ADVICE 1726-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: REQUEST FOR RESOLUTION APPROVING AS REASONABLE AMENDMENT NO. 2 TO THE POWER PURCHASE CONTRACT BETWEEN SOUTHERN CALIFORNIA EDISON COMPANY AND ORMESA GEOTHERMAL (QFID No. 3010) AND CONTRACT TERMINATION AGREEMENT BETWEEN ORMESA GEOTHERMAL II (QFID No. 3012) AND SOUTHERN CALIFORNIA EDISON

Southern California Edison Company (“SCE”) hereby transmits for filing and approval Amendment No. 2 to the Power Purchase Contract Between Southern California Edison Company and Ormesa Geothermal (QFID No. 3010) (“Amendment No. 2”) and Contract Termination Agreement Between Ormesa Geothermal II and Southern California Edison Company (QFID No. 3012) (“Termination Agreement”) (together, the “Agreements”). Copies of Amendment No. 2 and the Termination Agreement are provided at Confidential Attachments 2 and 3, respectively.1

1. PURPOSE

Pursuant to Decision (“D.”) 98-12-066, SCE seeks a Resolution by the California Public Utilities Commission (“Commission”) approving the

1 As set forth below, Attachment 1 is an index of all Attachments to this Advice Letter. As shown on Attachment 1, in addition to the Agreements for which approval is sought, SCE also provides other relevant documents, including the underlying power purchase agreements and all previous amendments thereto.
Agreements as reasonable. Specifically, this Restructuring Advice Letter Filing (“RALF”) seeks approval for the consolidation of power purchase agreements (“PPAs”) for two viable adjacent geothermal QF projects (the Ormesa Geothermal Project and the Ormesa Geothermal II Project [together, the “Projects”]), owned by the same developer, into a single restructured contract. The Commission’s approval of the Amendment and Termination Agreement, and the contract restructuring provided for therein will:

- Result in substantial ratepayer savings when compared to the status quo.
- Permit the efficient operation of the Projects as an integrated facility.
- Preserve all ratepayer benefits under the Projects’ current PPAs.

The Agreements are subject to the condition of “Commission Approval,” which means a Commission decision expressly approving the Agreements as reasonable and prudent and finding that SCE may recover in rates all payments made thereunder, that has become final and no longer subject to appeal, by or before December 1, 2003 (or by such other date as the parties may mutually agree). SCE accordingly seeks an Order, Decision or Resolution of the Commission approving the Agreements as provided above at the earliest possible time, but in any event, no later than November 1, 2003, so that, after taking into account the 30 day period for applications for rehearing, the condition of finality may be achieved by the agreed-upon December 1, 2003 deadline. As indicated in Attachment 4, the Office of Ratepayer Advocates (“ORA”) supports the filing being processed in the most expeditious manner as a RALF and recommends approval of the Agreements.

This RALF requests the Commission to adopt a resolution at the earliest possible time, but, by no later than November 1, 2003, as provided above:

(1) Approving Amendment No. 2 as reasonable in all respects
(2) Approving the Termination Agreement entered into concurrently with and pursuant to Amendment No. 2 as reasonable in all respects; and
(3) Providing that all payments made pursuant to Amendment No. 2 and the Termination Agreement are fully recoverable in SCE’s retail rates subject only to review by the Commission with respect to reasonableness of SCE’s administration of the QFID 3010 PPA (the “Ormesa Geothermal PPA”) as amended by Amendment No. 2.

---

2. **PROJECT OWNERSHIP**

In filings before the Federal Energy Regulatory Commission ("FERC") dated December 30, 2002, Ormesa LLC, a Delaware limited liability company, represented that it is the successor to Ormesa Geothermal and Ormesa Geothermal II, Sellers under the current QFID 3010 and 3012 power purchase agreements, respectively. Thus, both of the Projects are currently under similar ownership.

3. **PROJECT DESCRIPTION**

The Ormesa Geothermal and Ormesa Geothermal II Projects are geothermal Qualifying Facilities located in Imperial County, California.

SCE’s power purchases from Ormesa Geothermal and Ormesa Geothermal II are currently made in accordance with the terms and conditions of the Ormesa Geothermal and Ormesa II (QFID 3012) PPAs, which were entered into pursuant to the Public Utility Regulatory Policies Act of 1978 (“PURPA”), FERC’s regulations implementing PURPA (18 C.F.R. § 292.101 et seq. (2002)), and decisions and orders of the Commission implementing PURPA in California. These PPAs account for approximately 65.3 MW of installed electric geothermal generating capacity. The PPAs are based on Commission-approved standard offer forms and all provide for 30-year terms. The Ormesa Geothermal agreement was entered into on July 18, 1984 and the Ormesa Geothermal II agreement (QFID 3012) on June 13, 1984. Copies of the Agreements are provided as confidential Attachments 6 and 7. These agreements will expire in 2017 and 2018, respectively. Energy deliveries by the Projects during 2002 collectively totaled approximately 374,085,000 KWh.

4. **THE AGREEMENTS AND RATEPAYER BENEFIT**

Copies of communications between SCE and ORA explaining the Agreements and the ratepayer benefits of the Agreements are provided as Confidential Attachment 5. As shown by this confidential Attachment, the Agreements: (i) consolidate the two Projects so that their output is delivered under the terms of the Ormesa Geothermal PPA, as amended by Amendment No. 2, and (ii) terminate the Ormesa II (QFID 3012) power purchase agreement (Termination Agreement). Attachment 4 is a letter from ORA, recommending approval of the Agreements. ORA’s letter supports SCE’s analysis of the ratepayer benefits to be provided by the Agreements.

5. **OTHER BENEFITS**

As described in confidential Attachment 5, in addition to ratepayer benefit, the
proposed Amendment No. 2 and the PPA Termination Agreement will enable these renewable QFs to realize cost savings, thereby enhancing their ability to provide renewable power to SCE.

