or person providing collateral security under the Financing Documents.

F. It is a requirement under the Financing Agreement that the Parties hereto execute this Consent.

AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the Parties agree, as follows:

1. CONSENT TO ASSIGNMENT. The City acknowledges the assignment referred to in Recital E above, consents to an assignment of the Power Purchase Agreement and Interconnection Agreement pursuant thereto, and agrees with Administrative Agent, as follows:

(a) Administrative Agent shall be entitled (but not obligated) to exercise all rights and to cure any

defaults of Borrower under the Power Purchase Agreement or Interconnection Agreement, as the case may be, subject to applicable notice and cure periods provided in the Power Purchase Agreement and Interconnection Agreement. Upon receipt of notice from Administrative Agent, the City agrees to accept such exercise and cure by Administrative Agent if timely made by Administrative Agent under the Power Purchase Agreement or Interconnection Agreement, as the case may be, and this Consent. Upon receipt of Administrative Agent's written instructions and to the extent allowed by law, the City agrees to make directly to such account as Administrative Agent may direct the City, in writing, from time to time, all payments to be made by the City to Borrower under the Power Purchase Agreement or Interconnection Agreement, as the case may be, from and after the City's receipt of such instructions, and Borrower consents to any such action. The City shall not incur any liability to Borrower under the Power Purchase Agreement, Interconnection Agreement, or this Consent for directing such payments to Administrative Agent in accordance with this subsection (a).

(b) The City will not, without the prior written consent of Administrative Agent (such consent not to be unreasonably withheld), (i) cancel or terminate the Power Purchase Agreement or Interconnection Agreement, or consent to or accept any cancellation, termination or suspension thereof by Borrower, except as provided in the Power Purchase Agreement or Interconnection Agreement and in accordance with subparagraph 1(c) hereof, (ii) sell, assign or otherwise dispose (by operation of law or otherwise) of any part of its interest in the Power Purchase Agreement or Interconnection Agreement, except as provided in the Power Purchase Agreement or Interconnection Agreement, or (iii) amend or modify the Power Purchase Agreement or Interconnection Agreement in any manner materially adverse to the interest of the Lenders in the Power Purchase Agreement and Interconnection Agreement as collateral security under the Security Agreement.

(c) The City agrees to deliver duplicates or copies of all notices of default delivered by the City under or pursuant to the Power Purchase Agreement or Interconnection Agreement to Administrative Agent in accordance with the notice provisions of this Consent. The City shall deliver any such notices concurrently with delivery of the notice to Borrower under the Power Purchase Agreement or Interconnection Agreement. To the extent that a cure period is provided under the Power Purchase Agreement or Interconnection Agreement, Administrative Agent shall have the same period of time to cure the breach or default that Borrower is entitled to under the Power Purchase Agreement or Interconnection Agreement, except that if the City does not deliver the default notice to Administrative Agent concurrently with delivery of the notice to Borrower under the Power Purchase Agreement or Interconnection Agreement, then as to Administrative Agent, the applicable cure period under the Power Purchase Agreement or Interconnection Agreement shall begin on the date on which the notice is given to Administrative Agent. If possession of the Project is necessary to cure such breach or default, and Administrative Agent or its designee(s) or assignee(s) declare Borrower in default and commence foreclosure proceedings, Administrative Agent or its designee(s) or assignee(s) will be allowed a reasonable period to complete such proceedings so long as Administrative Agent or its designee(s) continue to perform any monetary obligations under the Power Purchase Agreement or Interconnection Agreement, as the case may be. The City consents to the transfer of Borrower's interest under the Power Purchase Agreement and Interconnection Agreement to the Lenders or Administrative Agent or their designee(s) or assignee(s) or any of them or a purchaser or grantee at a foreclosure sale by judicial or nonjudicial foreclosure and sale or by a conveyance by Borrower in lieu of foreclosure and agrees that upon such foreclosure, sale or conveyance, the City shall recognize the Lenders or Administrative Agent or their designee(s) or assignee(s) or any of them or other purchaser or grantee as the applicable party under the Power Purchase Agreement and Interconnection Agreement (provided that such Lenders or Administrative Agent or their designee(s) or assignee(s) or purchaser or grantee assume the obligations of Borrower under the Power Purchase Agreement and Interconnection Agreement, including, without limitation, satisfaction and compliance with all credit provisions of the Power Purchase Agreement and Interconnection Agreement, if any, and provided further that such Lenders or Administrative Agent or their designee(s) or assignee(s) or purchaser or grantee has a creditworthiness equal to or better than

Borrower, as reasonably determined by City).

(d) In the event that either the Power Purchase Agreement or Interconnection Agreement, or both is rejected by a trustee or debtor-in-possession in any bankruptcy or insolvency proceeding, and if, within forty-five (45) days after such rejection, Administrative Agent shall so request, the City will execute and deliver to Administrative Agent a new power purchase agreement or interconnection agreement, as the case may be, which power purchase agreement or interconnection agreement shall be on the same terms and conditions as the original Power Purchase Agreement or Interconnection Agreement for the remaining term of the original Power Purchase Agreement or Interconnection Agreement before giving effect to such rejection, and which shall require Administrative Agent to cure any defaults then existing under the original Power Purchase Agreement or Interconnection Agreement. Notwithstanding the foregoing, any new renewable power purchase agreement or interconnection agreement will be subject to all regulatory approvals required by law. The City will use good faith efforts to promptly obtain any necessary regulatory approvals.

(e) In the event Administrative Agent, the Lenders or their designee(s) or assignee(s) elect to perform Borrower's obligations under the Power Purchase Agreement and Interconnection Agreement, succeed to Borrower's interest under the Power Purchase Agreement and Interconnection Agreement, or enter into a new power purchase agreement or interconnection agreement as provided in subparagraph 1(d) above, the recourse of the City against Administrative Agent, Lenders or their designee(s) and assignee(s) shall be limited to such Parties' interests in the Project, and the credit support required under the Power Purchase Agreement and Interconnection Agreement, if any.

(f) In the event Administrative Agent, the Lenders or their designee(s) or assignee(s) succeed to Borrower's interest under the Power Purchase Agreement and Interconnection Agreement, Administrative Agent, the Lenders or their designee(s) or assignee(s) shall cure any then-existing payment and performance defaults under the Power Purchase Agreement or Interconnection Agreement, except any performance defaults of Borrower itself, which by their nature are not susceptible of being cured. Administrative Agent, the Lenders and their designee(s) or assignee(s) shall have the right to assign all or a pro rata interest in the Power Purchase Agreement and Interconnection Agreement to a person or entity to whom Borrower's interest in the Project is transferred, provided such transferee assumes the obligations of Borrower under the Power Purchase Agreement and Interconnection Agreement and has a creditworthiness equal to or better than Borrower, as reasonably determined by the City. Upon such assignment, Administrative Agent and the Lenders and their designee(s) or assignee(s) (including their agents and employees) shall be released from any further liability thereunder accruing from and after the date of such assignment, to the extent of the interest assigned.

2. REPRESENTATIONS AND WARRANTIES. The City hereby represents and warrants that as of the date of this Consent:

(a) It (i) is duly formed and validly existing under the laws of the State of California, and (ii) has all requisite power and authority to enter into and to perform its obligations hereunder and under the Power Purchase Agreement and Interconnection Agreement, and to carry out the terms hereof and thereof and the transactions contemplated hereby and thereby;

(b) the execution, delivery and performance of this Consent, the Power Purchase Agreement and the Interconnection Agreement have been duly authorized by all necessary action on its part and do not require any approvals, material filings with, or consents of any entity or person which have not previously been obtained or made;

(c) each of this Consent, the Power Purchase Agreement, and the Interconnection Agreement is in full force and effect;

(d) each of this Consent, the Power Purchase Agreement, and the Interconnection Agreement has been duly executed and delivered on its behalf and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by (i) bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and (ii) general equitable principles (whether considered in a proceeding in equity or at law);

(e) there is no litigation, arbitration, investigation or other proceeding pending for which the City has received service of process or, to the City's actual knowledge, threatened against the City relating solely to this Consent, the Power Purchase Agreement, or the Interconnection Agreement and the transactions contemplated hereby and thereby;

(f) the execution, delivery and performance by it of this Consent, the Power Purchase Agreement, and the Interconnection Agreement, and the consummation of the transactions contemplated hereby, will not result in any violation of, breach of or default under any term of any material contract or material agreement to which it is a party or by which it or its property is bound, or of any material requirements of law presently in effect having applicability to it, the violation, breach or default of which could have a material adverse effect on its ability to perform its obligations under this Consent;

(g) neither the City nor, to the City's actual knowledge, any other party to the Power Purchase Agreement or Interconnection Agreement, is in default of any of its obligations thereunder; and

(h) to the City's actual knowledge, (i) no Force Majeure Event exists under, and as defined in, the Power Purchase Agreement or Interconnection Agreement and (ii) no event or condition exists which would either immediately or with the passage of any applicable grace period or giving of notice, or both, enable either the City or Borrower to terminate or suspend its obligations under the Power Purchase Agreement or the Interconnection Agreement.

Each of the representations and warranties set forth herein shall survive the execution and delivery of this Consent and the consummation of the transactions contemplated hereby.

3. NOTICES. All notices required or permitted hereunder shall be given, in writing, and shall be effective (a) upon receipt if hand delivered, (b) upon telephonic verification of receipt if sent by facsimile and (c) if otherwise delivered, upon the earlier of receipt or three (3) Business Days after being sent registered or certified mail, return receipt requested, with proper postage affixed thereto, or by private courier or delivery service with charges prepaid, and addressed as specified below:

If to the City:
[_____]
[_____]
[_____]
Telephone No.: [_____]
Facsimile No.: [_____]
Attn: [_____]

If to Administrative Agent:
[_____]
[_____]
[_____]
Telephone No.: [_____]
Facsimile No.: [_____]
Attn: [_____]

If to Borrower:
[_____]
[_____]
[_____]
Telephone No.: [_____]
Facsimile No.: [_____]
Attn: [_____]

Any party shall have the right to change its address for notice hereunder to any other location within the United States by giving thirty (30) days written notice to the other parties in the manner set forth above.

4. ASSIGNMENT, TERMINATION, AMENDMENT. This Consent shall be binding upon and benefit the successors and assigns of the Parties hereto and their respective successors, transferees and assigns (including without limitation, any entity that refinances all or any portion of the obligations under the Financing Agreement). The City agrees (a) to confirm such continuing obligation, in writing, upon the reasonable request of (and at the expense of) Borrower, Administrative Agent, the Lenders or any of their respective successors, transferees or assigns, and (b) to cause any successor-in-interest to the City with respect to its interest in the Power Purchase Agreement or Interconnection Agreement to assume, in writing and in form and substance reasonably satisfactory to Administrative Agent, the obligations of City hereunder. Any purported assignment or transfer of the Power Purchase Agreement or Interconnection Agreement not in conjunction with the written instrument of assumption contemplated by the foregoing clause (b) shall be null and void. No termination, amendment, or variation of any provisions of this Consent shall be effective unless in writing and signed by the parties hereto. No waiver of any provisions of this Consent shall be effective unless in writing and signed by the party waiving any of its rights hereunder.

5. GOVERNING LAW. This Consent shall be governed by the laws of the State of California applicable to contracts made and to be performed in California. The federal courts or the state courts located in California shall have exclusive jurisdiction to resolve any disputes with respect to this Consent with the City, Assignor, and the Lender or Lenders irrevocably consenting to the jurisdiction thereof for any actions, suits, or proceedings arising out of or relating to this Consent.

6. COUNTERPARTS. This Consent may be executed in one or more duplicate counterparts, and when executed and delivered by all the parties listed below, shall constitute a single binding agreement.

7. SEVERABILITY. In case any provision of this Consent, or the obligations of any of the Parties hereto, shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions, or the obligations of the other Parties hereto, shall not in any way be affected or impaired thereby.

8. ACKNOWLEDGMENTS BY BORROWER. Borrower, by its execution hereof, acknowledges and agrees that neither the execution of this Consent, the performance by the City of any of the obligations of the City hereunder, the exercise of any of the rights of the City hereunder, or the acceptance by the City of performance of the Power Purchase Agreement by any party other than Borrower shall (1) release Borrower from any obligation of Borrower under the Power Purchase Agreement or Interconnection Agreement, (2) constitute a consent by the City to, or impute knowledge to the City of, any specific terms or conditions of the Financing Agreement, the Security Agreement or any of the other Financing Documents, or (3) except as expressly set forth in this Consent, constitute a waiver by the City of any of its rights under the Power Purchase Agreement or Interconnection Agreement. Borrower and Administrative Agent acknowledge hereby for the benefit of City that none of the Financing Agreement, the Security

Agreement, the Financing Documents or any other documents executed in connection therewith alter, amend, modify or impair (or purport to alter, amend, modify or impair) any provisions of the Power Purchase Agreement.

CITY OF PALO ALTO

APPROVED AS TO FORM

_____
Senior Deputy City Attorney

APPROVED

_____
City Manager

_____
Director of Utilities

ADMINISTRATIVE AGENT

_____

BORROWER

_____

ATTACHMENT C

City of Palo Alto (ID # 6485)

Finance Committee Staff Report

Report Type: Action Items **Meeting Date: 2/16/2016**

Council Priority: Environmental Sustainability

Summary Title: Palo Alto CLEAN Program Updates and Extension

Title: Utilities Advisory Commission Recommendation that the City Council Adopt a Resolution to Continue the Palo Alto Clean Local Energy Accessible Now (CLEAN) Program at the Current Contract Price of $0.165 per kilowatt-hour for Local Solar Resources and at the Avoided Cost Level ($0.081 to $0.082 per kilowatt-hour) for Local Non-solar Eligible Renewable Resources

From: City Manager

Lead Department: Utilities

Recommendation

Staff and the Utilities Advisory Commission (UAC) request that the Finance Committee recommend that the City Council:

1. Adopt a resolution (Attachment A) to:
    a. Maintain the Palo Alto CLEAN program price for local solar energy resources at the current price of 0.165 dollars per kilowatt-hour ($/kWh) for a 20-year or 25-year contract term, and continue with a program limit of 3 megawatts (MW); and
    b. Reduce the Palo Alto CLEAN program price for local non-solar eligible renewable energy resources to the updated avoided cost of such energy ($0.081/kWh for a 20-year contract term, or $0.082/kWh for a 25-year contract term), from the prior avoided cost projection ($0.093/kWh for a 20-year contract term, or $0.094/kWh for a 25-year contract term), and continue with a separate program limit of 3 MW specifically for local non-solar eligible renewable resources; and
2. Approve the attached amended CLEAN program Power Purchase Agreement (PPA) (Attachment B) to implement the recommended changes.

The resolution (Attachment A) included as part of this Staff Report incorporates the above recommendations. The amended Palo Alto CLEAN Eligibility Rules and Requirements, which implement the above recommendations, are shown in Exhibit A-1 attached to the resolution. As noted above, staff also seeks approval of an amended PPA (Attachment B) included with this staff report, which incorporates the above recommendations.

Council has previously delegated authority to the City Manager to make additional changes to the CLEAN Program PPA that are approved by the City Attorney's office as may be otherwise necessary to implement the recommendations that are approved by Council.

Executive Summary

In March 2012 the Council adopted the Palo Alto CLEAN program (also commonly referred to as a feed-in tariff, or FIT, program). The program was designed to address the Long-term Electric Acquisition Plan (LEAP) objective to enhance supply reliability through the pursuit of local generation opportunities, and to complement the City of Palo Alto Utilities' (CPAU's) existing PV Partners solar rebate program. Palo Alto CLEAN created an additional alternative for property owners by enabling them to build a new solar system on their property and sell the energy to CPAU under a long-term, fixed-rate, standardized contract rather than use the energy on site.

Though solar developers expressed interest in Palo Alto CLEAN in 2012, the initial contract price ($0.14 per kilowatt-hour (kWh) for a 20-year term) proved insufficient to facilitate the most common business model used by project developers, which involves a third-party investor leasing roof space from a property owner. Council increased the Palo Alto CLEAN price to $0.165/kWh in December 2012. In May 2015, Council added a 25-year contract term option, and expanded the program to include non-solar eligible renewable energy resources, setting their contract prices at the avoided cost level ($0.093/kWh for a 20-year contract or $0.094/kWh for a 25-year contract).

Although the avoided cost of local solar resources has declined since Council's May 2015 decision, the UAC and staff recommend continuing the contract of $0.165/kWh for local solar projects. The UAC and staff also recommend continuing to offer non-solar eligible renewable energy resources a CLEAN price equal to the avoided cost of the energy produced by those resources—which is currently estimated at $0.081/kWh for a 20-year term, and $0.082/kWh for a 25-year term.

Background

CPAU has a long history of supporting solar power. It initiated the PV Partners program in 1999 to provide rebates to residential and commercial customers who install solar for their own use, and in 2007 the program was expanded to meet the requirements of the State's Million Solar Roofs Bill (Senate Bill 1 (SB1), 2006). CPAU is mandated by SB1 to offer rebates through the PV Partners until the total SB1 program budget of $13 million has been exhausted, which is expected to occur within a year. Currently, $585,000 in funds remain unreserved for commercial solar PV systems. All residential rebate funds were reserved as of August 2014.

In March 2012, the City expanded its support for local distributed generation by launching Palo Alto CLEAN (Clean Local Energy Accessible Now) with a price of $0.14/kWh for a 20-year contract (Staff Report 2548, Resolution 9235). The program, which was set to expire in December 2012, expanded the options available to property owners by enabling them to sell

energy directly to CPAU under a standardized long-term contract instead of using the energy on site. After receiving no response to the program, in December 2012, Council extended the CLEAN program and increased the rate to $0.165/kWh for a 20-year contract (Staff Report 3316, Resolution 9308). In February 2014, Council extended the CLEAN program again at the rate to $0.165/kWh for a 20-year contract, and increased the program capacity limit to 3 MW (Staff Report 4378, Resolution 9393).

On April 22, 2014, the City Council adopted the Local Solar Plan (Staff Report 4608, Resolution 9402), which set the overarching goal of meeting 4% of the City's total energy needs from local solar by 2023 and unified the City's approach toward local solar and described a set of diverse strategies for meeting the 4% target in a cost-effective manner that does not create a burden on non-solar customers. Prior programs, incentives, and policies involving solar installed in the City—including specifically PV Partners, net energy metering, and Palo Alto CLEAN—are integrated into the Local Solar Plan strategies. The CLEAN program plays an integral role in achieving the Local Solar Plan goal contributing about 0.5% of the City's total energy needs once the program's 3 MW cap on local solar projects is reached.

In December 2014, staff presented a recommendation to the UAC to continue the CLEAN program for solar resources at the $0.165/kWh for a 20-year contract, while also adding a 25-year contract term option and expanding the program to non-solar renewable energy resources, setting the price for those resources at the avoided cost level ($0.093 /kWh for a 20-year contract, $0.094/kWh for a 20-year contract) (UAC report). The staff recommendation also included maintaining the 3 MW cap on solar resources, and not adopting a cap on the participation of eligible non-solar resources since they would be compensated at the avoided cost and did not cause any impact on rates. The UAC unanimously supported the recommendations concerning solar resources, but did not support the recommendation to expand the program to non-solar renewable energy resources, siting insufficient justification in the staff report for the addition of these resources.