6. EFFECTIVE DATE: CPUC APPROVAL

The effectiveness of the substantive provisions of Amendment No. 2, and of the Termination Agreement, are conditioned on timely Commission Approval as defined in Amendment No. 2, being obtained or waived. As explained in Section 1 above, SCE requests Commission Approval at the earliest possible time but, in no event, later than November 1, 2003, to comply with the agreed-upon deadline by which any Commission decision approving the Agreements must become final and no longer subject to appeal. The requirements pertaining to Commission Approval are found in Section 2 of Amendment No. 2 (Confidential Attachment 2). This Commission Approval requirement is incorporated into the Termination Agreement. See Termination Agreement, Sections 1, 12 (Confidential Attachment 3).

7. ATTACHMENTS

An Index of Attachments to this RALF is provided concurrently herewith as Attachment 1.

As required by D.98-12-066, *mimeo*, Attachment B, ¶3j, SCE attaches true and correct copies of the PPA, Amendment No. 1, and Amendment No. 2 for QFID No. 3010; the PPA and contract termination agreement for QFID 3012; SCE’s communications with ORA regarding the benefits of the Agreements, dated June 11 and June 26, 2003; and the communications from ORA to SCE dated June 16, 2003 and July 14, 2003.

8. ORA STATEMENT OF SUPPORT OR NEUTRALITY

Pursuant to the procedure established in D.98-12-066, SCE sought a statement of support or neutrality from the ORA. In response to this request, the ORA has issued a letter supporting the filing being processed as a RALF and supporting Commission approval of the Agreements. See Attachment 4.

9. CONFIDENTIALITY

D.98-12-066, Attachment B, ¶4a-h, provides that the publicly available version of a RALF may be redacted to delete certain types of information. Amendment No. 2 and the Termination Agreement are subject to a Confidentiality Agreement requiring the parties thereto seek confidentiality treatment with respect to filings seeking regulatory approval of those agreements. This
Confidentiality Agreement would cover the Agreements, the communications with ORA regarding the Agreements and the ORA’s letter supporting the Agreements and analyzing the benefits of the Agreements. Therefore, SCE has filed both public and non-public versions of the RALF and related Attachments. In the public version of the RALF, the Confidential Attachments noted above (Attachments 2, 3, and 5) are partially redacted.

10. NOTICE

Anyone wishing to protest or respond to this RALF may do so by submitting such protest or response no later than twenty (20) days after the date that this RALF is first reported in the Commission’s Daily Calendar. The protest or response should be submitted to:

IMC Program Manager
Energy Division
c/o Jerry Royer
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, California 94102
Facsimile: (415) 703-2200
e-mail: jjr@cpuc.ca.gov

with a copy to Director, Energy Division, Room 4004, California Public Utilities Commission at the same address. Concurrently, the protest or response shall be served on SCE by facsimile or e-mail as follows:

Akbar Jazayeri
Director of Revenue and Tariffs
c/o Emelyn Lawler
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
Facsimile: (626) 302-4829
e-mail: emelyn.lawler@sce.com

With a copy to:

John Hall
Attorney
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
Facsimile: (626) 302-1906
e-mail: john.hall@sce.com

and an additional copy to:
There are no restrictions on who may file a protest or response, but the protest or response shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously. Pursuant to D.98-12-066, this RALF may be protested on one or more of the following grounds:

a. SCE did not properly serve or give notice of the advice letter;
b. the relief requested in the advice letter would violate statute or Commission order;
c. The advice letter contains material errors, or it does not follow the Commission’s approved methodology, if any; or
d. The proposed restructuring is unjust, unreasonable, or discriminatory, provided, however, that this advice letter is not subject to protest on these grounds if such protest would require relitigating a prior order of the Commission.

11. SERVICE

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the RALF open for public inspection at SCE’s corporate headquarters at the address indicated above. To view this filing and other SCE advice letters filed with the Commission, log on to http://www.sce.com/adviceletters.

For questions, please contact John Hall at (626) 302-1096 or by electronic mail at john.hall@sce.com.

Southern California Edison Company

Akbar Jazayeri
ATTACHMENT 1

INDEX OF ATTACHMENTS
INDEX OF ATTACHMENTS

Attachment 1  Index of Attachments

Attachment 2 Amendment No. 2 to the Power Purchase Contract between Southern California Edison Company and Ormesa Geothermal, QFID 3010, May 1, 2003; and Appendix A, Contract Termination Agreement between Ormesa Geothermal II and Southern California Edison Company, QFID 3012, May 1, 2003. [REDACTED IN PUBLIC VERSION]

Attachment 3 Contract Termination Agreement between Ormesa Geothermal II and Southern California Edison Company, QFID 3012, May 1, 2003. [REDACTED IN PUBLIC VERSION]


Attachment 6 Power Purchase Contract between Southern California Edison Company and Republic Geothermal, QFID 3010, July 18, 1984; and Amendment No. 1 to the Power Purchase Contract between Southern California Edison Company and Ormesa Geothermal, QFID 3010, December 23, 1988.

CONFIDENTIAL ATTACHMENT 2
Amendment No. 2 to the Power Purchase Contract between Southern California Edison Company and Ormesa Geothermal, QFID 3010, May 1, 2003; and Appendix A, Contract Termination Agreement between Ormesa Geothermal II and Southern California Edison Company, QFID 3012, May 1, 2003.
[REDACTED IN PUBLIC VERSION]
CONFIDENTIAL ATTACHMENT 3

APPENDIX A


[REDACTED IN PUBLIC VERSION]
ATTACHMENT 4

CONFIDENTIAL ATTACHMENT 5

ATTACHMENT 6

Power Purchase Contract between Southern California Edison Company and Republic Geothermal, QFID 3010, July 18, 1984; and Amendment No. 1 to the Power Purchase Contract between Southern California Edison Company and Ormesa Geothermal, QFID 3010, December 23, 1988.
ATTACHMENT 7

ATTACHMENT 1

INDEX OF ATTACHMENTS

PUBLIC VERSION
REDACTED PURSUANT TO PUB. UTIL. CODE SECTION 583
AND GENERAL ORDER 66-C
INDEX OF ATTACHMENTS

<table>
<thead>
<tr>
<th>Attachment</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Index of Attachments</td>
</tr>
<tr>
<td>2</td>
<td>Amendment No. 2 to the Power Purchase Contract between Southern California Edison Company and Ormesa Geothermal, QFID 3010, May 1, 2003; and Appendix A, Contract Termination Agreement between Ormesa Geothermal II and Southern California Edison Company, QFID 3012, May 1, 2003. [REDACTED IN PUBLIC VERSION]</td>
</tr>
<tr>
<td>3</td>
<td>Contract Termination Agreement between Ormesa Geothermal II and Southern California Edison Company, QFID 3012, May 1, 2003. [REDACTED IN PUBLIC VERSION]</td>
</tr>
<tr>
<td>6</td>
<td>Power Purchase Contract between Southern California Edison Company and Republic Geothermal, QFID 3010, July 18, 1984; and Amendment No. 1 to the Power Purchase Contract between Southern California Edison Company and Ormesa Geothermal, QFID 3010, December 23, 1988.</td>
</tr>
</tbody>
</table>
CONFIDENTIAL ATTACHMENT 2

Amendment No. 2 to the Power Purchase Contract between Southern California Edison Company and Ormesa Geothermal, QFID 3010, May 1, 2003; and Appendix A, Contract Termination Agreement between Ormesa Geothermal II and Southern California Edison Company, QFID 3012, May 1, 2003.

[REDACTED IN PUBLIC VERSION]
AMENDMENT NO. 2

to the
POWER PURCHASE CONTRACT
Between
SOUTHERN CALIFORNIA EDISON COMPANY
and
ORMESA GEOTHERMAL
QFID 3010

This Amendment No. 2 ("Amendment") to the Power Purchase Contract ("Contract") is entered into by ORMESA LLC, a Delaware limited liability company ("Seller") and SOUTHERN CALIFORNIA EDISON COMPANY, a California corporation ("Edison"). Seller and Edison are sometimes referred to in this Amendment individually as a "Party" and jointly as the "Parties."

RECITALS

The Parties enter into this Amendment with reference to the following facts, among others:

A. On July 18, 1984, Edison and Republic Geothermal, Inc. ("Republic") executed the Contract, whereby Edison agreed to purchase energy and capacity from a geothermal power plant (the "3010 Project") located in East Mesa, Imperial County, California. Edison identifies the 3010 Project as QFID 3010.

B. On December 19, 1984, Edison consented to an assignment by Republic of all its rights to and interests in the Contract to Ormat Systems, Inc.

C. On July 22, 1985, Edison consented to an assignment by Ormat Systems, Inc. of all its right to and interest in the Contract to Ormesa Geothermal.

D. On December 22, 1988, Edison and Ormesa Geothermal entered into Amendment No. 1 to the Contract ("Amendment No. 1"), which increased Contract Capacity, limited energy deliveries under the Contract and limited Contract Capacity eligible for a Capacity bonus payment. On June 15, 2001, Edison and Seller entered into the Agreement addressing Renewable Energy Pricing and Payment Issues ("Renewable Agreement"). References to the "Contract" herein shall mean the contract, as amended by Amendment No. 1, and the Renewable Agreement.

E. In a filing before the Federal Energy Regulatory Commission ("FERC") dated December 30, 2002, Seller represented that it is the successor to Ormesa Geothermal, following a recent merger between Seller and a number of its subsidiaries.
F. In a second filing before the FERC, also dated December 30, 2002, Seller represented that it is also the successor to Ormesa Geothermal II, the seller under a separate power purchase contract with Edison, that provides for the sale to Edison of electrical power generated by a separate geothermal plant (the "3012 Project") which is also located in East Mesa, Imperial County, California. Edison identifies the 3012 Project as QFID 3012 ("3012 Contract").

G. For purposes of realizing operating efficiencies by consolidating the 3010 Project and the 3012 Project under the Contract, Seller wishes to terminate the 3012 Contract and to enter into an amendment to the Contract to provide for the consolidation.

H. Edison agrees to amend the Contract for valuable consideration, as provided by the terms stated herein:

I. On or about November 23, 2002, the Parties entered into a confidential and non-disclosure agreement protecting the negotiations from public disclosure.

**AGREEMENT**

1. As of the Effective Date (defined in Section 2, below), the Parties agree to amend the Contract as follows:

1.1 Sections 1.2. shall be amended and restated in its entirety to read as follows:

   "a. Nameplate Rating: 56,500 kW.

   b. Location: East Mesa, Imperial County, California, as shown in the map attached hereto as Appendix D.

   c. Type: Binary/Flash geothermal systems"

1.2 Section 1.3 shall be amended and restated in its entirety to read as follows:

   "1.3 Contract Capacity: 46,500 kW."

1.3 Section 1.4 shall be amended and restated in its entirety to read as follows:

   "1.4 Expected annual production: 288,192,000." kwh

1.4 Section 1.6 shall be amended and restated in its entirety to read as follows:

   "1.6 The Contract shall terminate at 11:59 p.m. December 31, 2017."
1.5 Section 1.8. shall be amended and restated in its entirety to read as follows:

“The Contract Capacity Price for purposes of calculating the monetary capacity payment to be made to Seller as provided in Section 8.1 shall be $174.58 kW-yr. (Firm Capacity). Seller shall be deemed to have selected Capacity Payment Option B for purposes of Section 8.1.”

1.6 Sections 2.1, 2.2 and 2.5 shall be deleted in their entirety.

1.7 Section 2.9 shall be amended and restated in its entirety to read as follows:

“2.9 Contract Capacity Price: The Contract Capacity Price of $174.58/kW-yr, as specified in Section 1.8.”