In March 2015, staff presented the same recommendation described above to the Finance Committee, with the addition of a 3 MW participation cap on eligible non-solar resources and an expanded discussion of the extension of the program to non-solar resources in the report (Staff Report 5428). The Finance Committee considered staff's and the UAC's recommendations, and committee members expressed no concerns with the proposals to add a 25-year contract term option or to expand the program to non-solar eligible renewable energy resources. However, Committee members expressed serious concern about the proposal to continue offering the contract price of $0.165/kWh for solar resources, rather than a lower rate closer to the current avoided cost of that solar energy. Ultimately the Finance Committee voted unanimously to recommend that Council expand the CLEAN program to non-solar resources, but to set the contract prices for both solar and non-solar resources equal to those resources' avoided costs (for solar resources, $0.103/kWh for a 20-year contract and $0.104/kWh for a 25-year contract; for non-solar resources, $0.093 /kWh for a 20-year contract, $0.094/kWh for a 20-year contract).

In May 2015, Council considered the UAC and Finance Committee recommendations (Staff Report 5849) and were advised that reducing the CLEAN Program price for solar resources (from 16.5¢/kWh to 10.3¢/kWh or 10.4 ¢/kWh, depending on contract term length) also has implications for a City project (solar installations on City-owned parking garages) and a City program (the Community Solar Program) under design at the time. The Council voted to: extend the CLEAN program again at the rate of $0.165/kWh for a 20-year contract for solar resources; add a 25-year contract term option; and expand the program to include non-solar eligible renewable energy resources—setting contract prices for such resources at the level of their avoided cost, which at the time was $0.093/kWh for a 20-year contract or $0.094/kWh for a 25-year contract, and setting a separate 3 MW program capacity limit on such resources.

One important consideration in Council's decision to maintain the contract rate of $0.165/kWh for solar resources, rather than reducing it to the avoided cost level as the Finance Committee advocated, was the expectation that the Public Works Department would soon be executing a lease of rooftop space at several downtown parking garages with a company that would use that space to develop a group of solar facilities (totaling about 1.5 MW of capacity) that would participate in the CLEAN program. Although negotiations with that vendor later fell through, at the time staff anticipated that the City would receive about $155,000 per year in revenue from that lease, and Council specified that those revenues should be directed to the Electric Fund in order to mitigate the impact on electric ratepayers of maintaining a CLEAN program rate for solar resources that was greater than their avoided cost. On January 25, Council approved a lease agreement with a solar developer to construct solar PV systems (for a total of 1.3 MW) on four city-owned parking structures with an annual lease payment of $20,000 per year plus the installation of electric vehicle chargers (Staff Report 6535) with the expectation that the develop would submit an application to the CLEAN program.

The City received its very first application to the Palo Alto CLEAN program on January 8 for a 113 kW solar carport installation at the Unitarian Universalist Church of Palo Alto for a 25-year contract term. When the application for the city-owned garages has been received and processed, approximately half of the total 3 MW program capacity will remain.

The CLEAN program has prompted developers to take a serious look at the cost of developing solar projects in Palo Alto, and some of them shared that information with CPAU staff. At the same time, the solar project permitting processes at the development center have been improved based on input gathered from solar developers. In addition, in response to frequent requests from developers for detailed information about the City's electrical distribution system, staff is in the process of developing a map showing the locations of likely low-cost interconnection points. In addition, several public utilities across the country have called CPAU to discuss how to follow Palo Alto's lead and develop a CLEAN program in their own service areas.

Discussion

Value of Local Solar Resources

When establishing the CLEAN price of $0.165/kWh in December 2012, Council reviewed the market value of local solar energy and determined that, beyond the value of the energy itself, there were additional financial and environmental benefits to increasing local solar generation. In May 2015, when Council re-affirmed the $0.165/kWh price, staff estimated the cost of buying remote solar energy outside of Palo Alto and transmitting it to Palo Alto was $0.103/kWh (including renewable energy value, transmission and capacity) for a 20-year contract. Therefore, purchasing the energy generated from 3 MW of local solar projects at $0.165/kWh was expected to cost about $310,000 per year more than buying the same energy outside of Palo Alto (and having it transported to Palo Alto). This extra cost is equivalent to a 0.26% increase in the electric utility's costs.

However, at the time Council re-affirmed the $0.165/kWh price, Public Works staff was nearing the end of negotiations on a lease agreement of parking garage rooftop space to a solar developer—who intended to install solar systems on these rooftops totaling about 1.5 MW, and have those resources participate in the CLEAN program—that was expected to provide approximately $150,000 per year in lease payments to the City. In May 2015, when it re-affirmed the $0.165/kWh price for solar resources, Council also directed that the roughly $150,000 per year in lease payments under this arrangement be allocated to the Electric Fund to offset the additional cost to ratepayers of providing a contract price exceeding the avoided cost of the energy generated through the program. Council determined that this additional cost (after being offset by the $150,000 per year in lease payments) was acceptable as a means to encourage local solar installations and in light of additional benefits of encouraging local solar generation.

Unfortunately, lease negotiations between the City and the solar developer foundered and the City ceased negotiations with the developer[1]. The City then began lease negotiations with another respondent to the RFP, which were successfully concluded when Council approved a lease agreement on January 25, 2016 (Staff Report 6535). The lease agreement includes lease payments of $20,000 per year to the City, which is significantly lower than the $150,000 per year that was being discussed with the first developer. However, the lease terms require installation of 18 new Level 2 electric vehicle chargers and electrical infrastructure to support an additional 80 future new Level 2 chargers. The electrical vehicle chargers and infrastructure have a significant value that is in addition to the rent. Additionally, the Council Policy and Services Committee is expected in the near future to discuss options for changing the City's current policy of free use of electric vehicle chargers. Changes to the policy may result in the generation of revenue from the new electric vehicle chargers that could be used to offset the additional cost to ratepayers of the $0.165/kWh CLEAN program price, in addition to the $20,000 per year in rent payments.

[1] See this staff report for an explanation of staff's June 29, 2015 recommendation to reject the developer's proposal: http://www.cityofpaloalto.org/civicax/filebank/documents/48009.

Updated Value of Renewable Energy

In April 2015, the City released an RFP for renewable energy projects that could deliver energy to the City starting in 2021. Although the City has not yet approved a Power Purchase Agreement (PPA) resulting from this RFP, the responses that the City received to this solicitation can be used to estimate the current value of renewable energy in California. Of the 41 project proposals received in this RFP, staff placed the 10 highest-ranking proposals on a "shortlist"; the average proposed price of these shortlisted proposals was $0.055/kWh[2]. On a levelized basis over a 20-year term, the cost to deliver that energy to Palo Alto, combined with the capacity related benefits that local solar would provide, is projected to be an additional $0.034/kWh for a total value of local solar energy of $0.089/kWh. Over a 25-year term, the levelized delivery- and capacity-related cost is $0.035/kWh for a total value of local solar energy of $0.09/kWh.

When Council re-affirmed the $0.165/kWh price in May 2015, the avoided cost for solar energy was estimated to be $0.103/kWh for a 20-year term, and $0.104/kWh for a 25-year term. The $0.014/kWh reduction in the estimated avoided cost of local solar energy from then to now is entirely due to a reduction in the estimated value of the renewable energy itself. Previously, the energy value was based on the last long-term renewable PPA that the City executed; this agreement, signed in June 2014, was to buy energy from a 25 MW solar energy project in central California at a cost of about $0.069/kWh (Staff Report 4791, Resolution 9416).

The energy generated by 3 MW of local solar projects would supply about 0.5% of the City's total electricity needs. Table 1 below shows the history of the Palo Alto CLEAN price since the program started as well as the proposed CLEAN price for solar resources for a 20-year contract term.

[2] Note that the price for the proposed PPA under consideration by the Finance Committee (Staff Report 6517) is only $0.03676/kWh for a 25-year term.

Table 1 – Palo Alto CLEAN Program Prices for Local Solar

Council Approval	Avoided Cost of Local Solar Generation * ($/kWh)	CLEAN Price ($/kWh)	Annual Cost above Avoided Cost (Rate Impact)	Total Excess Cost over 20-year Term
March 2012	0.136	0.140	$15,000 (0.01%) for 2 MW cap	$300,000
December 2012	0.116	0.165	$160,000 (0.10%) for 2 MW cap	$3.2 million
February 2014	0.099	0.165	$332,500 (0.27%) for 3 MW cap	$6.45 million
May 2015	0.103	0.165	$310,000 (0.26%) for 3 MW cap	$6.2 million
Current Proposal	0.089	0.165	$380,000 (0.32%) for 3 MW cap	$7.6 million
** The cost of buying remote solar energy outside of Palo Alto and transmitting it to Palo Alto.*				

As shown in Table 1, based on the current total avoided cost estimates, the cost of continuing the $0.165/kWh CLEAN price for 3 MW of solar PV projects is about $380,000 per year more than buying the same energy outside of Palo Alto (and transporting it to Palo Alto). This is equivalent to a 0.32% increase in the electric utility's costs.

For non-solar local eligible renewable energy resources, the estimated avoided cost experienced a similar reduction based on the results of the City's recent renewable energy RFP. The energy generated by 3 MW of local non-solar renewable energy projects would supply about 2.2% of the City's total electricity needs (assuming that the projects are "baseload" resources that operate at a high capacity around-the-clock). For these resources, the current estimated avoided costs are $0.081/kWh for a 20-year term, and $0.082/kWh for a 25-year term – which are down from $0.093/kWh and $0.094/kWh, respectively, in May 2015. Table 2 compares the current proposal to the price offered since May 2015 when non-solar resources were first eligible for the Palo Alto CLEAN program. Note that the excess cost is zero since the price is set equal to the avoided cost.

Table 2 – Palo Alto CLEAN Program Prices for Local Non-Solar Eligible Renewables

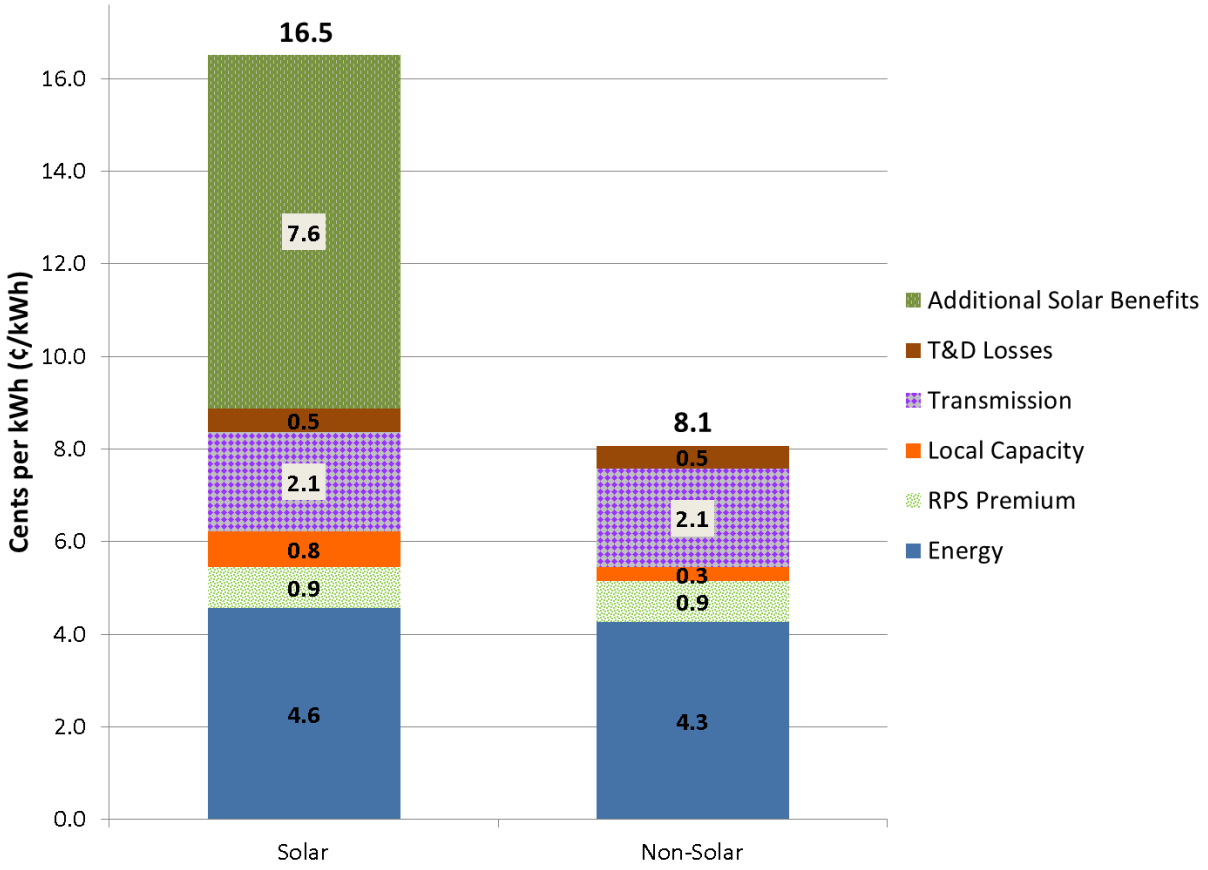
Council Approval	Avoided Cost of Local Non-Solar Renewable Generation * ($/kWh)	CLEAN Price ($/kWh)	Annual Cost above Avoided Cost (Rate Impact)	Total Excess Cost over 20-year Term
May 2015	0.093	0.093	$0 (0%) for 3 MW cap	$0
Current Proposal	0.081	0.081	$0 (0%) for 3 MW cap	$0
** The cost of buying remote baseload renewable energy and transmitting it to Palo Alto.*				

Figure 1 illustrates the make-up of the various components of the total value of local solar and non-solar renewable energy. When the Council approved increasing the CLEAN contract price for solar resources from $0.14/kWh to $0.165/kWh in December 2012, they found that the increase was justified because local solar resources provide some additional benefits to the community that would be extremely difficult to quantify. These additional benefits of solar resources include:

- keeping a portion of the City's electric expenditures within the community, which provides revenue for local economic development;
- reducing the need for new transmission lines, thus reducing the environmental impacts of the electric system and improving reliability in transmission-constrained regions like the Greater Bay Area;
- providing shade to local buildings and parking structures, which reduces the need for energy to provide cooling; and
- the potential—if the solar facility is paired with an energy storage system or employs modern inverters—to provide resiliency to the City's electric distribution system.

These additional benefits are shown in Figure 1, making up the difference between the current quantifiable avoided cost of local solar energy ($0.089/kWh) and the current contract price ($0.165/kWh).

Figure 1 – Breakdown of the Total Value of Local Solar and Non-Solar Renewables



Implications of CLEAN Price on City Programs and Projects

The CLEAN Program price for solar resources has implications for a City project (Solar Installations on City-Owned Parking Garages), a City program (the Community Solar Program), and the Palo Alto CLEAN Program in general. Reducing the contract price under the CLEAN Program for solar resources may negatively impact these initiatives.

Solar Installations on City-Owned Parking Garages Project

In March 2014, the City released a Request for Proposals (RFP) for the installation and operation of a solar PV system at one or more of the five City-owned parking structures (Staff Report 4540). The RFP was structured to solicit projects that could be eligible to participate in the Palo Alto CLEAN Program providing an estimated 1.5 MW of local solar capacity. After negotiations ceased with one contractor, Public Works staff completed negotiations for a site lease for the project on four garages for a total of 1.3 MW with another contractor. The contactor is expecting that the rooftop solar installations will receive a CLEAN contract at a price of 16.5 ¢/kWh for a 25-year contract term[3]. The project may not be viable or significant changes to the lease may be required if the CLEAN Program price is reduced.

[3] As of February 3, the CLEAN program for this project has not been submitted, but staff is in contact with the developer and expects the application to be submitted very shortly.

CLEAN Program Participation

The Palo Alto CLEAN Program received the first application from a solar PV project in January 8, 2016 and expects to receive the second application for the City parking structures by mid-February. Staff expects that as the rebates from the PV Partners program get used up and with the end of the Net Energy Metering (NEM) on the horizon, interest in the CLEAN program will increase despite the comparatively high rates that property owners in Palo Alto charge for leasing their rooftop space, as well as the lack of space available to install ground-mounted or parking structure-based projects.

Community Solar Program

As part of the Local Solar Plan, staff is developing a voluntary community solar share program, which would be available to all electric ratepayers and would primarily benefit community members who do not have good solar access but want to participate in a local solar project. This program anticipates finding a host site (possibly a City facility) that would have a Power Purchase Agreement (PPA) with the City similar to the CLEAN PPA and at the CLEAN price. If the CLEAN contract price is reduced and a community solar PPA price is reduced to the same level, it may impact the feasibility of the community solar program. The City could decide to set a different contract price for the output from the community solar project, but may have difficulty explaining how it could offer a different contract price to the community solar project than to other local solar projects through the CLEAN Program.

Recommendation

The UAC and staff recommend that the current CLEAN price of $0.165/kWh for solar projects continue. As solar system costs have continued to decrease, it is anticipated that at the current contract price the CLEAN program may attract its first participants in 2016. In addition, the UAC and staff recommend continuing to offer non-solar eligible renewable energy resources a CLEAN price equal to the avoided cost of the energy produced by those resources, which is currently estimated at $0.081/kWh for a 20-year term, and $0.082/kWh for a 25-year term. Additionally, the UAC and staff recommend continuing with program caps of 3 MW each for the local solar and the non-solar local renewable resources.

Commission Review and Recommendation

The UAC considered staff's recommendation at its December 2, 2015 meeting. Some commissioners had questions about how the avoided cost of renewable energy is calculated, and requested that staff enumerate the various non-monetary benefits that local solar resources provide. Commissioner Balantine noted that local generation resources cannot provide one of the benefits staff cited (grid resiliency in the event of an earthquake or other emergency situation) unless they use the most modern type of inverters available. But the commissioners was largely supportive of the staff recommendation.

After its discussion, the UAC voted 4-0 (with Vice Chair Cook and Commissioners Balantine, Eglash and Danaher voting yes, and Chair Foster and Commissioners Hall and Schwartz absent) to recommend that the City Council:

1. Maintain the Palo Alto CLEAN program price for local solar energy resources at the current price of 0.165 dollars per kilowatt-hour ($/kWh) for a 20-year or 25-year contract term, and continue with a program limit of 3 megawatts (MW); and
2. Reduce the Palo Alto CLEAN program price for local non-solar eligible renewable energy resources to the updated avoided cost of such energy ($0.081/kWh for a 20-year contract term, or $0.082/kWh for a 25-year contract term), from the prior avoided cost projection ($0.093/kWh for a 20-year contract term, or $0.094/kWh for a 25-year contract term), and continue with a separate program limit of 3 MW specifically for local non-solar eligible renewable resources.

The draft notes from the UAC's December 2, 2015 meeting are provided as Attachment C.

In response to the UAC's comments at its December 2, 2015 meeting, staff added Figure 1, which shows the breakdown of the value provided by local solar and non-solar renewable energy resources to this report.

Resource Impact

Staff estimates the current cost of buying energy from solar resources outside of Palo Alto is $0.089/kWh (including transmission and capacity) for a 20-year contract, or $0.09/kWh for a 25-year contract. Purchasing the energy generated from 3 MW of local solar projects at $0.165/kWh is expected to cost about $380,000 per year more than buying the same energy outside of Palo Alto. This is equivalent to a 0.32% increase in the electric utility's costs. If the program increased costs by $380,000 per year, staff has determined that the system average electric rate would have to increase by $0.0004/kWh. This is equivalent to a bill impact of $1.85 per year for the median residential customer using 410 kWh/month, or $2.80 per year for a residential customer using 650 kWh/month.

Changing the program price offered to local, non-solar renewable energy projects is not expected to impact the cost to the Utility since the recommended price for those projects is equal to the value of acquiring such projects outside the City.

In addition to the energy costs described above, staff time is associated with marketing and project review. The project review can be absorbed with existing staff over the life of the program, and costs will be recovered through project review fees. The additional marketing will require about 0.1 FTE of staff time and may involve an additional budget for marketing materials, which would be requested through the annual budget process. The marketing work will be absorbed by existing staff, but will decrease time spent on other account management and efficiency program delivery activities.

Policy Implications

The recommendation to continue the CLEAN program supports the City's carbon neutral electric supply portfolio policy as well as the LEAP Objective to enhance supply reliability through the pursuit of local generation opportunities.

Environmental Review

Adoption of this resolution is not subject to California Environmental Quality Act (CEQA) review under California Public Resources Code section 21080(b)(8), because the price adopted reflects the reasonable cost of the CLEAN Program's operating expenses, including the cost of purchasing renewable energy from local renewable energy generating systems and the value of local benefits to CPAU and its ratepayers. Approval of the amended CLEAN program PPA is not a project under CEQA, and therefore, no environmental assessment is necessary.

Attachments:

- Attachment A: Resolution Continuing the Palo Alto CLEAN Program (with Exhibit A-1 Revised Program Rules) (PDF)
- Attachment B: Updated Palo Alto CLEAN Power Purchase Agreement (PDF)
- Attachment C: Excerpted Minutes of the December 2 2015 UAC Meeting (PDF)

NOT YET APPROVED

Resolution No. _____
Resolution of the Council of the City of Palo Alto Continuing the Palo Alto Clean Local Accessible Now Program at the Same Contract Rate of 16.5¢/kWh for Solar Resources and Decreasing the Contract Rate for Non-Solar Renewable Energy Resources to 8.1¢/kWh to 8.2¢/kWh Based on the Reduced Avoided Cost of Local Renewable Energy

R E C I T A L S

A. On March 5, 2012, the City approved the Palo Alto Clean Local Energy Accessible Now (CLEAN) Program (or feed-in tariff). Under the Palo Alto CLEAN Program, participants who build a new solar generating system in Palo Alto may obtain a long-term, fixed-price contract with the City to sell the energy from the system to the City's electric utility.

B. Council extended the program beyond its original termination date of December 31, 2012 and has periodically reviewed the contract price and program cap.

C. On May 27, 2015, Council approved Resolution 9512, which continued Palo Alto CLEAN at the contract price of $0.165 per kilowatt-hour (kWh) for local solar resources, added a 25-year contract term option, and expanded the program's eligibility to local non-solar eligible renewable energy resources, establishing contract prices of $0.093 per kWh for a 20-year term or $0.094 per kWh for a 25-year term for such resources. These contract rates were set to be equal to the then current estimated avoided cost of the energy generated by these resources. The resolution further established separate program caps of 3 megawatts (MW) of generating capacity for both the solar and non-solar resources.

D. As solar system costs have continued to decrease, and as the deadline for the steep reduction in the federal ITC approaches, it is anticipated that at the current contract price the CLEAN program may attract its first participants in 2016.

E. In April 2015, the City released a Request for Proposals for projects that could deliver renewable energy to the City, and results indicate that the avoided cost of energy generated by renewable resources has dropped since Council adopted a CLEAN Program price for local non-solar resources in May 2015.

F. The City therefore wants to continue the CLEAN program for solar resources at the same contract price and program parameters (including the separate 3 megawatt (MW) caps applicable to the solar and non-solar portions of the program), while reducing the contract prices available to local non-solar eligible renewable resources to $0.081 per kWh for a 20-year term or $0.082 per kWh for a 25-year term for such resources, which is equal to the current estimated avoided cost of energy generated by these resources.

The Council of the City of Palo Alto ("City") RESOLVES:

SECTION 1. The Council adopts revised Palo Alto CLEAN Program Eligibility Rules Requirements, set forth in Exhibit 1 attached to this Resolution.

SECTION 2. The Council authorizes the City Manager or his designee to sign contracts for the output of one or more solar, or other non-solar eligible renewable energy resource meeting the CLEAN Program Eligibility Rules and Requirements described in Section 1. The total CLEAN Program cost commitment made by the City during the life of the program shall not exceed $25,000,000, which is sufficient for a program cap of 3 MW of local solar generating capacity and 3 MW of local, non-solar generating capacity over a 25-year contract term.

SECTION 3. The Council finds that the City of Palo Alto Utilities' (CPAU's) purchase of energy from local renewable sources provides additional local benefits to CPAU when compared to energy purchased outside Palo Alto, which in turn become benefits to CPAU ratepayers and the local community. These benefits include a reduction in CPAU's costs and energy losses associated with energy transmission and distribution, and a reduction in CPAU's capacity requirements. When the City purchases energy from local sources, a portion of the City's electric expenditures remain within the community, which provides revenue for local economic development. Locating generation near load centers can also reduce the need for new transmission lines, thus reducing the environmental impacts of the electric system and improving reliability in transmission-constrained regions like the Greater Bay Area. When solar systems are installed on rooftops and parking facilities, the shade created reduces the energy required for cooling and creates value for vehicle owners. In addition, as new technology and energy storage systems are developed, the local renewable energy generation, in combination with storage systems, has the potential to provide resiliency to the City's electric distribution system. Further, local renewable energy generation that participates in the CLEAN Program provides long-term certainty and value to the entire community—benefits that are not provided when such energy is sold to the City on a short-term basis or used on-site. The Council therefore finds that offering the Palo Alto CLEAN Program to participants is a reasonable cost of providing electric service to CPAU's electric customers.

SECTION 4. The Council finds that the adoption of this resolution is not subject to California Environmental Quality Act review under California Public Resources Code section 21080(b)(8), because the rate adopted reflects the reasonable cost of the CLEAN Program's operating expenses, including the cost of purchasing renewable energy from local solar generating systems, and the value of local benefits to CPAU and its ratepayers as described in SECTION 3 of this resolution. Approval of the amended CLEAN Program Eligibility Rules and

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NOT YET APPROVED

Requirements attached to the Resolution as Exhibit 1 is not a project under CEQA, and therefore, no environmental review is required.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

_____
City Clerk

_____
Mayor

APPROVED AS TO FORM:

_____
Senior Deputy City Attorney

APPROVED:

_____
City Manager

_____
Director of Utilities

_____
Director of Administrative Services

PALO ALTO CLEAN (CLEAN LOCAL ENERGY ACCESSIBLE NOW)
PROGRAM ELIGIBILITY RULES AND REQUIREMENTS

A. PARTICIPATION ELIGIBILITY:

The Palo Alto Clean Local Energy Accessible Now Program (the "CLEAN Program") is open to participation by any Eligible Renewable Energy Resource, as defined in Section D.4, that satisfies these Program Eligibility Rules and Requirements.

B. TERRITORIALITY REQUIREMENT:

In order to be eligible to participate in the CLEAN Program, an Eligible Renewable Energy Resource must be located in and generating electricity from within the utility service area of the City of Palo Alto.

C. PRICES AND TERM FOR ELIGIBLE RENEWABLE RESOURCES:

The following purchase price shall apply to the electricity produced by an Eligible Renewable Energy Resource participating in the Program, except as provided in Section D.5.

Solar Energy Resources:

Contract Term	Contract Price
20 years	$0.165 / kWh
25 years	$0.165 / kWh

Other, Non-Solar Eligible Renewable Energy Resources:

Contract Term	Contract Price
20 years	$0.081 / kWh
25 years	$0.082 / kWh

D. ADDITIONAL RULES AND REQUIREMENTS:

1. The owner of the Eligible Renewable Energy Resource shall enter into an Eligible Renewable Energy Resource Power Purchase Agreement ("PPA") with the City of Palo Alto prior to delivering energy to the City.

2. The maximum, aggregate generation capacity from all solar facilities participating in the CLEAN Program is three (3) Megawatts ("MW") (the "Program Capacity", based on the generating facility's California Energy Commission rating, CEC-AC). Generating capacity from non-solar, eligible renewable energy resources will not be counted towards this 3 MW cap for the solar program. Instead non-solar, local eligible renewable energy resources will be subject to a 3 MW cap of their own.

3. An application for participation in the CLEAN Program to sell output to the City (the "Application") may be submitted at any time. Applications will be considered in the

order received.

4. Eligible Renewable Energy Resource means an electric generating facility that: (a) is defined and qualifies as an "eligible renewable energy resource" under California Public Utilities Code Section 399.12(e) and California Public Resources Code Section 25471, respectively, as amended; and (b) meets the territoriality requirement set forth in Section B.

5. The California Energy Commission's ("CEC") certification of the Eligible Renewable Energy Resource shall be required within six (6) months of the commercial operation date of the generating facility; the facility's owner shall provide written notice of the CEC's certification to the City within ten (10) business days of receipt of said certification. If the City agrees, in its sole discretion, to take delivery of the generating facility's electricity prior to the CEC's certification, then, as the facility's electricity cannot be considered in fulfillment of the City's RPS requirements, the price that the City will pay for the generating facility's electricity (the "Pre-Certification Price") will be set to $0.076 per kWh (for a 20-year contract term) or $0.08 per kWh (for a 25-year contract term), based on the estimated levelized cost of brown power over a 20-year or 25-year period, respectively. Upon the CEC's certification of the generating facility and the provision of notice of such certification to the City in accordance with this section, the City will pay the Price set forth in Section C of these CLEAN Program Rules and Requirements and the PPA (collectively referred to as the "Contract Price") for the generating facility's electricity delivered on and after the date of the CEC's certification. The City will, in its sole discretion, "true-up", as appropriate, the difference between the Contract Price and the Pre-Certification Price for any electricity received and paid for by the City, effective as of the date of certification of the Eligible Renewable Energy Resource.

6. If an Eligible Renewable Energy Resource is authorized to participate in the CLEAN Program, then that Resource shall not be entitled to receive any rebate or other incentive from the City's Photovoltaic (PV) Partners Program or any other similar incentive program funded by the City's ratepayers. To the extent any rebate or incentive is paid to the owner of the Resource, that rebate or incentive shall be disgorged and refunded to the City upon 30 days' notice, if the Eligible Renewable Energy Resource continues to participate in the CLEAN Program. If a rebate or an incentive has been paid to the Eligible Renewable Energy Resource, then that Resource shall be ineligible to participate in the CLEAN Program.

7. All electricity generated by the Eligible Renewable Energy Resource shall be delivered only to the City. No portion of the electricity may be used to offset any load of the generating facility (other than incidental loads associated with operating the generating facility).

8. A metering and administration fee will be charged to each Eligible Renewable Energy

Resource that participates in the CLEAN Program. See Utilities Rate Schedule E-15 (Electric Service Connection Fees).

ATTACHMENT B

POWER PURCHASE AGREEMENT
ELIGIBLE RENEWABLE ENERGY RESOURCE
(Palo Alto Clean Local Energy Accessible Now Program)

This Power Purchase Agreement - Eligible Renewable Energy Resource, dated, for convenience, _____, 20___(the "Effective Date"), is entered into by and between the CITY OF PALO ALTO, a California chartered municipal corporation, and_____, a_____corporation (individually, a "Party" and, collectively, the "Parties").

RECITALS

1. The Buyer has adopted and implemented its CLEAN Program, which allows an owner of a qualifying electric generation system to sell to the Buyer the power output of a small-scale distributed generation Eligible Renewable Energy Resource, subject to the CLEAN Program's rules and requirements.

2. The Seller owns or operates and desires to interconnect its Facility in parallel with Buyer's Distribution System and sell the Energy produced by its Facility, net of Station Service Load, directly to the Buyer in furtherance of the CLEAN Program.

3. The Parties do not intend this Agreement to constitute an agreement by the Buyer to provide retail electrical service to the Seller.

4. The Parties wish to enter into a power purchase agreement for the sale and purchase of the Output of the Facility. The Parties will enter into a separate "Interconnection Agreement" in connection with this Agreement.

NOW THEREFORE, in consideration of the foregoing recitals and the following covenants, terms and conditions, the Parties agree, as follows:

AGREEMENT

1.1 DEFINITIONS

The initially capitalized terms, whenever used in this Agreement, have the meanings set forth below, unless they are otherwise herein defined. The terms "include," "includes," and "including," when used in this Agreement, shall mean, respectively, "include, without limitation," "includes, without limitation" and "including, without limitation."

"**Agreement**" means this Power Purchase Agreement – Eligible Renewable Energy Resource between the Buyer and the Seller.

"**Business Day**" means any day except a Saturday, Sunday, or a day that the City observes as a regular holiday under Palo Alto Municipal Code section 2.08.100(a).

"**Buyer**" refers to the City of Palo Alto, California, with a principal place of business at 250 Hamilton Avenue, Palo Alto, California 94301.

"**Buyer's Distribution System**" means the wires, transformers, and related equipment used by the Buyer to deliver electric power to the Buyer's retail customers, typically at sub-transmission level voltages or lower.

"**CAISO**" means the California Independent System Operator Corporation, or successor entity.

"**CAISO Tariff**" means the CAISO FERC Electric Tariff, as amended.

"**Capacity**" means the ability of a generator at any given time to produce Energy at a specified rate, as

measured in megawatts ("MW") or kilowatts ("kW"), and any reporting rights associated with it.

"**Capacity Attributes**" means any current or future defined characteristic, certificate, tag, credit, or ancillary service attribute, whether general in nature or specific as to the location or any other attribute of the Facility, intended to value any aspect of the Contract Capacity of the Facility to produce Energy or ancillary services, including contributions towards Resource Adequacy (including those requirements defined in Section 40 of the CAISO Tariff) or reserve requirements (if any), and any other reliability or power attributes.

"**CEC**" means the California Energy Resources Conservation and Development Commission, or successor agency.

"Certificate of RPS Eligibility" means a certificate issued by the CEC as evidence of RPS Certification of the Facility.

"City" means the government of the City of Palo Alto, California.

"**CLEAN Program**" refers to the Palo Alto Clean Local Energy Accessible Now Program, a renewable energy program established by the City by adoption of resolution number_____, dated_____, of the Palo Alto City Council, whereby the Buyer will purchase from the Seller the Output of Eligible Renewable Energy Resources that meet specified criteria set forth in the City's applicable ordinances and resolutions.

"**Commercial Operation**" means the period of operation of the Facility, once the Commercial Operation Date has occurred.

"**Commercial Operation Date**" means the date specified in the Commercial Operation Date Confirmation Letter, which the Parties execute and exchange in accordance with this Agreement.

"**Contract Capacity**" means the installed electrical Capacity available upon the Commercial Operation Date of the Facility in an amount, as specified in Exhibit "PPA-A." "Contract Capacity" is measured at the Buyer's revenue meter at the Delivery Point and is net of any Station Service Loads, any applicable Facility step-up transformer losses, and distribution losses on Buyer's Distribution System up to the Delivery Point.

"**Contract Price**" means the price paid by the Buyer to the Seller for the Output generated at the Facility and received by the Buyer, as set forth in Exhibit "PPA-A."

"CPUC" means the California Public Utilities Commission, or successor agency.

"**Delivery Point**" means the point of interconnection to Buyer's Distribution System, where the Buyer accepts title to the Output.

"**Delivery Term**" has the meaning set forth in Section 14.2 hereof.

"**Eligible Renewable Energy Resource**" means an electric generating facility that is defined and qualified as an "eligible renewable energy resource" under California Public Utilities Code Section 399.12(e) and California Public Resources Code Section 25471, respectively, as amended.

"**Energy**" means electrical energy generated from the Facility and delivered to Buyer's Distribution System with the voltage and quality required by the Buyer, and measured in megawatt-hours ("MWh") or kilowatt-hours ("kWh"), as metered at the Delivery Point.

"**Facility**" means the qualifying renewable energy generation equipment and associated power conditioning and interconnection equipment that deliver the Output to the Buyer at the Delivery Point.

"**FERC**" means the Federal Energy Regulatory Commission, or successor agency.

"**Forced Outage**" means an unplanned outage of one or more of the Facility's components that results in a reduction of the ability of the Facility to produce Capacity.

"**Force Majeure**" means an event or circumstance, which prevents a Party from performing its obligations under this Agreement, and which is not in the reasonable control of, or the result of negligence of, the Party claiming Force Majeure, and which by the exercise of due diligence is unable to overcome or cause to be avoided. "Force Majeure" shall include: (a) An act of nature, riot, insurrection, war, explosion, labor dispute, fire, flood, earthquake, storm, lightning, tidal wave, backwater caused by flood, act of the public enemy, terrorism, or epidemic; (b) Interruption of transmission or generation services as a result of a physical emergency condition (and not congestion-related or economic curtailment) not caused by the fault or negligence of the Party claiming Force Majeure and reasonably relied upon and without a reasonable source of substitution to make or receive deliveries hereunder, civil disturbances, strike, labor disturbances, labor or material shortage, national emergency, restraint by court order or other public authority or governmental agency, actions taken to limit the extent of disturbances on the electrical grid; or (c) Other similar causes beyond the control of the Party affected, which causes such Party could not have avoided by the exercise of due diligence and reasonable care. A Party's financial incapacity, the Seller's ability to sell the Output at a more favorable price or under more favorable conditions, or the Buyer's ability to acquire the Output at a more favorable price or under more favorable conditions or other economic reasons shall not constitute an event of Force Majeure. "Force Majeure" does not include a Forced Outage to the extent such event is not caused or exacerbated by an event of Force Majeure, as described above, and does not include the Seller's inability to obtain financing, permits, or other equipment and instruments necessary to plan for, construct, or operate the Facility.