1.8 Section 2.11 shall be deleted in its entirety.

1.9 Section 8.1 shall be amended and restated in its entirety to read as follows: 

“8.1 Capacity Payments

Seller shall sell to Edison and Edison shall purchase from Seller capacity at the price set forth in Section 1.8. Seller shall be paid a monthly capacity payment subject to the conditions herein.”

1.10 The definition of the formula value “A” in Section 8.1.2.1 shall be amended and restated to read as follows.

“Where A = Contract Capacity Price specified in Section 1.8.”

1.11 The definition of the formula value “D” in Section 8.1.2.4c shall be amended and restated to read as follows:

“D = 42,000 kW”

1.12 Section 8.3 shall be amended and restated in its entirety to read as follows:

“During the Second Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for electrical energy delivered by Seller up to a limit of 56,500 kWh per hour and purchased by Edison at the Point of Interconnection at a rate equal to 100% of Edison’s published avoided cost of energy based on Edison’s full avoided operating cost as updated periodically and accepted by the Commission, pursuant to the formula set
forth below. Edison shall not pay for electrical energy delivered by Seller in excess of the 56, 500 kWh per hour limit.

Monthly Energy Payment = kWh purchased by Edison, limited to 56,500 kWh per hour, for each on-peak, mid peak, off-peak and super-off peak time period defined in Edison’s Tariff Schedule No. TOU-8

x Edison’s published avoided cost of energy by time of delivery for each time period

x Energy Loss Adjustment Factor for Remote Generation Sites*

*The Energy Loss Adjustment Factor for Remote Generating Sites shall be 1.0, subject to adjustment by Commission orders or rulings.”

2. This Amendment No. 2 shall become effective when it is executed by duly authorized representatives of each of the Parties, except that the entirety of Section 1 above (including Sections 1.1 through 1.13) shall only become effective (“Effective Date”) at 12:01 on the first day of the first full month after each of the following has occurred: (i) execution of a Termination Agreement for the 3012 Contract in substantially the form as Exhibit A hereto by duly authorized representatives of Edison and Seller; (ii) payment by Seller to Edison of the sum of [REDACTED] and (iii) “Commission Approval,” as defined in this Section, has been obtained. Commission Approval means the issuance by the Commission of a decision that is final and no longer subject to appeal, which expressly approves this Amendment No. 2 and the Termination Agreement and finds that Edison’s entry into both the Amendment No. 2 and the Termination Agreement is reasonable and prudent and that Edison may recover in rates all payments made under the Amendment No. 2 and the Termination Agreement (the “Required Findings”).

2.1 Edison may waive the condition precedent of Commission Approval in its sole discretion by providing Seller with written Notice of such waiver.

2.2 Seller shall pay Edison the sum of [REDACTED], within five (5) days after the date of Commission Approval or within five (5) days after the date that Seller receives written Notice that Edison has waived the condition precedent of Commission Approval.

2.3 Edison shall seek Commission approval through an application or other appropriate proceeding (the “Application”) which Edison shall file with the Commission. If requested by Edison, in its sole discretion, Seller shall support the Application and preparation thereof by promptly providing data and/or written testimony in order to facilitate preparation of the Application and/or Edison’s efforts to obtain Commission Approval.
2.4 If (i) the Parties do not sign the Termination Agreement within five (5) days after the date of Commission approval; (ii) Commission approval is not obtained by December 1, 2003, or such other date as the Parties may mutually agree to in writing, (iii) the Commission issues a decision disapproving the Application (iv) the Commission issues a decision in response to the Application that does not contain the Required Findings, or (v) Seller fails to make the payment to Edison as provided in Section 2.2 above, then on the first day of any of these occurrences, the Amendment and the Termination Agreement shall terminate and be of no further force or effect.

2.5 The Parties may mutually agree in writing to extend the deadline by which Commission Approval shall be obtained.

3. Except as amended herein, all terms, covenants and conditions in the Contract shall remain in full force and effect.

4. Terms or words that are capitalized and not defined in this Amendment shall have the same meaning as in the Contract.

5. This Amendment may only be amended by a writing signed by both Parties.

6. This Amendment shall be governed by and construed and enforced in accordance with the laws of the State of California, without giving effect to choice of law provisions that might apply the laws of a different jurisdiction.

7. Both Parties have participated in the drafting of this Amendment and each Party adopts the language of the Amendment as though it were its own, so the Amendment shall be interpreted in accordance with the plain meaning of its terms and not strictly for or against either Party.

8. This Amendment No. 2 may be executed in counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute a single document.
9. Each Party represents and warrants that the person who signs below on behalf of such Party has authority to execute this Amendment on behalf of the Party for whom such person signs.

SOUTHERN CALIFORNIA EDISON COMPANY,
a California corporation

By: __________________________
Name: Alan J. Fohrer
Title: Chief Executive Officer
Date: May 1, 2003

ORMESA LLC,
a Delaware limited liability company

By: __________________________
Name: Connie Stechman
Title: Assistant Secretary
Date: April 28, 2003

APPROVED
STEPHENV Pickett
Sr. Vice President and
General Counsel

By: __________________________
Name: Matthews
Title: Attorney
Date: May 20, 2003
Appendix A

CONTRACT TERMINATION AGREEMENT
between
ORMESA GEOTHERMAL II
and
SOUTHERN CALIFORNIA EDISON COMPANY
(QFID No. 3012)

This Contract Termination Agreement ("Agreement") is entered into by ORMESA LLC ("Seller"), a Delaware limited liability company, and SOUTHERN CALIFORNIA EDISON COMPANY ("Edison"), a California corporation. Seller and Edison are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

The Parties enter into this Agreement with reference to the following facts, among others:

A. On June 13, 1984, Edison and Ormat Systems, Inc. ("Ormat") entered into a power purchase contract (the "PPC"), under which Ormat delivered to Edison, in exchange for compensation, electrical power generated by a geothermal project (the "3012 Project") located in East Mesa, Imperial County, California. Edison identifies the 3012 Projects as QFID 3012.

B. On July 28, 1987, Edison consented to an assignment of all of Ormat's interest in the PPC to Ormat Energy Systems, Inc. ("Ormat Energy"). On April 30, 1987, Edison consented to an assignment of all of Ormat Energy's interest in the PPC to Ormsea Geothermal II.

C. In a filing before the Federal Energy Regulatory Commission ("FERC") dated December 30, 2002, Seller represents that it is the successor to Ormsea Geothermal II, following a recent merger between Seller and a number of its subsidiaries.

D. In separate filing before the FERC, also dated December 30, 2002, Seller represents that it is the successor to Ormsea Geothermal. Seller is therefore also a party to a separate power purchase contract (the "3010 Contract") with Edison that provides for the sale to Edison of electrical power generated by a separate geothermal plant (the "3010 Project") which is also located in East Mesa, Imperial County, California. Edison identifies the 3010 Project as QFID 3010.

D. For purposes of realizing operating efficiencies by consolidating the 3010 Project and the 3012 Project under the 3010 Contract, Seller desire that Seller
terminate the PPC and enter into Amendment No. 2 to the 3010 Contract to provide for the consolidation.

E. Edison agrees to terminate the PPC for valuable consideration, as provided by the terms stated herein and in Amendment No. 2 to the 3010 Contract.
AGREEMENT

The Parties agree:

1. TERMINATION OF THE PPC

Notwithstanding anything to the contrary in the PPC, the PPC shall terminate effective at 12:01 a.m. on the first full month after each of the following has occurred: (i) execution of this Agreement by duly authorized representatives of both of the Parties; (ii) payment by Seller Edison of the sum of: [REDACTED] as provided for in Amendment No. 2 to the 3010 Contract; (iii) execution of Amendment No. 2 to the 3010 Contract by duly authorized representatives of both of the Parties; and (iv) “Commission Approval,” of Amendment No. 2 of the 3010 Contract, and of this Agreement has been obtained, as defined in Amendment No. 2 of the 3010 Contract. If requested by Edison in its sole discretion, Seller shall support the Application for Commission Approval, as provided for in Amendment No. 2 of the 3010 Contract, and the preparation of such Application, by promptly providing data and/or written testimony in order to facilitate preparation of the Application and/or the Edison’s efforts to obtain Commission Approval.

2. INDEMNIFICATION

Seller shall indemnify and hold Edison harmless from and against any and all claims, damages, demands, losses, expenses, debts, accounts, obligations, costs, expenses, liens, actions or causes of action and other liabilities (including without limitation reasonable legal and accounting fees and costs) of any nature suffered or incurred by Edison that arise out of or relate to or in connection with (i) any claims asserted or action taken against Edison by any third party, which claims or actions relate to this Agreement and/or the PPC, or (ii) any claims or judgment brought or obtained by any third party or other person claiming rights as a Seller under the PPC.

3. RELEASES

Upon termination of the PPC and continuing thereafter, Seller, on its own behalf and on behalf of each of its successors and assigns by operation of law or otherwise, releases and forever discharges Edison, and each of its past, present and future shareholders, officers, directors, employees, representatives, insurers, attorneys, parent corporations, subsidiary corporations and/or other affiliates, and successors and assigns, whether by operation of law or otherwise, from any and all claims arising out of or relating to Edison’s performance, failure to perform, breach of covenants and warranty, or any other claims relating to the PPC or termination of the PPC by Edison, including but not limited to, any obligation to purchase energy or capacity under the PPC. This release does not extend to
payment for power deliveries by Seller to Edison in the ordinary course of business under the PPC within the sixty day period before the effective date of the PPC termination, which deliveries have not been paid for by Edison as of the effective date of the PPC termination.

Seller expressly waives and relinquishes all rights and benefits afforded by Section 1542 of the Civil Code of California in any way relating to the release of Edison and its related parties as set forth in the immediate preceding paragraph and do so understand and acknowledge the significance and consequences of such specific waiver of Section 1542. Section 1542 of the Civil Code of California states as follows:

- "A general release does not extend to claims which the creditor does not know or suspect to exist in their favor at the time of executing the release, which if known by them must have materially affected his settlement with the debtor."

4. **NO THIRD PARTY BENEFICIARIES**

   The Parties do not intend to create rights in, or grant remedies to, any third party as a beneficiary of this Agreement or of any duty, covenant, obligation or understanding established under this Agreement.

5. **ENTIREDY**

   This Agreement constitutes the full and complete understanding of the Parties concerning the subject matter contained herein, and any prior agreements, representations, and understandings are hereby terminated and canceled in their entireties and are of no further force and effect.

6. **NON-WAIVER**

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

7. **AMENDMENT, FURTHER ASSURANCES**

   Any amendments or modifications to this Agreement shall be in writing and agreed to by each Party. Each Party agrees to execute and deliver all further instruments and documents, and take any further actions that may be reasonably necessary to effectuate the purposes and intent of this Agreement.
8. **SECTION HEADINGS**

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

9. **CONSTRUCTION**

(a) Neither Party to this Agreement shall be deemed to have drafted any part of this Agreement, and no ambiguity in the provisions of this Agreement shall be construed against any Party for having drafted any part of this Agreement.

(b) The Parties acknowledge that this Agreement is and will be the product of each Party’s concessions and unique circumstances.

10. **GOVERNING LAW**

This Agreement shall be interpreted, governed, and construed under the laws of the state of California as if executed and to be performed wholly within the State of California (without giving effect to choice of laws provisions that might apply the laws of a different jurisdiction).