"**Good Utility Practice**" means those practices, methods and acts that would be implemented and followed by prudent operators of electric energy generating facilities in the western United States, similar to the Facility, during the relevant time period, which practices, methods and acts, in the exercise of prudent and responsible professional judgment in the light of the facts known at the time the decision was made, could reasonably have been expected to accomplish the desired result consistent with good business practices, reliability, and safety. The Seller acknowledges that its use of Good Utility Practice does not exempt it from performing any of its obligations arising under this Agreement. "Good Utility Practice" includes, at a minimum, those professionally responsible practices, methods and acts described in the preceding paragraph that comply with manufacturers' warranties, restrictions in this Agreement, the interconnection requirements of Buyer, the requirements of governmental authorities, and WECC and NERC standards. "Good Utility Practice" also includes the taking of reasonable steps to ensure that:

(a) Equipment, materials, resources, and supplies, including spare parts inventories, are available to meet the Facility's needs;
(b) Sufficient operating personnel are available at all times and are adequately experienced and trained and licensed as necessary to operate the Facility properly and efficiently, and are capable of responding to reasonably foreseeable emergency conditions at the Facility and emergencies whether caused by events on or off the Facility's site;
(c) Preventive, routine, and non-routine maintenance and repairs are performed on a basis that ensures reliable, long-term and safe operation of the Facility, and are performed by knowledgeable, trained, and experienced personnel utilizing proper equipment and tools;
(d) Appropriate monitoring and testing are performed to ensure equipment is functioning as designed; and
(e) Equipment is not operated in a reckless manner, in violation of manufacturer's guidelines or in a manner unsafe to workers, the general public, or the connecting utility's electric system or contrary to environmental laws, permits or regulations or without regard to defined limitations such as, flood conditions, safety inspection requirements, operating voltage, current, volt ampere reactive (VAR) loading, frequency, rotational speed, polarity, synchronization, and control system limits; and equipment and components are designed and manufactured to meet or exceed the standard of durability that is generally used for electric energy generating facilities operating in the western United States and will function properly over the full range of ambient temperature and weather conditions reasonably expected to occur at the Facility site and under both normal and emergency conditions.

"**Green Attributes**" refers to the definition set forth in the Standard Terms and Conditions, Appendix A-2, as amended, Decision D.07-02-011, as modified by D.07-05-057, of the CPUC, which incorporates the definition of "Environmental Attributes" set forth in the Standard Terms and Conditions, Appendix A-1, as amended, D. 04-06-014. "Green Attributes" includes any and all credits, benefits, emissions reductions, environmental air quality credits, offsets, and allowances, howsoever entitled, attributable to the generation from the Facility, and its displacement of conventional energy generation, whether existing now or arising in the future. "Green Attributes" includes RECs, as well as (1) any avoided emissions of pollutants to the air, soil or water, such as sulfur oxides ("SOx"), nitrogen oxides ("NOx"), carbon monoxide ("CO") and other pollutants; (2) any avoided emissions of carbon dioxide ("CO2"), methane ("CH4"), nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and other greenhouse gases ("GHGs") that have been determined by the United Nations Intergovernmental Panel on Climate Change, or otherwise by law, to contribute to the actual or potential threat of altering the Earth's climate by trapping heat in the atmosphere; and (3) the reporting rights to these avoided emissions such as Green Tag Reporting Rights and RECs. "Green Tag Reporting Rights" are the right of a Green Tag Purchaser to report the ownership of accumulated Green Tags in compliance with federal or state law, if applicable, and to a federal or state agency or any other party at the Green Tag Purchaser's discretion, and include those Green Tag Reporting Rights accruing under Section 1605(b) of the Energy Policy Act of 1992 and any present or future federal, state, or local law, regulation or bill, and international or foreign emissions trading program. Green Tags are accumulated on a kWh basis and one Green Tag represents the Green Attributes associated with one (1) MWh of Energy. "Green Attributes" do not include (i) any Energy, Capacity, reliability, or other power attributes of the Facility, (ii) production or investment tax credits associated with the construction or operation of the Facility and other financial incentives in the form of credits, grants, reductions, or allowances associated with the Facility that are applicable to a state or federal income taxation obligation, (iii) fuel-related subsidies or "tipping fees" that may be paid to Seller to accept certain fuels, or local subsidies received by the generator for the destruction of particular pre-existing pollutants or the promotion of local environmental benefits, or (iv) emission reduction credits encumbered, used or created by the Facility for compliance with or sale under local, state, or federal operating and/or air quality permits or programs. If the Facility is a biomass or landfill facility and the Seller receives any tradable Green Attributes based on the Facility's greenhouse gas reduction benefits or other emission offsets attributed to its fuel usage, the Seller shall provide the Buyer with sufficient Green Attributes to ensure that there are zero net emissions associated with the production of electricity from the Facility. "Green Attributes" includes any other environmental credits or benefits recognized in the future and attributable to Energy generated by the Facility during the Term that may not be represented by Green Tag Reporting Rights or RECs, unless otherwise excluded herein. Any Green Attributes provided under this Agreement shall be documented by RECs, or any other representation of the environmental benefits of the Output, the monthly cumulative total of which shall be provided to the Buyer, as specified herein.

"**Interconnection Agreement**" refers to the agreement between the Buyer and the Seller, specific to the interconnection of the Facility to Buyer's Distribution System.

"**NERC**" means the North American Electric Reliability Corporation, or successor organization.

"**NCPA**" means Northern California Power Agency, a California joint action agency, or successor agency.

"**Output**" means all Capacity associated with Contract Capacity and associated Energy made available from the Facility, as well as any Capacity Attributes, Green Attributes, or other attributes existing now or in the future associated with Contract Capacity and/or associated Energy. "Output" does not include production or investment tax credits associated with the construction or operation of the Facility and other financial incentives in the form of credits, grants, reductions, or allowances associated with the Facility that are applicable to a state or federal income taxation obligation.

"**Planned Outage**" means an outage, scheduled in advance, of one or more of the Facility's components that results in a reduction of the ability of the Facility to produce Capacity.

"**Pre-Certification Price**" means the contract price to be paid for all Energy delivered to the Buyer prior to the RPS Certification Date, as specified in Exhibit "PPA-A".

"**Renewable Energy Credit**" or "**REC**" has the meaning set forth in Section 399.12(h)(1) and (2) of the California Public Utilities Code, and includes a certificate of proof that one unit of electricity was generated by an Eligible Renewable Energy Resource. Currently, RECs are used to convey all Green Attributes associated with electricity production by a renewable energy resource. RECs are accumulated on a kWh basis and one REC represents the Green Attributes associated with the generation of 1 MWh (1,000 kWhs) from the Facility. For purposes of this Agreement, the term REC shall be synonymous with the term Green Tag, green ticket, bundled or unbundled renewable energy credit, tradable renewable energy certificates, or any other term used to describe the documentation that evidences the renewable and Green Attributes associated with electricity production by an Eligible Renewable Energy Resource.

"Renewables Portfolio Standard" or **"RPS"** means the standard adopted by the State of California pursuant to Senate Bill 2 1st Extraordinary Session (SBX1 2, Chapter 1, Statutes 2011-12), and California Public Utilities Code Sections 399.11through 399.31, inclusive, as may be amended, setting minimum renewable energy targets for local publicly owned electric utilities.

"**Reservation Deposit**" means the monetary deposit submitted by the Seller (or the Facility sponsor on behalf of the Seller) to secure a reservation of the CLEAN Program's prices. The Reservation Deposit is set forth in Exhibit "PPA-A."

"**Resource Adequacy**" means a requirement by a governmental authority or in accordance with its FERC-approved tariff, or a policy approved by a local regulatory authority, that is binding upon either Party and that requires that Party to procure a certain amount of electric generating capacity.

"**RPS Certification**" means certification by the CEC that the Facility qualifies as an Eligible Renewable Energy Resource for RPS purposes, and that all Energy produced by the Facility qualifies as generation from an Eligible Renewable Energy Resource, as evidenced by a Certificate of RPS Eligibility.

"RPS Certification Date" means the date on which the RPS Certification begins, as specified in the Certificate of RPS Eligibility.

"Seller" means _____ with a principal place of business at _____,_____,_____.

"**Station Service Load**" means the electrical loads associated with the operation and maintenance of the Facility, which may at times be supplied from the Facility's Energy.

"**Term**" has the meaning set forth in Section 14.1 hereof.

"WECC" means the Western Electricity Coordinating Council, the regional entity responsible for coordinating and promoting regional bulk electric system reliability in the Western Canada and the United States, or any successor organization.

2.0 SELLER'S GENERATING FACILITY, PURCHASE PRICE AND PAYMENT

2.1 Facility. This Agreement governs the Buyer's purchase of the Output from the Facility, as described in Exhibit "PPA-A." The Seller shall not modify the Facility to increase or decrease the Contract Capacity after the Commercial Operation Date.

2.2 Products Purchased. During the Delivery Term, the Seller shall sell and deliver, or cause to be delivered, and the Buyer shall purchase and receive, or cause to be received, the Output from the Facility. The Seller shall not have the right to procure the Output from sources other than the Facility for sale or delivery to the Buyer under this Agreement or to substitute the Output.

2.3 Delivery Term. The Delivery Term shall commence on the Commercial Operation Date under this Agreement, and shall continue for an uninterrupted period of twenty (20) years. This period will commence on the first day of the calendar month immediately following the Commercial Operation Date. As evidence of the Commercial Operation Date, the Parties shall execute and exchange the "Commercial Operation Date Confirmation Letter," attached hereto as Exhibit "PPA-B." The Commercial Operation Date shall be the date on which the Parties acknowledge, in writing, that the Facility starts operating and is otherwise in compliance with applicable interconnection and system protection requirements, including the final approvals by the City's building department official.

2.4 Payment for Products Purchased.

2.4.1 Deliveries Prior to RPS Certification Date. Once the Facility has achieved Commercial Operation, if the CEC has not issued a Certificate of RPS Eligibility for the Facility or the Facility has not been registered with the appropriate entity for the tracking of Green Attributes, the Buyer will pay the Seller for the Output by multiplying the Pre-Certification Price by the quantity of Energy.

2.4.2 Deliveries After RPS Certification Date. Once the Facility has achieved Commercial Operation, the CEC has issued a Certificate of RPS Eligibility for the Facility, and the Facility has been registered with the appropriate entity for the tracking of Green Attributes, the Buyer shall pay the Seller for all Output on or after the RPS Certification Date by multiplying the Contract Price by the quantity of Energy.

2.4.3 True-up Upon Issuance of Certificate of RPS Eligibility. Once the Facility has achieved Commercial Operation, the CEC has issued a Certificate of RPS Eligibility for the Facility, and the Facility has been registered with the appropriate entity for the tracking of Green Attributes, the Buyer will pay the Seller an amount equal to the difference between the Contract Price and the Pre-Certification Price for the Output (a) that was delivered on or after the RPS Certification Date and (b) for which the Seller has already received payment at the Pre-Certification Energy Price.

2.4.4 Energy in Excess of Contract Capacity. The Seller shall not receive payment for any Energy or Green Attributes delivered in any hour to the Buyer in excess of the following amount of energy (in kilowatt-hours): 110% of the Contract Capacity (in kilowatts) multiplied by one hour. Any payment in excess of this amount shall be refunded to the Buyer, on demand.

2.5 Billing. The Buyer shall pay the Seller by check or electronic funds transfer, on a monthly basis, within thirty (30) days of the meter reading date.

2.6 Title and Risk of Loss. Title to and risk of loss related to the Output shall be transferred from the Seller to the Buyer at the Delivery Point. The Seller warrants that it will deliver to the Buyer the Output free and clear of all liens, security interests, claims, encumbrances or any interest therein or thereto by any person, arising prior to the Delivery Point.

2.7 No Additional Incentives. The Seller warrants that it has not received any other incentives funded by the Buyer's ratepayers and it further agrees that, during the Term, it shall not seek additional compensation or other benefits from the Buyer pursuant to the following programs of the Buyer: (a) Photovoltaic (PV) Partners Program; (b) Power from Local Ultra-Clean Generation Incentive (PLUG-In) Program; or (c) other similar programs that are or may be funded by the Buyer's ratepayers.

3.0 RPS CERTIFICATION; GREEN ATTRIBUTES

3.1 CEC Certification. The Seller, at its own cost and expense, shall obtain the RPS Certification within six (6) months of the Commercial Operation Date. The Seller shall maintain the RPS Certification at all times during the Delivery Term. The foregoing provision notwithstanding, the Seller shall not be in breach of this Agreement and the Buyer shall not have the right to terminate this Agreement, if the Seller's failure to obtain or maintain the RPS Certification is due to a change in California law, occurring after the Commercial Operation Date, so long as the Seller has used commercially reasonable efforts to obtain and maintain the RPS Certification and the Seller's actions or omissions did not contribute to its inability to obtain and maintain the RPS Certification.

3.2 Obligation to Deliver Green Attributes. The Seller shall sell and deliver to the Buyer, and the Buyer shall buy and receive from the Seller, all right, title, and interest in and to Green Attributes associated with Energy, produced by the Facility and delivered to the Buyer at the Delivery Point, whether now existing or that hereafter come into existence during the Term, except as otherwise excluded herein; provided, the Buyer shall not be obligated to purchase and pay the Seller for any Green Attributes associated with any amount of the Output, that is generated by any fuel which is not renewable and which cannot be counted for the purpose of the production of Green Attributes. The Seller agrees to sell and make all such Green Attributes available to the Buyer to the fullest extent allowed by applicable law, in accordance with the terms and conditions of this Agreement. The Seller warrants that the Green Attributes provided under this Agreement to the Buyer shall be free and clear of all liens, security interests, claims and encumbrances.

3.3 Conveyance of Green Attributes. The Seller shall provide Green Attributes associated with the Facility, which shall be documented and conveyed to the Buyer in accordance with the procedure described in Exhibit "PPA-D."

3.4 Additional Evidence of Green Attributes Conveyance. At the Buyer's request, the Seller shall provide additional reasonable evidence to the Buyer or to third parties of the Buyer's right, title, and interest in the Green Attributes and any other information with respect to Green Attributes, as may be requested by the Buyer.

3.5 Modification of Green Attributes Conveyance Procedure. The Buyer may unilaterally modify Exhibit "PPA-D" in order to reflect changes necessary in the Green Attributes conveyance procedures, so that the Buyer may be able to receive and report the Green Attributes, purchased under this Agreement, as belonging to the Buyer.

3.6 Reporting of Ownership of Green Attributes. The Seller shall not report to any person or entity that the Green Attributes sold and conveyed to the Buyer belong to any person other than the Buyer. The Buyer may report under any applicable program that Green Attributes purchased by the Buyer hereunder belong to it.

3.7 Greenhouse Gas Emissions. The Seller shall comply with any laws and/or regulations regarding the need to offset emissions of GHGs by delivering to the Buyer the Energy from the Facility with a net zero GHG impact.

4.0 CONVEYANCE OF CAPACITY ATTRIBUTES

4.1 Conveyance of Resource Adequacy Capacity. The Seller shall not report to any person or entity that the Resource Adequacy Capacity, as defined in the CAISO Tariff) associated with the Facility, if any, belongs to a person other than the Buyer, which may report that Resource Adequacy Capacity purchased hereunder belongs to it to fulfill the Resource Adequacy requirements, as defined in Section 40 of the CAISO Tariff, as amended, or any successor program. The Seller shall take those actions described in Section 6.0 hereof, as applicable, to secure recognition of Resource Adequacy Capacity by the CAISO.

4.2 Conveyance of Other Capacity Attributes. In addition to the obligations imposed on the

Seller under Section 4.1, the Seller will undertake any and all actions reasonably needed to enable the Buyer to effect the recognition and transfer of any Capacity Attributes in addition Resource Adequacy, to the extent that such Capacity Attributes exist now or will exist in the future; provided, if such actions require any actions beyond the giving of notice by the Seller, then the Buyer shall reimburse all out-of-pocket costs and charges of such actions.

4.3 Reporting of Ownership of Capacity Attributes. The Seller shall not report to any person or entity that the Capacity Attributes sold and conveyed to the Buyer belong to any person other than the Buyer. The Buyer may report under any such program that such Capacity Attributes purchased hereunder belong to it.

5.0 METERING AND OPERATIONS

5.1 Timing of Outages. The Seller may not schedule or take any Planned Outage from 12:00 p.m. through 7:00 p.m. Pacific Time during the months of June through October.

5.2 Outage Reporting.

5.2.1 Buyer Request. The Seller is not required to report any Planned Outage or Forced Outage, unless the Buyer first submits a written request to the Seller to commence Outage reporting. Upon receipt of such a request, the Seller shall report all subsequent Planned Outages and the Forced Outages according to the procedures described in subsections 5.2.2 and 5.2.3, and shall continue such reporting until (a) the termination of this Agreement for any reason, or (b) the Buyer subsequently provides written notice to the Seller that the Seller may cease such reporting in the future.

5.2.2 Planned Outage Notifications. The Seller shall notify the Buyer at least 72 hours in advance of any Planned Outage that would result in a reduction in the effective Output of the Facility during the period over which the Planned Outage is scheduled. Notification shall be provided by e-mail to the e-mail address (or addresses) set forth in Exhibit "PPA-F."

5.2.3 Forced Outage Notifications. Within 24 hours of the occurrence of a Forced Outage of the Facility that impacts the ability of the Facility to produce Energy, the Seller shall notify the Buyer of the Forced Outage, including the Capacity of the Facility that is impacted, and the expected duration of the Forced Outage. Within 24 hours of the return of the Facility to service following the Forced Outage, the Seller shall notify the Buyer of the return-to-service details. Notification shall be made by e-mail to the address (or addresses) set forth in Exhibit "PPA-F."

5.3 Metering. The Buyer shall furnish and install one or more standard watt-hour meters to read Energy generated by the Facility, and it will charge a meter fee to the Seller to cover the costs associated with the meter's purchase and installation. As requested, the Seller shall provide and install a meter socket in accordance with the Buyer's metering standards. The Buyer reserves the right to install additional metering equipment at its sole cost and expense.

6.0 PARTICIPATING GENERATORS

6.1 Applicability. This Section 6.0 shall apply if the Facility meets the definition of a "Participating Generator," as may be defined by the CAISO Tariff. This Section 6.0 shall not apply if the definition applies to the Facility only upon the election by the Seller. For the purposes of this Section 6.0, all special terms not otherwise defined in Section 1.0 are defined in the CAISO Tariff.

6.2 Participating Generator Agreement. The Buyer will notify the CAISO of the Seller's interconnection to Buyer's Distribution System. If the CAISO requires it, the Seller, at its own expense, shall negotiate and enter in to two contracts, a "Participating Generator Agreement" and a "Meter Services Agreement for CAISO Metered Entities," with the CAISO.

6.3 Scheduling Coordination. If the CAISO requires the Seller to enter in to a Participating Generator Agreement, then the Seller shall designate NCPA as the Buyer's scheduling coordinator. The Buyer, acting in its sole discretion, may replace NCPA as the scheduling coordinator for the Facility. If NCPA ceases to be the scheduling coordinator for the Facility and the Buyer has not, upon fourteen (14) days' prior written notice of inquiry from the Seller, appointed a replacement scheduling coordinator, then the Seller shall have the right to appoint a replacement scheduling coordinator on the Buyer's behalf. Thereafter, the Buyer shall enter into all reasonable and appropriate agreements with such replacement scheduling coordinator at its own costs.

6.4 Scheduling Procedure. The Buyer may require the Seller to provide the Buyer with Energy forecasts on a periodic basis, as may be necessary for the Buyer to account for expected Facility generation in its daily power scheduling process. The requirements are set forth in Exhibit "PPA-C."

6.5 Modification of Scheduling and Outage Notification Procedure. The Buyer may unilaterally modify Exhibit "PPA-C" to reflect changes necessary in the scheduling and Outage notification procedures. The Buyer shall give the Seller reasonable notice of any such changes.

6.6 Provision of Other Equipment. If the Seller is required to enter into a Participating Generator Agreement with the CAISO, then the Seller, at its own cost and expense, shall provide and maintain data transmission-grade phone line and telecommunications equipment at the meter location that complies with applicable requirements of the CAISO, the Buyer, and NCPA. Any meter installed by the Seller shall comply at all times with the CAISO's metering requirements. If the Seller fails to provide or maintain any such required equipment or data connection, then the Buyer shall acquire, install and maintain the same at the Seller's sole cost and expense.

6.7 Designation as Resource Adequacy Resource. The Buyer may submit a written request to the Seller to obtain the CAISO's designation of the Facility as a Resource Adequacy Resource. Upon receipt of such request, the Seller shall provide such information and undertake such steps as may be required by the CAISO in order to complete such an assessment. If the Buyer makes such a request, then the Buyer shall be responsible for the following: (1) any costs charged to the Seller by the CAISO as a condition of applying for or receiving designation as a Resource Adequacy Resource, including any deposits required during the study process or the cost of any related studies or deliverability assessments performed by the CAISO; (2) the capital, installation, and maintenance costs of any additional equipment required by the CAISO as a condition of receiving designation as a Resource Adequacy Resource; (3) the costs of any Network Upgrades, as defined in the CAISO Tariff, as may be required by the CAISO, provided, the Buyer shall receive any subsequent repayments from the CAISO or the Participating Transmission Owner related to such upgrades; and (4) any charges or penalties assessed by the CAISO as a consequence of the Facility's designation as a Resource Adequacy Resource.

6.8 CAISO Charges. The Buyer shall be solely responsible for paying all costs and charges associated with the receipt of Energy under this Agreement, at the Delivery Point, and for the transmission and delivery of Energy from the Delivery Point to any other point downstream of the Delivery Point, including transmission costs and charges, competition transition charges, applicable control area service charges, transmission congestion charges, inadvertent energy flows, any other CAISO charges related to the transmission of such Energy by the CAISO and any charge assessed or collected in the future pursuant to any utility tariff or rate schedule, however defined, for transmission or transmission-related service rendered by or for any transmission-owning or operating entity. The Seller will undertake any and all actions reasonably needed to allow the Buyer to comply with any obligations, and minimize any potential liability, under the CAISO tariff. If and to the extent that the Seller fails to comply with the notice provision in Exhibit "PPA-C," concerning Outages, or with its obligations as outlined in the previous sentence, the Seller shall be wholly responsible for all imbalances, deviations, or any other CAISO charges or penalties associated with such Outage or other CAISO Tariff obligation.

6.9 Inclusion in Metered Subsystem. At the option of the Buyer, the Facility may be included within NCPA's metered sub-system in connection with the scheduling of power over the CAISO grid and related functions; provided, however, that such inclusion shall have no adverse effect on the Facility's operations or the Seller (or any such effect shall be fully mitigated by the Buyer). The Seller will undertake any and all actions reasonably needed to allow the Buyer to comply with any obligations, and

minimize any potential liability, under the CAISO Tariff; provided, that if such actions require any actions beyond the giving of notice to be provided by the Buyer, then the Buyer shall reimburse the Seller for all out-of-pocket costs and charges of such actions.

7.0 COMMERCIAL OPERATION DATE; REFUND OF RESERVATION DEPOSIT

7.1 Commercial Operation Date. The Facility shall achieve Commercial Operation by the Commercial Operation Date deadline (the "Deadline"), which is one (1) year from the Effective Date.

7.2 Reservation Deposit. The Buyer acknowledges that, as of the Effective Date or other date established by the Buyer, the Seller has provided the Reservation Deposit to the Buyer.

7.2.1 If the Commercial Operation Date occurs on or prior to the Deadline, the Buyer shall refund to the Seller the Reservation Deposit without interest.

7.2.2 If the Commercial Operation Date commences within seventy (70) days of the Deadline, the Seller, as liquidated damages and not as a penalty, shall relinquish its claim to a ten percent (10%) portion of the amount of the Reservation Deposit for every full week transpiring between the Deadline and the Commercial Operation Date, but the total amount to be relinquished to the Buyer shall not exceed 100% of the Reservation Deposit.

7.2.3 If the Facility has not achieved Commercial Operation within seventy (70) days of the Deadline, then the Buyer may terminate this Agreement without liability of either Party to the other Party by giving written notice of termination to the Seller.

7.2.4 If the Seller gives notice of termination to terminate the Agreement before Commercial Operation occurs, then the Buyer shall refund a percentage of the Reservation Deposit equal to the following: the percentage to be refunded will equal A/B, where A equals the number of days between the date of the Seller's notice of termination, received by the Buyer, and the Deadline, and B equals the number of days between the Effective Date and the Deadline.

7.3 Return of Reservation Deposit. The Buyer shall return to the Seller the Reservation Deposit, without interest, in the event that (a) the Buyer furnishes written notice of the costs of interconnection (defined in the Interconnection Agreement to include the costs related to the Interconnection Facilities and Distribution Upgrades) to the Seller and (b) within thirty (30) days of receipt of the notice regarding costs of interconnection, the Seller provides the Buyer with written notice that the Seller does not intend to sign the Interconnection Agreement and does intend to proceed with the project.

8.0 REPRESENTATION AND WARRANTIES; COVENANTS

8.1 Representations and Warranties. On the Effective Date, each Party represents and warrants to the other Party that:

8.1.1 It is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;

8.1.2 The execution, delivery and performance of this Agreement is within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or the like applicable to it;

8.1.3 This Agreement and each other document executed and delivered in accordance with this Agreement constitutes its legally valid and binding obligation enforceable against it in accordance with its terms;

8.1.4 It is not bankrupt and there are no proceedings pending or being contemplated by it or, to its knowledge, threatened against it which would result in it being or becoming bankrupt;

8.1.5 There is not pending or, to its knowledge, threatened against it or any of its affiliates, if any, any legal proceedings that could materially adversely affect its ability to perform its obligations under this Agreement; and

8.1.6 It is acting for its own account, has made its own independent decision to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other Party in so doing, and is capable of assessing the merits of, and understands and accepts, the terms, conditions and risks of this Agreement.

8.2 General Covenants. Each Party covenants that, during the Term:

8.2.1 It shall continue to be duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;

8.2.2. It shall maintain (or obtain from time to time as required, including through renewal, as applicable) all regulatory authorizations necessary for it to legally perform its obligations under this Agreement; and

8.2.3 It shall perform its obligations under this Agreement in a manner that does not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or the like applicable to it.

8.3 Covenant by Seller. The Seller covenants that, during the Term:

8.3.1 If the Eligible Renewal Energy Resource or the Facility is considered an 'eligible qualifying facility' under applicable law and has a net power production capacity of greater than one (1) megawatt, then the Seller covenants and agrees that, within thirty (30) days of the Effective Date or longer period allowed by law, it will complete and file Form No. 556 or other similar form with FERC as the same may be required by law."

9.0 GENERAL CONDITIONS

9.1 Facility Care and Interconnection. During the Delivery Term, the Seller shall execute and maintain an "Interconnection Agreement" with the Buyer, whereby the Seller shall pay and be responsible for designing, installing, operating, and maintaining the Facility in accordance with all applicable laws and regulations and shall comply with all applicable Buyer, WECC, FERC, and NERC requirements, including applicable interconnection and metering requirements. The Seller shall also comply with any modifications, amendments or additions to the applicable tariff and protocols. The Seller also shall arrange and pay independently for any and all necessary costs under the Interconnection Agreement with the Buyer.

9.2 Standard of Care. The Seller shall: (a) operate and maintain the Facility in a safe manner in accordance with its existing applicable interconnection agreements, manufacturer's guidelines, warranty requirements, Good Utility Practice, industry norms (including standards of the National Electrical Code, Institute of Electrical and Electronic Engineers, American National Standards Institute, and the Underwriters Laboratories, and in accordance with the requirements of all applicable federal, state and local laws and the National Electric Safety Code, as such laws and code norms may be amended from time to time; (b) obtain any governmental authorizations and permits required for the construction and operation thereof. The Seller shall make any necessary and commercially reasonable repairs with the intent of optimizing the availability of electricity to the Buyer. The Seller shall reimburse the Buyer for any and all losses, damages, claims, penalties, or liability that the Buyer incurs as a result of the Seller's failure to obtain or maintain any governmental authorizations and permits required for the construction and operation of the Facility throughout the Term.

9.3 Access Rights. The Buyer, its authorized agents, employees and inspectors shall have the right to inspect the Facility on reasonable advance notice during normal business hours and for any purposes reasonably connected with this Agreement or the exercise of any and all rights secured to the Buyer by law, including, without limitation, its ordinances, resolutions, tariffs, utility rate schedules or utilities rules and regulations. The Buyer shall make reasonable efforts to coordinate its emergency activities with the safety and security departments, if any, of the Facility's operator. The Seller shall keep the Buyer advised of current procedures for communicating with the Facility operator's safety and security departments.

9.4 Protection of Property. Each Party shall be responsible for protecting its own facilities from possible damage resulting from electrical disturbances or faults caused by the operation, faulty operation, or non-operation of the other Party's facilities and such other Party shall not be liable for any such damages so caused.

9.5 Insurance. During the Term, the Seller shall obtain and maintain and otherwise comply with the insurance requirements, as set forth in Exhibit "PPA-E."

9.6 Buyer's Performance Excuse; Seller Curtailment.

9.6.1 Buyer Performance Excuse. The Buyer shall not be obligated to accept or pay for the Output during Force Majeure that affects the Buyer's ability to accept Energy.

9.6.2 Seller Curtailment. The Buyer may require the Seller to interrupt or reduce deliveries of Energy: (a) whenever necessary to construct, install, maintain, repair, replace, remove, or investigate any of its equipment or part of the Buyer's Distribution System or facilities; or (b) if the Buyer determines that curtailment, interruption, or reduction is necessary due to a System Emergency, as defined in the CAISO Tariff, an unplanned outage on Buyer's Distribution System, Force Majeure, or compliance with Good Utility Practice.

9.7 Notices of Outages. Whenever possible, the Buyer shall give the Seller reasonable notice of the possibility that interruption or reduction of deliveries may be required.

9.8 No Additional Loads. The Seller shall not connect any loads not associated with Station Service Loads at the location of the Facility in a manner that would reduce Energy provided from the Facility to the Buyer hereunder. The Seller shall obtain separate retail electric service under the Buyer's rate schedules for the service of such additional loads.

10.0 FORCE MAJEURE

10.1 Effect of Force Majeure. A Party shall be excused from its performance under this Agreement to the extent, but only to the extent, that its performance hereunder is prevented by Force Majeure. A Party claiming Force Majeure shall exercise due diligence to overcome or mitigate the effects

of Force Majeure; provided, that nothing in this Agreement shall be deemed to obligate the Party affected by Force Majeure (a) to forestall or settle any strike, lock-out or other labor dispute against its will; or (b) for Force Majeure affecting the Seller only, to purchase electric power to cure Force Majeure.

10.2 Remedial Action. A Party shall not be liable to the other Party if the Party is prevented from performing its obligations hereunder due to Force Majeure. The Party rendered unable to fulfill an obligation by reason of Force Majeure shall take all action necessary to remove such inability with all due speed and diligence. The nonperforming Party shall be prompt and diligent in attempting to remove the cause of its failure to perform, and nothing herein shall be construed as permitting that Party to continue to fail to perform after that cause has been removed. Notwithstanding the foregoing, the existence of Force Majeure shall not excuse any Party from its obligations to make payment of amounts due hereunder.

10.3 Notice of Force Majeure. In the event of any delay or nonperformance resulting from Force Majeure, the Party directly impacted by Force Majeure shall, as soon as practicable under the circumstances, notify the other Party, in writing, of the nature, cause, date of commencement thereof and the anticipated extent of any delay or interruption in performance.

10.4 Termination Due to Force Majeure. If a Party will be prevented from performing its material obligations under this Agreement for an estimated period of twelve (12) consecutive months or longer due to Force Majeure, then the unaffected Party may terminate this Agreement, without liability of either Party to the other, upon thirty (30) Days' prior written notice at any time during Force Majeure.

11.0 INDEMNITY

11.1 Indemnity by the Seller. The Seller shall indemnify, defend, and hold harmless the Buyer, its elected and appointed officials, directors, officers, employees, agents, and representatives against and from any and all losses, claims, demands, liabilities and expenses, actions or suits, including reasonable costs and attorney's fees, resulting from, or arising out of or in any way connected with claims by third parties associated with (A) (i) Energy delivered at the Delivery Point; (ii) the Seller's operation and/or maintenance of the Facility; or (iii) the Seller's actions or inactions with respect to this Agreement, and (B) any loss, claim, action or suit, for or on account of injury, bodily or otherwise, to, or death of, persons, or for damage to or destruction of property belonging to the Buyer or other third party, excepting only such loss, claim, action or suit as may be caused solely by the willful misconduct or gross negligence of the Buyer, its agents, employees, directors or officers.

11.2 Indemnity by the Buyer. The Buyer shall indemnify, defend, and hold harmless the Seller, its directors, officers, employees, agents, and representatives against and from any and all losses, claims, demands, liabilities and expenses, actions or suits, including reasonable costs and attorney's fees resulting from, or arising out of or in any way connected with claims by third parties associated with acts of the Buyer, its officers, employees, agents, and representatives, relating to: (A) Energy delivered by the Seller under this Agreement after the Delivery Point, and (B) any loss, claim, action or suit, for or on account of injury, bodily or otherwise, to, or death of, persons, or for damage to or destruction of property belonging to the Seller or other third party, excepting only such loss, claim, action or suit as may be caused solely by the willful misconduct or gross negligence of the Seller, its agents, employees, directors or officers.

12.0 LIMITATION OF DAMAGES

EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED UNLESS EXPRESSLY HEREIN PROVIDED. NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR

CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. UNLESS EXPRESSLY HEREIN PROVIDED, AND SUBJECT TO THE PROVISIONS OF SECTION 11 (INDEMNITY), IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.

13.0 NOTICES

Notices shall, unless otherwise specified herein, be given, in writing, and may be delivered by hand delivery, United States mail, overnight courier service, facsimile or electronic messaging (e-mail) to the addresses set forth in Exhibit "PPA-F.". Whenever this Agreement requires or permits delivery of a "notice" (or requires a Party to "notify"), the Party with such right or obligation shall provide a written communication in the manner specified below. A notice sent by facsimile transmission or electronic mail will be recognized and shall be deemed received on the Business Day on which such notice was transmitted if received before 5 p.m. Pacific Time (and if received after 5 p.m., on the next Business Day) and a notice by overnight mail or courier shall be deemed to have been received two (2) Business Days after it was sent or such earlier time as is confirmed by the receiving Party unless it confirms a prior oral communication, in which case any such notice shall be deemed received on the day sent. A Party may change its addresses by providing notice of same in accordance with this provision. A Party may request a change to Exhibit "PPA-F" as necessary to keep the information current.

14.0 TERM, TERMINATION EVENT AND TERMINATION

14.1 Term. The Term shall commence upon the execution by the duly authorized representatives of each of the Parties, and shall remain in effect until the conclusion of the Delivery Term, unless terminated sooner pursuant to the terms and conditions of this Agreement. All indemnity rights shall survive the termination of this Agreement for twelve (12) months.

14.2 Delivery Term. The Delivery Term of the Agreement is _____ years and is defined as the period of time from the Commercial Operation Date through the expiration or early termination of this Agreement.

14.3 Termination Event.

14.3.1 The Buyer shall have the right, but not the obligation, to terminate this Agreement upon the occurrence of any of the following, each of which is a "Termination Event": (a) The Facility has not achieved Commercial Operation within seventy (70) days following the Deadline; (b) After the Commercial Operation Date, the Seller has not sold or delivered Energy from the Facility to the Buyer for a period of twelve (12) consecutive months; (c) If the Facility does not obtain RPS Certification within six (6) months of the Commercial Operation Date and maintain RPS Certification as required by Section 3.2; or (d) The Seller breaches any other material obligation of this Agreement.

14.3.2 The Seller shall have the right, but not the obligation, to terminate this Agreement upon the occurrence of any of the following, each of which is a "Termination Event": (a) The Buyer fails to make a payment due and payable under this Agreement within thirty (30) days after written notice that such payment is due; or (b) The Buyer breaches any other material obligation of this Agreement. The preceding sentence notwithstanding, the Seller may terminate this Agreement without cause at any time prior to the Commercial Operation Date, subject to the provisions of Section 7 of this Agreement.

14.4 Time to Cure. None of the events described in Section 14.2.1 and 14.2.2 shall constitute a Termination Event if the Buyer or the Seller cures the event, failure, or circumstance within thirty (30) days after receipt of written notification sent by the other Party, seeking termination, or such longer period as may be necessary to cure so long as the Party subject to the Terminating Event is exercising diligent efforts to cure.

14.5 Termination.

14.5.1 Declaration of a Termination Event. If a Termination Event has occurred and is continuing, the Party with the right to terminate shall have the right to: (a) send notice, designating a day, no earlier than thirty (30) days after such notice is deemed to be received (as provided in Section 13), as an early termination date of this Agreement (the "Early Termination Date"), unless the Seller has timely communicated with the Buyer and the Parties have agreed to resolve the circumstances giving rise to the Termination Event; (b) accelerate all amounts owing between the Parties; and (c) terminate this Agreement and end the Delivery Term effective as of the Early Termination Date.

14.5.2 Release of Liability for Termination Event. Upon termination of this Agreement pursuant to this section neither Party shall be under any further obligation or subject to liability hereunder, except with respect to the indemnity provision in Section 11 hereof, which shall remain in effect for a period of 12 months following the Early Termination Date.

14.6 No Limitation on Damages. Nothing in this Agreement shall be deemed or construed to limit a Party's right to recover damages from the other Party, except as otherwise provided in this Agreement.

15.0 RELEASE OF DATA

Except as may be exempt from disclosure under applicable law, the Seller authorizes the Buyer to release to any regulatory authority having jurisdiction over the Facility or a Party, or to any request made pursuant to the California Constitution or the California Public Records Act, information regarding the Facility, including the Seller's name and location, operational characteristics, the Term of this Agreement, the Facility resource type, the scheduled Commercial Operation Date, the actual Commercial Operation Date, the Contract Capacity, payments made to the Seller and Energy production information. The Seller acknowledges that this information may be made publicly available.

16.0 ASSIGNMENT

Neither Party shall assign this Agreement or its rights hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

16.1 Upon the written request of the Seller, the Buyer will execute a "Lender Consent and Agreement" between the Seller and the Seller's lender(s), if any, in the form acceptable to the Parties; provided, for illustration purposes only, an exemplar is attached hereto as Exhibit "PPA-G."