11. **COUNTERPARTS**

This Agreement may be signed in counterparts, each of which shall be deemed an original and all of which shall constitute a single instrument.

12. **TERMINATION**

In the event that Amendment No. 2 to the 3010 Contract terminates for any of the reasons set forth in Section 2.4 of Amendment No. 2 to the 3010 Contract, then, effective as the date of any such termination of Amendment No. 2 to the 3010 Contract, this Agreement shall terminate as well and be of no further force or effect.

13. **SIGNATURE CLAUSE**

Each Party represents and warrants that the person who signs below on behalf of such Party has authority to execute this Agreement on behalf of such Party without the further concurrence or approval of any person, entity or court, and that all requisite approvals and consents to enter into, and bind such Party to, this Agreement have been obtained.
14. **SIGNATURES**

IN WITNESS WHEREOF, the Parties hereto have caused three originals of this agreement to be executed by their duly authorized representatives on the dates indicated below the signatures.

**SOUTHERN CALIFORNIA EDISON COMPANY,**

a California corporation

By: [Signature]

Name: Alan J. Fohrer
Title: Chief Executive Officer
Date: May 1, 2003

**ORMESA LLC,**

a Delaware limited liability company

By: [Signature]

Name: Connie Stechman
Title: Assistant Secretary
Date: April 28, 2003

**APPROVED**

STEPHEN E. PICKETT
Sr. Vice President and
General Counsel

By: [Signature]

Attorney

April 28, 2003
CONFIDENTIAL ATTACHMENT 3

APPENDIX A


[REDACTED IN PUBLIC VERSION]
Appendix A

CONTRACT TERMINATION AGREEMENT
between
ORMESA GEOTHERMAL II
and
SOUTHERN CALIFORNIA EDISON COMPANY
(QFID No. 3012)

This Contract Termination Agreement ("Agreement") is entered into by ORMESA LLC ("Seller"), a Delaware limited liability company, and SOUTHERN CALIFORNIA EDISON COMPANY ("Edison"), a California corporation. Seller and Edison are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

REICITALS

The Parties enter into this Agreement with reference to the following facts, among others:

A. On June 13, 1984, Edison and Ormat Systems, Inc. ("Ormat") entered into a power purchase contract (the "PPC"), under which Ormat delivered to Edison, in exchange for compensation, electrical power generated by a geothermal project (the "3012 Project") located in East Mesa, Imperial County, California. Edison identifies the 3012 Projects as QFID 3012.

B. On July 28, 1987, Edison consented to an assignment of all of Ormat's interest in the PPC to Ormat Energy Systems, Inc. ("Ormat Energy"). On April 30, 1987, Edison consented to an assignment of all of Ormat Energy's interest in the PPC to Ormesa Geothermal II.

C. In a filing before the Federal Energy Regulatory Commission ("FERC") dated December 30, 2002, Seller represents that it is the successor to Ormesa Geothermal II, following a recent merger between Seller and a number of its subsidiaries.

D. In separate filing before the FERC, also dated December 30, 2002, Seller represents that it is the successor to Ormesa Geothermal. Seller is therefore also a party to a separate power purchase contract (the "3010 Contract") with Edison that provides for the sale to Edison of electrical power generated by a separate geothermal plant (the "3010 Project") which is also located in East Mesa, Imperial County, California. Edison identifies the 3010 Project as QFID 3010.

D. For purposes of realizing operating efficiencies by consolidating the 3010 Project and the 3012 Project under the 3010 Contract, Seller desire that Seller
terminate the PPC and enter into Amendment No. 2 to the 3010 Contract to provide for the consolidation.

E. Edison agrees to terminate the PPC for valuable consideration, as provided by the terms stated herein and in Amendment No. 2 to the 3010 Contract.
AGREEMENT

The Parties agree:

1. **TERMINATION OF THE PPC**

   Notwithstanding anything to the contrary in the PPC, the PPC shall terminate effective at 12:01 a.m. on the first full month after each of the following has occurred: (i) execution of this Agreement by duly authorized representatives of both of the Parties; (ii) payment by Seller Edison of the sum of [REDACTED] as provided for in Amendment No. 2 to the 3010 Contract; (iii) execution of Amendment No. 2 to the 3010 Contract by duly authorized representatives of both of the Parties; and (iv) “Commission Approval,” of Amendment No. 2 of the 3010 Contract, and of this Agreement has been obtained, as defined in Amendment No. 2 of the 3010 Contract. If requested by Edison in its sole discretion, Seller shall support the Application for Commission Approval, as provided for in Amendment No. 2 of the 3010 Contract, and the preparation of such Application, by promptly providing data and/or written testimony in order to facilitate preparation of the Application and/or the Edison’s efforts to obtain Commission Approval.

2. **INDEMNIFICATION**

   Seller shall indemnify and hold Edison harmless from and against any and all claims, damages, demands, losses, expenses, debts, accounts, obligations, costs, expenses, liens, actions or causes of action and other liabilities (including without limitation reasonable legal and accounting fees and costs) of any nature suffered or incurred by Edison that arise out of or relate to or in connection with (i) any claims asserted or action taken against Edison by any third party, which claims or actions relate to this Agreement and/or the PPC, or (ii) any claims or judgment brought or obtained by any third party or other person claiming rights as a Seller under the PPC.

3. **RELEASES**

   Upon termination of the PPC and continuing thereafter, Seller, on its own behalf and on behalf of each of its successors and assigns by operation of law or otherwise, releases and forever discharges Edison, and each of its past, present and future shareholders, officers, directors, employees, representatives, insurers, attorneys, parent corporations, subsidiary corporations and/or other affiliates, and successors and assigns, whether by operation of law or otherwise, from any and all claims arising out of or relating to Edison’s performance, failure to perform, breach of covenants and warranty, or any other claims relating to the PPC or termination of the PPC by Edison, including but not limited to, any obligation to purchase energy or capacity under the PPC. This release does not extend to
payment for power deliveries by Seller to Edison in the ordinary course of business under the PPC within the sixty day period before the effective date of the PPC termination, which deliveries have not been paid for by Edison as of the effective date of the PPC termination.