16.2 Notwithstanding the foregoing, no Consent and Agreement shall be required for:

16.2.1 Any assignment or transfer of this Agreement by the Seller to an affiliate of the Seller, provided that such affiliate's creditworthiness is equal to or better than that of Seller, as reasonably determined by the non-assigning or non-transferring Party; or

16.2.2 Any assignment or transfer of this Agreement by the Seller or the Buyer to a person succeeding to all or substantially all of the assets of such Party, provided that such person's creditworthiness is equal to or greater than that of such Party, as reasonably determined by the non-assigning or non-transferring Party.

16.2.3 Notification of any assignment or transfer of this Agreement under Section 16.2.1 or 16.2.2 shall be given to the non-assigning or non-transferring Party in accordance with Exhibit "PPA-F."

17.0 APPLICABLE LAW, VENUE, ATTORNEYS' FEES, AND INTERPRETATION

This Agreement will be governed by and construed in accordance with the laws of the State of California. The Parties will comply with applicable laws pertaining to their obligations arising under this

Agreement. In the event that an action is brought, the Parties agree that trial of such action will be vested exclusively in the state courts of California or in the United States District Court for the Northern District of California in the County of Santa Clara, State of California. The prevailing party in any action brought to enforce the provisions of this Agreement may recover its reasonable costs and attorneys' fees expended in connection with that action. If a court of competent jurisdiction finds or rules that any provision of this Agreement, the Exhibits, or any amendment thereto is void or unenforceable, the unaffected provisions of this Agreement, the Exhibits, or any amendment thereto will remain in full force and effect. The Parties agree that the normal rule of construction to the effect that any ambiguity is to be resolved against the drafting party will not be employed in the interpretation of this Agreement or any Exhibit or any amendment thereof.

18.0 SEVERABILITY

If any provision in this Agreement is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Agreement and the Parties shall use their best efforts to modify this Agreement to give effect to the original intention of the Parties.

19.0 COUNTERPARTS; INTERPRETATION OF CONFLICTING PROVISIONS

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall be deemed one and the same Agreement. Delivery of an executed counterpart of this Agreement by facsimile or portable document format ("PDF") transmission will be deemed as effective as delivery of an originally executed counterpart. Each Party delivering an executed counterpart of this Agreement by facsimile or PDF transmission will also deliver an originally executed counterpart, but the failure of any Party to deliver an originally executed counterpart of this Agreement will not affect the validity or effectiveness of this Agreement. In the event of a conflict between the Agreement and any, some or all of the Exhibits, the document imposing the more specific duty or obligation will prevail.

20.0 GENERAL

No amendment to or modification of this Agreement shall be enforceable unless reduced to writing and executed by both Parties. This Agreement shall not impart any rights enforceable by any third party other than a permitted successor or assignee bound to this Agreement. Waiver by a Party of any default by the other Party shall not be construed as a waiver of any other default. The headings used herein are for convenience and reference purposes only.

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21. EXHIBITS

The following exhibits shall be deemed incorporated in and made a part of this Agreement.

Exhibit "PPA-A" - Facility Description, Prices, and Reservation Deposit
Exhibit "PPA-B" - Commercial Operation Date Confirmation Letter
Exhibit "PPA-C" - Scheduling and Outage Notification Procedure
Exhibit "PPA-D" - Green Attributes Reporting and Conveyance Procedures
Exhibit "PPA-E" - Insurance Requirements
Exhibit "PPA-F" - Notices
Exhibit "PPA-G" - Form of Lender Consent and Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their authorized representatives as of the Effective Date.

CITY OF PALO ALTO	**SELLER**
APPROVED AS TO FORM	_____
_____ Senior Deputy City Attorney	
APPROVED	
_____ City Manager	
_____ Director of Utilities	

EXHIBIT "PPA-A"

Facility Description, Rates, and Reservation Deposit

Program Rates

Contract Term:	Twenty (20) or twenty-five (25) years
Contract rate:	$0.165 per kWh for solar resources
	$0.0819~~3~~ per kWh for non-solar resources, 20 year contract term
	$0.0829~~4~~ per kWh for non-solar resources, 25 year contract term
Pre-certification rate:	$0.08 per kWh

Reservation Deposit

Reservation Deposit ($20/kW of Contract Capacity) $_____

Service address: _____

Facility Description:

_____

_____

_____

_____

Contract Capacity: _____ kW (CEC-AC), based on solar array rating (Panel rated output at PV USA test conditions x inverter efficiency)

Facility primary fuel/technology: _____

EXHIBIT "PPA-B"

Commercial Operation Date Confirmation Letter

In accordance with the terms of the Power Purchase Agreement (Palo Alto CLEAN), dated _____ (the "Agreement") by and between the City of Palo Alto, as the Buyer, and _____, as the Seller, this Confirmation Letter serves to document the Parties' agreement that (i) the conditions precedent to the occurrence of the Commercial Operation Date have been satisfied, and (ii) the Buyer has received Energy, as specified in the Agreement, as of_____,_____. The actual installed Contract Capacity is_____kW.

This Confirmation Letter shall confirm the Commercial Operation Date, as defined in the Agreement, as of the date referenced in the preceding sentence.

IN WITNESS WHEREOF, each Party has caused this letter to be duly executed by its authorized representative as of the date of last signature provided below:

Buyer	**Seller**
By: _____	**By**: _____
Name:	**Name:** _____
Title: Director of Utilities	**Title:** _____
Date: _____	**Date:** _____

In recognition of the Commercial Operation Date relative to the Effective Date of the Agreement by and between the Buyer and the Seller, the Seller hereby calculates the amount to return, if any, of the Seller's deposit, as follows:

Original Reservation Deposit Amount: $_____

Commercial Operation Date Deadline: _____

□ Commercial Operation Date is prior to Deadline

□ Commercial Operation Date occurred _ weeks following the Deadline, meaning that % of the Reservation Deposit is relinquished by Seller per Section 7.2.2 of the Power Purchase Agreement.

Amount (if any) of Reservation Deposit to return to the Seller is: $_____

EXHIBIT "PPA-C"

Scheduling and Outage Notification Procedure

C.1 Applicability. This Exhibit" PPA-C" shall apply if the Facility is subject to Section 6.0 of this Agreement.

C.2 Annual Operations Forecast

C.2.1 By the tenth (10th) day September of each calendar year, the Seller will provide NCPA with an annual operations forecast detailing hourly expected generation and all proposed planned Outages for the next calendar year. The annual operations forecast for the calendar year shall be provided by not later than ninety (90) days prior to the scheduled Commercial Operation Date of the Generating Facility.

C.2.2 NCPA may request modifications to the annual operations forecast at any time, and the Seller shall use good faith efforts to accommodate the requested modifications.

C.2.3 The Seller shall not conduct Planned Outages at times other than as set forth in its annual operations forecast, unless approved in advance by NCPA, which approval shall not be withheld or delayed unreasonably.

C.2.4 The Seller shall not schedule or conduct Planned Outages from 12:00 p.m. through 7:00 p.m. Pacific Time during the months of June through October.

C.3. Short Term Operations Forecasts

C.3.1. Quarterly Operations Forecast

C.3.1.1 By the fifth (5th) day of January, April and July of each Contract Year, the Seller shall provide a calendar quarter-operations forecast by hour of expected generation and all proposed Planned Outages for the next full calendar quarter and the twelve (12) months following that calendar quarter. As an example, by January 5, 2014, the Seller would provide a calendar quarter-operations forecast by hour of expected generation for the period, April 1, 2014 through June 30, 2014, and identify all proposed Planned Outages for the period, April 1, 2014 through June 30, 2015.

C.3.1.2 NCPA will approve or require modifications to the proposed calendar quarter-operations forecast within ten (10) days of receipt of the forecast.

C.3.1.3 If required by NCPA, the Seller will provide a modified calendar quarter-operations forecast within seven (7) days after receipt of required modifications from NCPA.

C.3.2 Weekly Update

C.3.2.1 By 14:00 of each Wednesday, the Seller shall provide an electronic update, in a format specified by NCPA, to the calendar quarter-operations forecast for the following seven (7) days (Thursday through the next Wednesday).

C.3.2.2 The weekly update shall include hourly expected generation and all proposed planned Outages for the relevant seven (7) day period.

C.4 Outage Detail for Annual and Short Term Operations Forecasts. Outage information provided by the Seller shall include, at a minimum, the start time and stop time of the Outage, capacity out of service (kW), the equipment that is or will be out of service, and the reason for the Outage.

C.5 General Scheduling Protocols

C.5.1 Daily Modifications to Forecasts. Unless otherwise mutually agreed, the Seller may make changes to the weekly update to the calendar quarter-operations forecast by providing such changes to NCPA prior to 08:00 of the day that is two (2) Business Days before the active scheduling day as determined by the WECC prescheduling calendar. Example: For power that is scheduled for generation or delivery on Friday, March 29, 2014, changes must be submitted to NCPA by 08:00 on Wednesday, March 27, 2014.

C.5.2 Hourly Modifications to Active Schedules. Unless otherwise mutually agreed, the Seller may request changes to active schedules by providing such changes to NCPA with a minimum of four (4) hours' notice prior to the applicable CAISO market deadline (e.g. Hour Ahead Scheduling Process ("HASP") Scheduling deadline, as defined in the CAISO Tariff). Active day Schedule changes are not binding. Changes to active Schedules are limited to two (2) changes per day, excluding forced Outages, unless otherwise agreed to between the Parties. One request for a Schedule change, of one-hour or multiple-hours duration, constitutes one Schedule change. Example: For power that is scheduled for generation or delivery in hour ending 15:00 (for the period from 14:01 to 15:00), changes must be submitted to NCPA by 10:00.

C.5.3. Unforeseen Circumstances. At the Seller's request, NCPA may, but is not required to, modify the Schedules for the Generation Facility Output due to unforeseen circumstances in accordance with the above scheduling timeline constraints described in this Exhibit PPA-C.

C.5.4. Absence of Forecasts. In the absence of forecasts and schedules as required by this Agreement or this Exhibit, NCPA shall utilize the most current information the Seller provides in the development and submission of Schedules.

C.6 Outage Reporting Protocols

C.6.1. Notification. The Seller shall notify NCPA of all planned or forced Outages of the Generating Facility to ensure compliance with the CAISO Outage Coordination and Enforcement Protocols.

C.6.1.1 Outage information provided by the Seller shall include, at a minimum, the start time and stop time of the Outage, Capacity out of service (kW), equipment out of service, and the reason for the Outage.

C. 6.1.2 Seller shall provide the Planned Outages not included in the annual operations forecast, the calendar quarter-operations forecast, or the weekly update, to NCPA at least four (4) Business Days prior to the start of the requested outage.

C. 6.1.3 At any time prior to the start of a Planned Outage, the CAISO may deny the Outage due to a System Emergency (as defined in the CAISO Tariff) or as otherwise permitted under the CAISO Tariff. If NCPA receives notice that the CAISO has denied an Outage in accordance with the CAISO Tariff, NCPA will notify the Seller as soon as possible and the Seller shall modify the planned Outage as required by the CAISO.

C.6.2 Commencement of an Outage. The Seller shall not begin any Planned Outage without the prior approval of NCPA and the CAISO.

C.6.3 Forced Outages

C.6.3.1 The Seller shall report the Forced Outages to NCPA within twenty (20)

minutes of such Outages.

C.6.3.2 The Seller's notice of a Forced Outage sent to NCPA shall include the reason for the Outage (if known), expected duration of the Outage, and the Capacity reduction.

C.6.3.3 By the end of the next Business Day following the day on which a Forced Outage has occurred, the Seller shall provide to NCPA a detailed written report, specifying the reason for the Outage, expected duration of such Outage, capacity reduction, and actions taken to mitigate such Outage.

C.6.4 Return to Service. The Seller shall notify NCPA as soon as possible, but in any case before the Generating Facility is returned to service.

C.7 Notices. All Scheduling notices and Schedules shall be submitted to NCPA by phone, fax or email, or other means as may be mutually agreed by the Parties, to the persons designated in Exhibit "PPA-F."

C.8 Changes in Scheduling and Outage Procedure. The Buyer shall revise Exhibit "PPA-C," or, as appropriate, give written notice to the Seller regarding the revision, and issue a new Exhibit "PPA-C," which shall then become part of the Agreement to reflect changes in the scheduling and outage notification procedure.

EXHIBIT "PPA-D"

Green Attributes Reporting and Conveyance Procedures

D.1 Additional Definitions for the Conveyance of Green Attributes

D.1.1 "Certificate Transfers" means the process, as described in the WREGIS Operating Rules, whereby a WREGIS account holder may request that WREGIS Certificates from a specific generating unit shall be directly deposited to another WREGIS account.

D.1.2 "WREGIS Certificates" means a certificate created within the WREGIS system that represents all Renewable and Green Attributes from one MWh of electricity generation from an Eligible Renewable Energy Resource that is registered with WREGIS.

D.1.3 "WREGIS Operating Rules" means the document published by WREGIS that governs the operation of the WREGIS system for registering, tracking, and conveying, among others, RECs produced from Eligible Renewable Energy Resources that shall be registered with WREGIS.

D.1.4 "WREGIS" means Western Renewable Energy Generation Information System.

D.2 RECs. Green Attributes shall be conveyed by the Seller to the Buyer through RECs, which shall be registered tracked and conveyed to the Buyer, using WREGIS.

D.3 WREGIS Registration. Prior to the Commercial Operation Date, the Buyer will register the Facility in the Buyer's WREGIS account on behalf of the Seller. The Buyer shall charge back to the Seller any costs of registering and maintaining the registration of the Facility with WREGIS. The Seller shall provide to the Buyer any documents required by WREGIS and assign the Seller's rights to register the Facility in WREGIS, using agreements provided by WREGIS.

D.4 Buyer's WREGIS Account. The Buyer shall, at its sole expense, establish and maintain the Buyer's WREGIS account sufficient to accommodate the WREGIS Certificates produced by the output of the Facility. The Buyer shall be responsible for all expenses associated with (A) establishing and maintaining the Buyer's WREGIS Account, and (B) subsequently transferring or retiring WREGIS Certificates.

D.5 Qualified Reporting Entity. The Buyer shall be the Qualified Reporting Entity (as such term is defined by WREGIS) for the Facility, and shall be responsible for providing the metered Output data to WREGIS.

D.6 Reporting of Environmental Attributes. In lieu of the Seller's transfer of the WREGIS Certificates using Certificate Transfers from the Seller's WREGIS account to the Buyer's WREGIS account, the Buyer shall report the Facility as being held directly in its WREGIS account, which will preclude the Seller from reporting the Facility in its own WREGIS account.

D.6.1 By avoiding the use of Certificate Transfers, there will be no transaction costs to the Seller or the Buyer for the Certificate Transfers that would otherwise be used.

D.6.2 WREGIS Certificates for the Facility will be created on a calendar month basis in accordance with the certification procedure established by the WREGIS Operating Rules in an amount equal to the Energy generated by the Project and delivered to the Buyer in the same calendar month.

D.6.3 WREGIS Certificates will only be created for whole MWh amounts of energy generated. Any fractional MWh amounts (i.e., kWh) will be carried forward until sufficient generation is accumulated for the creation of a WREGIS Certificate and all such accumulated

MWh of Environmental Attributes will then be available to Buyer.

D.6.4 If a WREGIS Certificate Modification (as such term is defined by WREGIS) will be required to reflect any errors or omissions regarding the Green Attributes from the Facility, then the Buyer will manage the submission of the WREGIS Certificate Modification.

D.6.5 Due to the expected delay in the creation of WREGIS Certificates relative to the timing of invoice payments under Section 2, the Buyer will normally be making an invoice payment for the Output for a given month in accordance with Section 2 before the WREGIS Certificates for such month may be created in the Buyer's WREGIS account. Notwithstanding this delay, the Buyer shall have all right and title to all such WREGIS Certificates upon payment to the Seller in accordance with Section 2.

D.7 Changes in Green Attributes Reporting and Conveyance Procedures. The Buyer shall revise this Exhibit "PPA-D," as appropriate, give written notice to the Seller regarding the revision, and issue a new Exhibit "PPA-D," which shall then become part of this Agreement in the event that:

D.7.1 WREGIS changes the WREGIS Operating Rules (as defined by WREGIS) after the Effective Date or applies the WREGIS Operating Rules in a manner inconsistent with this Exhibit "PPA-D" after the Effective Date; or,

D.7.2 WREGIS is replaced as the primary method that the Buyer uses for conveyance of Green Attributes, or additional methods to convey all Green Attributes, are required.

EXHIBIT "PPA-E"

Insurance Requirements

CONTRACTORS TO THE CITY OF PALO ALTO (CITY), AT THEIR SOLE EXPENSE, WILL FOR THE TERM OF THE CONTRACT OBTAIN AND MAINTAIN INSURANCE IN THE AMOUNTS FOR THE COVERAGE SPECIFIED BELOW, **AFFORDED BY COMPANIES WITH A BEST'S KEY RATING OF A-:VII, OR HIGHER, LICENSED OR AUTHORIZED TO TRANSACT INSURANCE BUSINESS IN THE STATE OF CALIFORNIA.**

AWARD IS CONTINGENT ON COMPLIANCE WITH CITY'S INSURANCE REQUIREMENTS, AS SPECIFIED, BELOW:

REQUIRED	TYPE OF COVERAGE	REQUIREMENT	MINIMUM LIMITS	
			EACH OCCURRENCE	AGGREGATE
YES YES	WORKER'S COMPENSATION AUTOMOBILE LIABILITY	STATUTORY STATUTORY		
YES	COMMERCIAL GENERAL LIABILITY, INCLUDING PERSONAL INJURY, BROAD FORM PROPERTY DAMAGE BLANKET CONTRACTUAL, AND FIRE LEGAL LIABILITY	BODILY INJURY PROPERTY DAMAGE BODILY INJURY & PROPERTY DAMAGE COMBINED.	$1,000,000 $1,000,000 $1,000,000	$2,000,000 $2,000,000 $2,000,000
YES	COMPREHENSIVE AUTOMOBILE LIABILITY, INCLUDING, OWNED, HIRED, NON-OWNED	BODILY INJURY - EACH PERSON - EACH OCCURRENCE PROPERTY DAMAGE BODILY INJURY AND PROPERTY DAMAGE, COMBINED	$1,000,000 $1,000,000 $1,000,000 $1,000,000 $1,000,000	$1,000,000 $1,000,000 $1,000,000 $1,000,000 $1,000,000
NO	PROFESSIONAL LIABILITY, INCLUDING, ERRORS AND OMISSIONS, MALPRACTICE (WHEN APPLICABLE), AND NEGLIGENT PERFORMANCE	ALL DAMAGES	$1,000,000	
YES	**THE CITY OF PALO ALTO IS TO BE NAMED AS AN ADDITIONAL INSURED**: PROPOSER, AT ITS SOLE COST AND EXPENSE, SHALL OBTAIN AND MAINTAIN, IN FULL FORCE AND EFFECT THROUGHOUT THE ENTIRE TERM OF ANY RESULTANT AGREEMENT, THE INSURANCE COVERAGE HEREIN DESCRIBED, INSURING NOT ONLY PROPOSER AND ITS SUBCONSULTANS, IF ANY, BUT ALSO, WITH THE EXCEPTION OF WORKERS' COMPENSATION, EMPLOYER'S LIABILITY AND PROFESSIONAL INSURANCE, **NAMING AS ADDITIONAL INSURES CITY, ITS COUNCIL MEMBERS, OFFICERS, AGENTS, AND EMPLOYEES.**			

I. INSURANCE COVERAGE MUST INCLUDE:

A. A PROVISION FOR A WRITTEN THIRTY DAY ADVANCE NOTICE TO CITY OF CHANGE IN COVERAGE OR OF COVERAGE CANCELLATION; AND

B. A CONTRACTUAL LIABILITY ENDORSEMENT PROVIDING INSURANCE COVERAGE FOR CONTRACTOR'S AGREEMENT TO INDEMNIFY CITY – SEE, SAMPLE AGREEMENT FOR SERVICES.

II. SUBMIT CERTIFICATE(S) OF INSURANCE EVIDENCING REQUIRED COVERAGE, **OR** COMPLETE THIS SECTION AND IV THROUGH V, BELOW.

A. NAME AND ADDRESS OF COMPANY AFFORDING COVERAGE (NOT AGENT OR BROKER):

_____

B. NAME, ADDRESS, AND PHONE NUMBER OF YOUR INSURANCE AGENT/BROKER:

_____

C. POLICY NUMBER(S):

_____

D. DEDUCTIBLE AMOUNT(S) (DEDUCTIBLE AMOUNTS IN EXCESS OF $5,000 REQUIRE CITY'S PRIOR APPROVAL):

_____

III. AWARD IS CONTINGENT ON COMPLIANCE WITH CITY'S INSURANCE REQUIREMENTS, AND PROPOSER'S SUBMITTAL OF CERTIFICATES OF INSURANCE EVIDENCING COMPLIANCE WITH THE REQUIREMENTS SPECIFIED HEREIN.

IV. ENDORSEMENT PROVISIONS, WITH RESPECT TO THE INSURANCE AFFORDED TO "ADDITIONAL INSURES"

A. PRIMARY COVERAGE

WITH RESPECT TO CLAIMS ARISING OUT OF THE OPERATIONS OF THE NAMED INSURED, INSURANCE AS AFFORDED BY THIS POLICY IS PRIMARY AND IS NOT ADDITIONAL TO OR CONTRIBUTING WITH ANY OTHER INSURANCE CARRIED BY OR FOR THE BENEFIT OF THE ADDITIONAL INSURES.

B. CROSS LIABILITY

THE NAMING OF MORE THAN ONE PERSON, FIRM, OR CORPORATION AS INSURES UNDER THE POLICY SHALL NOT, FOR THAT REASON ALONE, EXTINGUISH ANY RIGHTS OF THE INSURED AGAINST ANOTHER, BUT THIS ENDORSEMENT, AND THE NAMING OF MULTIPLE INSUREDS, SHALL NOT INCREASE THE TOTAL LIABILITY OF THE COMPANY UNDER THIS POLICY.

C. NOTICE OF CANCELLATION

1. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR ANY REASON OTHER THAN THE NON-PAYMENT OF PREMIUM, THE ISSUING COMPANY SHALL PROVIDE CITY AT LEAST A THIRTY (30) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.

2. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR THE NON-PAYMENT OF PREMIUM, THE ISSUING COMPANY SHALL PROVIDE CITY AT LEAST A TEN (10) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.

V. PROPOSER CERTIFIES THAT PROPOSER'S INSURANCE COVERAGE MEETS THE ABOVE REQUIREMENTS:

THE INFORMATION HEREIN IS CERTIFIED CORRECT BY SIGNATURE(S) BELOW. SIGNATURE(S) MUST BE SAME SIGNATURE(S) AS APPEAR(S) ON SECTION II, ATTACHMENT A, PROPOSER'S INFORMATION FORM.

Firm: _____

Signature: _____

Name: _____
(Print or type name)

Signature: _____

Name: _____
(Print or type name)

NOTICES SHALL BE MAILED TO:

PURCHASING AND
CONTRACT ADMINISTRATION
CITY OF PALO ALTO
P.O. BOX 10250
PALO ALTO, CA 94303.

EXHIBIT "PPA-F"

Notices

Contract Administration

BUYER:
City of Palo Alto
Utilities Resource Management
250 Hamilton Avenue
Palo Alto, CA 94301
Ph: 650-329-2689
Email: UtilityCommoditySettlements@CityofPaloAlto.Org

SELLER:

Billing and Settlements

BUYER:
City of Palo Alto
Utilities Resource Management
250 Hamilton Avenue
Palo Alto, CA 94301
Ph: 650-329-2689
Email: UtilityCommoditySettlements@CityofPaloAlto.Org

SELLER:

Forecasting and Outage Reporting under Section 6 of this Agreement

Planned Outages:

BUYER:
Northern California Power Agency Real-Time Dispatch
651 Commerce Drive
Roseville, CA 95678
Ph: 916-786-3518

SELLER:

Forced Outages

BUYER:
Northern California Power Agency Real-Time Dispatch
651 Commerce Drive
Roseville, CA 95678
Ph: 916-786-3518

SELLER:

Forecasting and Scheduling

BUYER:
Northern California Power Agency
Operations and Pre-Scheduling
651 Commerce Drive
Roseville, CA 95678
Ph: 916-786-0123

SELLER:

EXHIBIT "PPA-G"

Form of Lender Consent and Agreement

This CONSENT AND AGREEMENT (this "Consent"), dated as of _ _ , 20_ , is entered into by and among the CITY OF PALO ALTO, a California chartered municipal corporation (the "City"), _____, a _____ corporation (the "Lender)," by its agent, _____ (the "Administrative Agent"), and , a _____corporation (the "Borrower") (collectively, the "Parties"). Unless otherwise defined, all capitalized terms have the meaning given in the Contract (as hereinafter defined).

RECITALS

A. Borrower intends to develop, construct, install, test, own, operate and use an approximately _____MW electric generating facility located in the city of Palo Alto in the State of California, known as the _ Project (the "Project").

B. In order to partially finance the development, construction, installation, testing, operation and use of the Project, Borrower has entered into that certain financing agreement dated as of __ (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Financing Agreement"), among Borrower, the financial institutions from time to time parties thereto (collectively, the "Lenders") , and Administrative Agent for the Lenders, pursuant to which, among other things, Lenders have extended commitments to make loans and other financial accommodations to, and for the benefit of, Borrower.

C. The City and Borrower have entered into that certain Power Purchase Agreement, dated as of _____(attached hereto and incorporated herein by reference, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof and hereof, the "Power Purchase Agreement").

D. The City and Borrower have entered into that certain Interconnection Agreement, dated as of _____ (attached hereto and incorporated herein by reference, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof and hereof, the "Interconnection Agreement").

E. Pursuant to a security agreement executed by Borrower and Administrative Agent for the Lenders (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Security Agreement"), Borrower has agreed, among other things, to assign, as collateral security for its obligations under the Financing Agreement and related documents (collectively, the "Financing Documents"), all of its right, title and interest in, to and under the Power Purchase Agreement and Interconnection Agreement to Administrative Agent for the benefit of itself, the Lenders and each other entity or person providing collateral security under the Financing Documents.

F. It is a requirement under the Financing Agreement that the Parties hereto execute this Consent.

AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the Parties agree, as follows:

1. CONSENT TO ASSIGNMENT. The City acknowledges the assignment referred to in Recital E above, consents to an assignment of the Power Purchase Agreement and Interconnection Agreement pursuant thereto, and agrees with Administrative Agent, as follows:

(a) Administrative Agent shall be entitled (but not obligated) to exercise all rights and to cure any

defaults of Borrower under the Power Purchase Agreement or Interconnection Agreement, as the case may be, subject to applicable notice and cure periods provided in the Power Purchase Agreement and Interconnection Agreement. Upon receipt of notice from Administrative Agent, the City agrees to accept such exercise and cure by Administrative Agent if timely made by Administrative Agent under the Power Purchase Agreement or Interconnection Agreement, as the case may be, and this Consent. Upon receipt of Administrative Agent's written instructions and to the extent allowed by law, the City agrees to make directly to such account as Administrative Agent may direct the City, in writing, from time to time, all payments to be made by the City to Borrower under the Power Purchase Agreement or Interconnection Agreement, as the case may be, from and after the City's receipt of such instructions, and Borrower consents to any such action. The City shall not incur any liability to Borrower under the Power Purchase Agreement, Interconnection Agreement, or this Consent for directing such payments to Administrative Agent in accordance with this subsection (a).

(b) The City will not, without the prior written consent of Administrative Agent (such consent not to be unreasonably withheld), (i) cancel or terminate the Power Purchase Agreement or Interconnection Agreement, or consent to or accept any cancellation, termination or suspension thereof by Borrower, except as provided in the Power Purchase Agreement or Interconnection Agreement and in accordance with subparagraph 1(c) hereof, (ii) sell, assign or otherwise dispose (by operation of law or otherwise) of any part of its interest in the Power Purchase Agreement or Interconnection Agreement, except as provided in the Power Purchase Agreement or Interconnection Agreement, or (iii) amend or modify the Power Purchase Agreement or Interconnection Agreement in any manner materially adverse to the interest of the Lenders in the Power Purchase Agreement and Interconnection Agreement as collateral security under the Security Agreement.

(c) The City agrees to deliver duplicates or copies of all notices of default delivered by the City under or pursuant to the Power Purchase Agreement or Interconnection Agreement to Administrative Agent in accordance with the notice provisions of this Consent. The City shall deliver any such notices concurrently with delivery of the notice to Borrower under the Power Purchase Agreement or Interconnection Agreement. To the extent that a cure period is provided under the Power Purchase Agreement or Interconnection Agreement, Administrative Agent shall have the same period of time to cure the breach or default that Borrower is entitled to under the Power Purchase Agreement or Interconnection Agreement, except that if the City does not deliver the default notice to Administrative Agent concurrently with delivery of the notice to Borrower under the Power Purchase Agreement or Interconnection Agreement, then as to Administrative Agent, the applicable cure period under the Power Purchase Agreement or Interconnection Agreement shall begin on the date on which the notice is given to Administrative Agent. If possession of the Project is necessary to cure such breach or default, and Administrative Agent or its designee(s) or assignee(s) declare Borrower in default and commence foreclosure proceedings, Administrative Agent or its designee(s) or assignee(s) will be allowed a reasonable period to complete such proceedings so long as Administrative Agent or its designee(s) continue to perform any monetary obligations under the Power Purchase Agreement or Interconnection Agreement, as the case may be. The City consents to the transfer of Borrower's interest under the Power Purchase Agreement and Interconnection Agreement to the Lenders or Administrative Agent or their designee(s) or assignee(s) or any of them or a purchaser or grantee at a foreclosure sale by judicial or nonjudicial foreclosure and sale or by a conveyance by Borrower in lieu of foreclosure and agrees that upon such foreclosure, sale or conveyance, the City shall recognize the Lenders or Administrative Agent or their designee(s) or assignee(s) or any of them or other purchaser or grantee as the applicable party under the Power Purchase Agreement and Interconnection Agreement (provided that such Lenders or Administrative Agent or their designee(s) or assignee(s) or purchaser or grantee assume the obligations of Borrower under the Power Purchase Agreement and Interconnection Agreement, including, without limitation, satisfaction and compliance with all credit provisions of the Power Purchase Agreement and Interconnection Agreement, if any, and provided further that such Lenders or Administrative Agent or their designee(s) or assignee(s) or purchaser or grantee has a creditworthiness equal to or better than

Borrower, as reasonably determined by City).

(d) In the event that either the Power Purchase Agreement or Interconnection Agreement, or both is rejected by a trustee or debtor-in-possession in any bankruptcy or insolvency proceeding, and if, within forty-five (45) days after such rejection, Administrative Agent shall so request, the City will execute and deliver to Administrative Agent a new power purchase agreement or interconnection agreement, as the case may be, which power purchase agreement or interconnection agreement shall be on the same terms and conditions as the original Power Purchase Agreement or Interconnection Agreement for the remaining term of the original Power Purchase Agreement or Interconnection Agreement before giving effect to such rejection, and which shall require Administrative Agent to cure any defaults then existing under the original Power Purchase Agreement or Interconnection Agreement. Notwithstanding the foregoing, any new renewable power purchase agreement or interconnection agreement will be subject to all regulatory approvals required by law. The City will use good faith efforts to promptly obtain any necessary regulatory approvals.

(e) In the event Administrative Agent, the Lenders or their designee(s) or assignee(s) elect to perform Borrower's obligations under the Power Purchase Agreement and Interconnection Agreement, succeed to Borrower's interest under the Power Purchase Agreement and Interconnection Agreement, or enter into a new power purchase agreement or interconnection agreement as provided in subparagraph 1(d) above, the recourse of the City against Administrative Agent, Lenders or their designee(s) and assignee(s) shall be limited to such Parties' interests in the Project, and the credit support required under the Power Purchase Agreement and Interconnection Agreement, if any.

(f) In the event Administrative Agent, the Lenders or their designee(s) or assignee(s) succeed to Borrower's interest under the Power Purchase Agreement and Interconnection Agreement, Administrative Agent, the Lenders or their designee(s) or assignee(s) shall cure any then-existing payment and performance defaults under the Power Purchase Agreement or Interconnection Agreement, except any performance defaults of Borrower itself, which by their nature are not susceptible of being cured. Administrative Agent, the Lenders and their designee(s) or assignee(s) shall have the right to assign all or a pro rata interest in the Power Purchase Agreement and Interconnection Agreement to a person or entity to whom Borrower's interest in the Project is transferred, provided such transferee assumes the obligations of Borrower under the Power Purchase Agreement and Interconnection Agreement and has a creditworthiness equal to or better than Borrower, as reasonably determined by the City. Upon such assignment, Administrative Agent and the Lenders and their designee(s) or assignee(s) (including their agents and employees) shall be released from any further liability thereunder accruing from and after the date of such assignment, to the extent of the interest assigned.

2. REPRESENTATIONS AND WARRANTIES. The City hereby represents and warrants that as of the date of this Consent:

(a) It (i) is duly formed and validly existing under the laws of the State of California, and (ii) has all requisite power and authority to enter into and to perform its obligations hereunder and under the Power Purchase Agreement and Interconnection Agreement, and to carry out the terms hereof and thereof and the transactions contemplated hereby and thereby;

(b) the execution, delivery and performance of this Consent, the Power Purchase Agreement and the Interconnection Agreement have been duly authorized by all necessary action on its part and do not require any approvals, material filings with, or consents of any entity or person which have not previously been obtained or made;

(c) each of this Consent, the Power Purchase Agreement, and the Interconnection Agreement is in full force and effect;

(d) each of this Consent, the Power Purchase Agreement, and the Interconnection Agreement has been duly executed and delivered on its behalf and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by (i) bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and (ii) general equitable principles (whether considered in a proceeding in equity or at law);

(e) there is no litigation, arbitration, investigation or other proceeding pending for which the City has received service of process or, to the City's actual knowledge, threatened against the City relating solely to this Consent, the Power Purchase Agreement, or the Interconnection Agreement and the transactions contemplated hereby and thereby;

(f) the execution, delivery and performance by it of this Consent, the Power Purchase Agreement, and the Interconnection Agreement, and the consummation of the transactions contemplated hereby, will not result in any violation of, breach of or default under any term of any material contract or material agreement to which it is a party or by which it or its property is bound, or of any material requirements of law presently in effect having applicability to it, the violation, breach or default of which could have a material adverse effect on its ability to perform its obligations under this Consent;

(g) neither the City nor, to the City's actual knowledge, any other party to the Power Purchase Agreement or Interconnection Agreement, is in default of any of its obligations thereunder; and

(h) to the City's actual knowledge, (i) no Force Majeure Event exists under, and as defined in, the Power Purchase Agreement or Interconnection Agreement and (ii) no event or condition exists which would either immediately or with the passage of any applicable grace period or giving of notice, or both, enable either the City or Borrower to terminate or suspend its obligations under the Power Purchase Agreement or the Interconnection Agreement.

Each of the representations and warranties set forth herein shall survive the execution and delivery of this Consent and the consummation of the transactions contemplated hereby.

3. NOTICES. All notices required or permitted hereunder shall be given, in writing, and shall be effective (a) upon receipt if hand delivered, (b) upon telephonic verification of receipt if sent by facsimile and (c) if otherwise delivered, upon the earlier of receipt or three (3) Business Days after being sent registered or certified mail, return receipt requested, with proper postage affixed thereto, or by private courier or delivery service with charges prepaid, and addressed as specified below:

If to the City:
[_____]
[_____]
[_____]
Telephone No.: [_____]
Facsimile No.: [_____]
Attn: [_____]

If to Administrative Agent:
[_____]
[_____]
[_____]
Telephone No.: [_____]
Facsimile No.: [_____]
Attn: [_____]

If to Borrower:
[_____]
[_____]
[_____]
Telephone No.: [_____]
Facsimile No.: [_____]
Attn: [_____]

Any party shall have the right to change its address for notice hereunder to any other location within the United States by giving thirty (30) days written notice to the other parties in the manner set forth above.

4. ASSIGNMENT, TERMINATION, AMENDMENT. This Consent shall be binding upon and benefit the successors and assigns of the Parties hereto and their respective successors, transferees and assigns (including without limitation, any entity that refinances all or any portion of the obligations under the Financing Agreement). The City agrees (a) to confirm such continuing obligation, in writing, upon the reasonable request of (and at the expense of) Borrower, Administrative Agent, the Lenders or any of their respective successors, transferees or assigns, and (b) to cause any successor-in-interest to the City with respect to its interest in the Power Purchase Agreement or Interconnection Agreement to assume, in writing and in form and substance reasonably satisfactory to Administrative Agent, the obligations of City hereunder. Any purported assignment or transfer of the Power Purchase Agreement or Interconnection Agreement not in conjunction with the written instrument of assumption contemplated by the foregoing clause (b) shall be null and void. No termination, amendment, or variation of any provisions of this Consent shall be effective unless in writing and signed by the parties hereto. No waiver of any provisions of this Consent shall be effective unless in writing and signed by the party waiving any of its rights hereunder.

5. GOVERNING LAW. This Consent shall be governed by the laws of the State of California applicable to contracts made and to be performed in California. The federal courts or the state courts located in California shall have exclusive jurisdiction to resolve any disputes with respect to this Consent with the City, Assignor, and the Lender or Lenders irrevocably consenting to the jurisdiction thereof for any actions, suits, or proceedings arising out of or relating to this Consent.

6. COUNTERPARTS. This Consent may be executed in one or more duplicate counterparts, and when executed and delivered by all the parties listed below, shall constitute a single binding agreement.

7. SEVERABILITY. In case any provision of this Consent, or the obligations of any of the Parties hereto, shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions, or the obligations of the other Parties hereto, shall not in any way be affected or impaired thereby.