Seller expressly waives and relinquishes all rights and benefits afforded by Section 1542 of the Civil Code of California in any way relating to the release of Edison and its related parties as set forth in the immediate preceding paragraph and do so understand and acknowledge the significance and consequences of such specific waiver of Section 1542. Section 1542 of the Civil Code of California states as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in their favor at the time of executing the release, which if known by them must have materially affected his settlement with the debtor."

4. **NO THIRD PARTY BENEFICIARIES**

The Parties do not intend to create rights in, or grant remedies to, any third party as a beneficiary of this Agreement or of any duty, covenant, obligation or understanding established under this Agreement.

5. **ENTIRETY**

This Agreement constitutes the full and complete understanding of the Parties concerning the subject matter contained herein, and any prior agreements, representations, and understandings are hereby terminated and canceled in their entireties and are of no further force and effect.

6. **NON-WAIVER**

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

7. **AMENDMENT, FURTHER ASSURANCES**

Any amendments or modifications to this Agreement shall be in writing and agreed to by each Party. Each Party agrees to execute and deliver all further instruments and documents, and take any further actions that may reasonably necessary to effectuate the purposes and intent of this Agreement.
8. **SECTION HEADINGS**

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

9. **CONSTRUCTION**

(a) Neither Party to this Agreement shall be deemed to have drafted any part of this Agreement, and no ambiguity in the provisions of this Agreement shall be construed against any Party for having drafted any part of this Agreement.

(b) The Parties acknowledge that this Agreement is and will be the product of each Party's concessions and unique circumstances.

10. **GOVERNING LAW**

This Agreement shall be interpreted, governed, and construed under the laws of the state of California as if executed and to be performed wholly within the State of California (without giving effect to choice of laws provisions that might apply the laws of a different jurisdiction).

11. **COUNTERPARTS**

This Agreement may be signed in counterparts, each of which shall be deemed an original and all of which shall constitute a single instrument.

12. **TERMINATION**

In the event that Amendment No. 2 to the 3010 Contract terminates for any of the reasons set forth in Section 2.4 of Amendment No. 2 to the 3010 Contract, then, effective as the date of any such termination of Amendment No. 2 to the 3010 Contract, this Agreement shall terminate as well and be of no further force or effect.

13. **SIGNATURE CLAUSE**

Each Party represents and warrants that the person who signs below on behalf of such Party has authority to execute this Agreement on behalf of such Party without the further concurrence or approval of any person, entity or court, and that all requisite approvals and consents to enter into, and bind such Party to, this Agreement have been obtained.
14. SIGNATURES

IN WITNESS WHEREOF, the Parties hereto have caused three originals of this agreement to be executed by their duly authorized representatives on the dates indicated below the signatures.

SOUTHERN CALIFORNIA EDISON COMPANY, a California corporation

By: ____________________________
Name: Alan J. Fohrer
Title: Chief Executive Officer
Date: May 1, 2003

ORMESA LLC, a Delaware limited liability company

By: ____________________________
Name: Connie Strebman
Title: Assistant Secretary
Date: April 28, 2003

APPROVED

By: ____________________________
By: ____________________________
Attorney

STEPHEN E. PICKETT
Sr. Vice President and
General Counsel

April 26, 2003
ATTACHMENT 4

July 14, 2003

Mr. Lars Bergmann, Director
QF Resources,
Southern California Edison Company
2244 Walnut Grove Ave.
Rosemead, CA 91770

RE: ORMESA Amendment No.2 for QFID 3010 and Termination Agreement for QFID 3012 (the "Agreements")

Dear Mr. Bergmann:

This letter is in response to Southern California Edison Company's (SCE's) proposal for a RALF application seeking to obtain California Public Utilities Commission (CPUC) approval of the above-referenced Agreements. The proposed Amendment No.2 for QFID 3010 will consolidate two viable adjacent ISO4 geothermal QF projects (the Unamended QFID 3010 and QFID 3012) into a single contract and will terminate the separate purchase power agreement for QFID 3012. The Office of Ratepayer Advocates (ORA) understands that these projects are owned by the same developer Ormesa LLC, and that SCE and Ormesa LLC seek expedited CPUC approval of Amendment No.2 for planning and administrative purposes, and to be able to reap the mutual benefits of the Agreements. In summary, ORA finds SCE's restructuring proposal to consolidate the Ormesa projects reasonable and that ratepayer savings result from such consolidation of the contracts. ORA recommends CPUC approval of the above-referenced Agreements as discussed below.

SCE proposes to restructure its 30-year Interim Standard Offer #4 (ISO4) contracts with Ormesa LLC, the owner of two adjacent geothermal plant qualifying facilities in East Mesa, Imperial County, Southern California. The consolidated single contract will have a nameplate rating of 56.5 MW and a contract capacity of 46.5 MW. The other contract details are given below:

Ratepayer Advocates in the Gas, Electric, Telecommunications and Water Industries
<table>
<thead>
<tr>
<th></th>
<th>Terminated QFID 3012</th>
<th>Unamended QFID 3010</th>
<th>Single Contract QFID 3010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>End Date</strong></td>
<td>March 2018</td>
<td>October 2017</td>
<td>December 31, 2017</td>
</tr>
<tr>
<td><strong>Capacity Rate</strong></td>
<td>$184/kw-yr</td>
<td>$170/kw-yr</td>
<td>$174.58/kw-yr</td>
</tr>
<tr>
<td><strong>Contract Capacity</strong></td>
<td>15 MW</td>
<td>31.5 MW</td>
<td>46.5 MW</td>
</tr>
<tr>
<td><strong>Contract Energy Limit</strong></td>
<td>18.5 Mwh/hr</td>
<td>38 Mwh/hr</td>
<td>56.5 Mwh/hr</td>
</tr>
<tr>
<td><strong>Contract Bonus Limit</strong></td>
<td>15 MW</td>
<td>27 MW</td>
<td>42 MW</td>
</tr>
<tr>
<td><strong>Estimate of Annual Deliveries</strong></td>
<td>120,000,000 kwh</td>
<td>168,192,000 kwh</td>
<td>288,192,000 kwh</td>
</tr>
</tbody>
</table>