8. ACKNOWLEDGMENTS BY BORROWER. Borrower, by its execution hereof, acknowledges and agrees that neither the execution of this Consent, the performance by the City of any of the obligations of the City hereunder, the exercise of any of the rights of the City hereunder, or the acceptance by the City of performance of the Power Purchase Agreement by any party other than Borrower shall (1) release Borrower from any obligation of Borrower under the Power Purchase Agreement or Interconnection Agreement, (2) constitute a consent by the City to, or impute knowledge to the City of, any specific terms or conditions of the Financing Agreement, the Security Agreement or any of the other Financing Documents, or (3) except as expressly set forth in this Consent, constitute a waiver by the City of any of its rights under the Power Purchase Agreement or Interconnection Agreement. Borrower and Administrative Agent acknowledge hereby for the benefit of City that none of the Financing Agreement, the Security

Agreement, the Financing Documents or any other documents executed in connection therewith alter, amend, modify or impair (or purport to alter, amend, modify or impair) any provisions of the Power Purchase Agreement.

CITY OF PALO ALTO

APPROVED AS TO FORM

_____
Senior Deputy City Attorney

APPROVED

_____
City Manager

_____
Director of Utilities

ADMINISTRATIVE AGENT

_____

BORROWER

_____

DRAFT

DRAFT EXCERPTED MINUTES OF THE DECEMBER 2, 2015 UTILITIES ADVISORY COMMISSION MEETING

ITEM 2. ACTION: Staff Recommendation that the Utilities Advisory Commission Recommend that the City Council Adopt a Resolution to Continue the Palo Alto Clean Local Energy Accessible Now (CLEAN) Program at the Current Contract Price of $0.165 per kilowatt-hour for Local Solar Resources and at the Avoided Cost Level ($0.081 to $0.082 per kilowatt-hour) for Local Non-solar Eligible Renewable Resources

Senior Resource Planner Jim Stack noted that staff returns every year near the end of the year to update the program and the value (or "avoided cost") of local renewable supplies. He discussed the history of the program as it changed from when the program was first adopted in March 2012. He noted that when the Finance Committee last reviewed the program, it voted to reduce the contract price for solar resources from 16.5 cents/kWh to the avoided cost at the time (9.3 cents/kWh), however the Council ultimately approved continuing the 16.5 cents/kWh price, but directed that the rent revenues from an impending project to put solar PV on City parking garage rooftops be allocated to the Electric Fund to offset the rate impact of paying a contract price that exceeds the avoided cost. Stack noted that despite the avoided cost being lowered based on the latest renewable energy request for proposals, staff recommends that the 16.5 cent/kWh price be continued.

Commissioner Eglash asked why, given the direction from Council in May, this topic is coming back to the UAC now. Stack said that it is prudent to revisit the value of solar and the program annually. Assistant Director Jane Ratchye added that it has been a full year since this item was last discussed by the UAC.

Commissioner Eglash said he expects as the cost of solar has fallen and continues to fall, that the CLEAN price should eventually be attractive to someone. Stack reminded that the federal Investment Tax Credit (ITC) is scheduled to fall significantly at the end of 2016, which will change the economics for projects. Commissioner Eglash noted that the value of solar has fallen and the excess cost (the amount by which the CLEAN contract price exceeds the local solar avoided cost) has grown, but it is still small compared to the impact to the electric utility from the drought so he is persuaded to agree with the staff recommendation to maintain the 16.5 cent/kWh price.

Commissioner Ballantine commented that additional equipment is required for local solar installations to provide local grid resiliency because if there is a power outage, solar systems employing standard inverters will all shut off as well and will not continue to provide power to the building or the grid. He said that supply reliability is an interesting issue and the City may want to think about encouraging or requiring systems to use new grid technology so that all the inverters for these systems don't turn off when we really want them to be operating. He said that installations operating independent of the utility system may be considered too. He noted that there could be a technical situation with the inverters in the event of a voltage variation that could lead to reduced reliability. He suggested that the program should consider this problem in its design. He added that if the program does not have any takers, maybe there are other issues such as obtaining financing that could be solved. He said that perhaps a different incentive structure could be contemplated with a focus on the loading of the distribution system since there could be a location on the distribution system that would benefit more from the addition of distributed generation, but that as certain types of renewables come online, the City may see negative impacts on the system in some areas.

Commissioner Danaher asked how the avoided cost of the non-solar renewable energy was calculated. Stack explained that the non-solar renewable energy is calculated by looking at the general cost of renewable energy based on results from the latest Request for Proposals (RFP) for baseload-type projects like a biomass generator, and adding in additional values provided by local generation, such as reduced transmission costs, resource adequacy capacity requirements, and distribution system losses. Commissioner Danaher asked why the avoided cost of solar was higher than for non-solar local renewables. Ratchye replied that it is because energy prices tend to be higher in the middle of the day, which coincides with when solar systems are generating energy.

Commissioner Eglash suggested that the breakdown of the value of solar could be added to the report to clarify all the parts that make up the avoided cost, and noted that a prior staff report had provided that detail. Stack said that the breakdown of the components of the avoided cost could be added to the report as it goes to the Finance Committee and Council for consideration. Vice Chair Cook agreed that the Council would benefit from seeing this diagram of the makeup of the avoided costs.

Commissioner Danaher said that he still doesn't understand why local solar is more valuable than solar from Central Valley transmitted to the City. Stack summarized the aspects of the avoided costs including the losses and transmission costs. Ratchye noted that the difference between the avoided cost (about 8.9 cents/kWh) and the CLEAN price was part of the findings made by Council when it last approved the CLEAN price. She pointed to Attachment A of the report, the draft resolution, which lists the additional values of local solar in Section 3 including: "a portion of the City's electric expenditures remain within the community, which provides revenue for local economic development", reducing the need for new transmission lines, shading which can reduce the energy required for building cooling and create value for vehicle owners, and resiliency of the City's distribution system in combination with other equipment such as electric storage systems (e.g. batteries).

Commissioner Ballantine suggested that with grid support capable inverters, the local resiliency value can be realized. Without that, it can't provide local resiliency. He said that there must be grid support capable inverters, or storage, or direct wiring to load to actually have a local resiliency benefit.

Commissioner Danaher said that the goal is to have the cleanest possible resources at the lowest possible cost. He said that he would rather not subsidize local solar if it can be found outside the City for a better price. He would prefer one price for solar and a premium price for solar that can actually provide local reliability. He noted that the extra $380,000 per year for 25 years (the difference between the solar avoided cost and the CLEAN price of 16.5 cents/kWh) could pay for extra staff, which could be more valuable.

Vice Chair Cook said that there is great interest in having solar locally and that Commissioner Danaher is a new commissioner without the benefit of those prior discussions.

Commissioner Danaher said that if there were grid support capable inverters included, then the value would be increased and the price could be increased.

Commissioner Ballantine said that factoring grid support capability into the proposal would take time and can't be done overnight. He said that this is what we have right now and he supports it.

Commissioner Eglash recommends approval of continuing the CLEAN price at 16.5 cents/kWh, noting that the proposal is the same as Council action just 7 months ago. Ratchye explained that the situation is different from the Council action in May 2015 in some significant ways. She reminded that the Finance Committee voted unanimously to reduce the CLEAN price for local solar to the avoided cost, but that the Council ultimately decided to continue the 16.5 cents/kWh price after directing that the expected revenue from the expected lease for the City garage solar systems be allocated to the Electric Fund to cover the excess cost for the portion of the program cap that was planned to be used by that project. However, the lease negotiations are proceeding with a new vendor and the lease payments are significantly less than the original proposal. In addition, Ratchye reminded that the avoided cost of local solar has declined consistent with the latest renewable energy RFP results.

Commissioner Eglash said that the Council and community recognize the value of local solar and that it has been consistent in its support for the extra costs above the market value. He noted that he opposed such a high CLEAN price when it was initially presented to the UAC, but supports the recommendation tonight because of the strong support for solar in the community.

Commissioner Danaher recommended that the report that moves on to the Council explicitly enumerate the benefits of local solar.

ACTION:
Commissioner Eglash made a motion that the UAC recommend that Council support the staff recommendation. Vice Chair Cook seconded the motion. The motion carried by a 3-0 vote with Vice Chair Cook and Commissioners Eglash and Ballantine voting yes, Commissioner Danaher abstaining and Chair Foster and Commissioners Hall and Schwartz absent.

ATTACHMENT D

FINAL EXCERPTED MINUTES OF THE DECEMBER 2, 2015 UTILITIES ADVISORY COMMISSION MEETING

ITEM 2. ACTION: Staff Recommendation that the Utilities Advisory Commission Recommend that the City Council Adopt a Resolution to Continue the Palo Alto Clean Local Energy Accessible Now (CLEAN) Program at the Current Contract Price of $0.165 per kilowatt-hour for Local Solar Resources and at the Avoided Cost Level ($0.081 to $0.082 per kilowatt-hour) for Local Non-solar Eligible Renewable Resources

Senior Resource Planner Jim Stack noted that staff returns every year near the end of the year to update the program and the value (or "avoided cost") of local renewable supplies. He discussed the history of the program as it changed from when the program was first adopted in March 2012. He noted that when the Finance Committee last reviewed the program, it voted to reduce the contract price for solar resources from 16.5 cents/kWh to the avoided cost at the time (9.3 cents/kWh), however the Council ultimately approved continuing the 16.5 cents/kWh price, but directed that the rent revenues from an impending project to put solar PV on City parking garage rooftops be allocated to the Electric Fund to offset the rate impact of paying a contract price that exceeds the avoided cost. Stack noted that despite the avoided cost being lowered based on the latest renewable energy request for proposals, staff recommends that the 16.5 cent/kWh price be continued.

Commissioner Eglash asked why, given the direction from Council in May, this topic is coming back to the UAC now. Stack said that it is prudent to revisit the value of solar and the program annually. Assistant Director Jane Ratchye added that it has been a full year since this item was last discussed by the UAC.

Commissioner Eglash said he expects as the cost of solar has fallen and continues to fall, that the CLEAN price should eventually be attractive to someone. Stack reminded that the federal Investment Tax Credit (ITC) is scheduled to fall significantly at the end of 2016, which will change the economics for projects. Commissioner Eglash noted that the value of solar has fallen and the excess cost (the amount by which the CLEAN contract price exceeds the local solar avoided cost) has grown, but it is still small compared to the impact to the electric utility from the drought so he is persuaded to agree with the staff recommendation to maintain the 16.5 cent/kWh price.

Commissioner Ballantine commented that additional equipment is required for local solar installations to provide local grid resiliency because if there is a power outage, solar systems employing standard inverters will all shut off as well and will not continue to provide power to the building or the grid. He said that supply reliability is an interesting issue and the City may want to think about encouraging or requiring systems to use new grid technology so that all the inverters for these systems don't turn off when we really want them to be operating. He said that installations operating independent of the utility system may be considered too. He noted that there could be a technical situation with the inverters in the event of a voltage variation that could lead to reduced reliability. He suggested that the program should consider this problem in its design. He added that if the program does not have any takers, maybe there are other issues such as obtaining financing that could be solved. He said that perhaps a different incentive structure could be contemplated with a focus on the loading of the distribution system since there could be a location on the distribution system that would benefit more from the addition of distributed generation, but that as certain types of renewables come online, the City may see negative impacts on the system in some areas.

Commissioner Danaher asked how the avoided cost of the non-solar renewable energy was calculated. Stack explained that the non-solar renewable energy is calculated by looking at the general cost of renewable energy based on results from the latest Request for Proposals (RFP) for baseload-type projects like a biomass generator, and adding in additional values provided by local generation, such as reduced transmission costs, resource adequacy capacity requirements, and distribution system losses. Commissioner Danaher asked why the avoided cost of solar was higher than for non-solar local renewables. Ratchye replied that it is because energy prices tend to be higher in the middle of the day, which coincides with when solar systems are generating energy.

Commissioner Eglash suggested that the breakdown of the value of solar could be added to the report to clarify all the parts that make up the avoided cost, and noted that a prior staff report had provided that detail. Stack said that the breakdown of the components of the avoided cost could be added to the report as it goes to the Finance Committee and Council for consideration. Vice Chair Cook agreed that the Council would benefit from seeing this diagram of the makeup of the avoided costs.

Commissioner Danaher said that he still doesn't understand why local solar is more valuable than solar from Central Valley transmitted to the City. Stack summarized the aspects of the avoided costs including the losses and transmission costs. Ratchye noted that the difference between the avoided cost (about 8.9 cents/kWh) and the CLEAN price was part of the findings made by Council when it last approved the CLEAN price. She pointed to Attachment A of the report, the draft resolution, which lists the additional values of local solar in Section 3 including: "a portion of the City's electric expenditures remain within the community, which provides revenue for local economic development", reducing the need for new transmission lines, shading which can reduce the energy required for building cooling and create value for vehicle owners, and resiliency of the City's distribution system in combination with other equipment such as electric storage systems (e.g. batteries).

Commissioner Ballantine suggested that with grid support capable inverters, the local resiliency value can be realized. Without that, it can't provide local resiliency. He said that there must be grid support capable inverters, or storage, or direct wiring to load to actually have a local resiliency benefit.

Commissioner Danaher said that the goal is to have the cleanest possible resources at the lowest possible cost. He said that he would rather not subsidize local solar if it can be found outside the City for a better price. He would prefer one price for solar and a premium price for solar that can actually provide local reliability. He noted that the extra $380,000 per year for 25 years (the difference between the solar avoided cost and the CLEAN price of 16.5 cents/kWh) could pay for extra staff, which could be more valuable.

Vice Chair Cook said that there is great interest in having solar locally and that Commissioner Danaher is a new commissioner without the benefit of those prior discussions.

Commissioner Danaher said that if there were grid support capable inverters included, then the value would be increased and the price could be increased.

Commissioner Ballantine said that factoring grid support capability into the proposal would take time and can't be done overnight. He said that this is what we have right now and he supports it.

Commissioner Eglash recommends approval of continuing the CLEAN price at 16.5 cents/kWh, noting that the proposal is the same as Council action just 7 months ago. Ratchye explained that the situation is different from the Council action in May 2015 in some significant ways. She reminded that the Finance Committee voted unanimously to reduce the CLEAN price for local solar to the avoided cost, but that the Council ultimately decided to continue the 16.5 cents/kWh price after directing that the expected revenue from the expected lease for the City garage solar systems be allocated to the Electric Fund to cover the excess cost for the portion of the program cap that was planned to be used by that project. However, the lease negotiations are proceeding with a new vendor and the lease payments are significantly less than the original proposal. In addition, Ratchye reminded that the avoided cost of local solar has declined consistent with the latest renewable energy RFP results.

Commissioner Eglash said that the Council and community recognize the value of local solar and that it has been consistent in its support for the extra costs above the market value. He noted that he opposed such a high CLEAN price when it was initially presented to the UAC, but supports the recommendation tonight because of the strong support for solar in the community.

Commissioner Danaher recommended that the report that moves on to the Council explicitly enumerate the benefits of local solar.

ACTION:
Commissioner Eglash made a motion that the UAC recommend that Council support the staff recommendation. Vice Chair Cook seconded the motion. The motion carried by a 3-0 vote with Vice Chair Cook and Commissioners Eglash and Ballantine voting yes, Commissioner Danaher abstaining and Chair Foster and Commissioners Hall and Schwartz absent.

ATTACHMENT E

FINANCE COMMITTEE ACTION MINUTES

Regular Meeting
Tuesday, February 16, 2016

Chairperson Filseth called the meeting to order at 7:12 P.M. in the Community Meeting Room, 250 Hamilton Avenue, Palo Alto, California.

Present: Filseth (Chair), Holman, Schmid, Wolbach

Absent:

Agenda Items

1. Utilities Advisory Commission Recommendation That the City Council Adopt a Resolution to Approve a Power Purchase Agreement With Hecate Energy Palo Alto LLC for up to 75,000 Megawatt-hours per Year of Energy Over a Maximum of 40 Years for a Total not to Exceed Amount of $101 Million.

MOTION: Council Member Schmid moved, seconded by Council Member Holman to recommend the City Council adopt a Resolution to:

1. Approve a Power Purchase Agreement (PPA) with Hecate Energy Palo Alto LLC (Wilson Solar) for up to 75,000 Megawatt-hours (MWh) per year of energy for up to forty years at a total cost not to exceed $101 million; and

2. Delegate to the City Manager or his designee, the authority to execute on behalf of the City the PPA with HEPA, the three contract term extension options available to the City under the PPA, and any documents necessary to administer the agreements that are consistent with the Palo Alto Municipal Code and City Council approved policies; and

3. Waive the application of the investment-grade credit rating requirement of Section 2.30.340(d) of the Palo Alto Municipal Code; and

4. Waive the application of the anti-speculation requirement of Section D.1 of the City's Energy Risk Management Policy as it may apply to this PPA.

MOTION PASSED: 4-0

2. Utilities Advisory Commission Recommendation that the City Council Adopt a Resolution to Continue the Palo Alto Clean Local Energy Accessible Now (CLEAN) Program at the Current Contract Price of $0.165 per kilowatt-hour for Local Solar Resources and at the Avoided Cost Level ($0.081 to $0.082 per kilowatt-hour) for Local Non-solar Eligible Renewable Resources.

MOTION: Chair Filseth moved, seconded by Council Member Schmid to recommend the City Council adopt a Resolution to:

1. Maintain the Palo Alto CLEAN contract price of 16.5 cents per kilowatt-hour (kWh) for local solar resources that have already submitted applications to the CLEAN program and reduce the CLEAN contract price for future local solar resources to their current avoided cost: 8.9 cents /kWh for a 20-year contract term and 9.0 cents/kWh for a 25-year contract term, and continue with a program limit of 3 megawatts (MW); and

2. Reduce the Palo Alto CLEAN contract price for local non-solar eligible renewable resources equal to their current avoided cost: 8.1 cents/kWh for a 20-year contract term and 8.2 cents/kWh for a 25-year contract term, and continue with a separate program limit of 3 MW.

MOTION PASSED: 4-0

3. Commercial and Residential Impact Fee Nexus Studies and Recommend Affordable Housing Impact Fees.

MOTION: Chair Filseth moved, seconded by Council Member Wolbach that the Finance Committee directs Staff to revise the recommendation and bring back an Ordinance with the objective of significantly increasing impact fees for commercial development in order to maximize affordable housing revenue. This includes the following considerations:

1. Set the Impact Fee per square foot for office, medical and R&D at twice the amount as residential; and

2. Consider the extent to which the City can set the Impact Fee for office, medical and R&D somewhere between the maximum feasible fee and maximum justified fee.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add to the Motion, "to also include the option of either a fee or inclusionary housing, which will allow the developer to construct units instead of paying the fee."

MOTION PASSED: 4-0

4. Approval of Amendment to Table of Organization by Adding 1.0 FTE Management Analyst in the Development Services Department.

MOTION: Council Member Wolbach moved, seconded by Council Member Holman to recommend the City Council amend the Table of Organization by adding 1.0 Full Time Employee (FTE) Management Analyst in the General Fund, Development Services Department.

AMENDMENT: Chair Filseth moved, seconded by Council Member Schmid to add a comment to the Finance Committee recommendation that the target headcount for 2017 Management Professional positions remain at 217.4.

AMENDMENT FAILED: 2-2 Holman, Wolbach no

MOTION PASSED: 4-0

ADJOURNMENT: The meeting was adjourned at 10:30 P.M.