ORA has reviewed the terms and conditions of the executed Amendment No.2 to the purchase power contract between SCE and Ormesa LLC. Ormesa proposes to make a cash one-time payment to SCE of an agreed amount upon obtaining CPUC approval. The payment will be credited to SCE’s 0103 account for Purchased Power on behalf of QFID 3012 which will result in a corresponding reduction eligible for rate recovery in the Energy Resource Recovery Account (ERRA). In turn, Ormesa expects to realize operating efficiencies and savings in costs to schedule power deliveries from the projects through Imperial Irrigation District. In addition, Amendment No.2 will preserve an earlier amendment which limits energy deliveries on an hourly basis and limits the deliveries eligible for capacity bonus payments and extends these limits to the entirety of the consolidated contract. Except for these changes and the project description, all other terms and conditions remain unchanged and are from ISO4. ORA supports Commission approval of the Amendment, subject to the agreed upon payment to benefit SCE’s ratepayers and the understanding that SCE will not seek any shareholder incentives on the restructuring.

In conclusion, ORA has determined that this restructuring would provide immediate and real benefits to SCE’s ratepayers and therefore supports a reasonableness finding for this proposed filing.

Sincerely,

Scott Cauchois, Senior Manager
Electricity Resources and Pricing Branch
Office of Ratepayer Advocates
CONFIDENTIAL ATTACHMENT 5


[REDACTED IN PUBLIC VERSION]
Pearlie, sorry for the delay, I've been on vacation. The following responds to your questions:

1) The [redacted] payment from Ormat to SCE upon CPUC approval, will be credited to Edison's 0103 account for Purchased Power on behalf of QFID 3012, resulting in a [redacted] reduction eligible for rate recovery in the Energy Resource Recovery Account. With over 4 million customers a direct refund of [redacted] is not practical.

2) You are correct, Edison is not seeking any shareholder incentive as a result of this restructuring.

3) [redacted]

Bruce McCarthy
(626) 302 8667
bruce.mccarthy@sce.com
Bruce, can you please tell me (1) how the [redacted] payment is to be received by ratepayers (i.e., a direct refund? if not, what is the ratemaking mechanism for the benefit?) (2) I assume SCE is not seeking any shareholder incentives for this, correct? and (3) your analysis that shows that a [redacted] is a reasonable payment in this case. Thanks.

Pearlie Sabino
pzs@cpuc.ca.gov
415) 703-1883
Fax: (415) 703-1673

-----Original Message-----
From: Lars.Bergmann@sce.com [mailto:Lars.Bergmann@sce.com]
Sent: Thursday, June 12, 2003 10:36 AM
To: Sabino, Pearlie Z.
Cc: Bruce.Mccarthy@sce.com
Subject: Re: FW: Ormesa

Pearlie, the file to open is the "pdf" file attached. The other "pcx" files are picture files associated with Lotus Notes software.

(See attached file: 3010 Amend.pdf)

Lars Bergmann
Director, QF Resources
Room 490, G01
626.302.1823
FAX: 21823 FAX:21103
Cell: 909.313.1376
lars.bergmann@sce.com

"Sabino, Pearlie Z."
"Lars.Bergmann@sce.com"
<pzs@cpuc.ca.gov>

06/12/2003 10:16 AM
Hi Lars,

Steve forwarded the Ormesa files to me. I can't even open them. How do you open .pcx files? Do I need a special software?

Thanks,

Pearlie Sabino

-----Original Message-----
From: Lars.Bergmann@sce.com [mailto:Lars.Bergmann@sce.com]
Sent: Wednesday, June 11, 2003 8:47 PM
To: s.linsey@cpuc.ca.gov
Cc: Bruce.Mccarthy@sce.com
Subject: Ormesa

Steve, here's a more complete summary of the Ormesa restructuring. Please contact Bruce with any questions.

Southern California Edison ("SCE") is seeking expedited CPUC approval of a contract amendment and restructuring represented by the following agreements:

"Amendment No. 2 to the Power Purchase Contract Between Southern California Edison Company and Ormesa Geothermal QFID 3010"

&

"Contract Termination Agreement between Ormesa Geothermal II and Southern California Edison Company (QFID 3012)" (together the "Agreements")

SCE seeks support from the Office of Ratepayer Advocates ("ORA") for its RALF application for CPUC approval of the above-referenced Agreements that will consolidate two viable adjacent geothermal QF projects, owned by the same developer, into a single contract. That contract will be the project known as SCE’s QFID 3010, which is to be amended to effectuate the consolidation. The agreement to be consolidated into QFID 3010, known as QFID 3012, will be terminated. The RALF process affords an expedited approval process for amendment and restructuring of such QF contracts. Edison believes that the RALF process is appropriate in this situation given the non-controversial nature of this restructuring, the clear ratepayer benefit resulting from expedited CPUC approval, and the need for the parties to have a speedy resolution of the application for immediate planning and administration purposes.

The above-referenced Agreements consolidate two adjacent ISO4 contracted geothermal projects, owned by the same developer, into a single contract the details of which are as follows:

<table>
<thead>
<tr>
<th>Terminated 3012</th>
<th>Unamended 3010</th>
<th>Single Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Amendment 2,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>End date</td>
<td>March 2018</td>
<td>October 2017</td>
</tr>
<tr>
<td>-------------</td>
<td>------------</td>
<td>--------------</td>
</tr>
<tr>
<td>Capacity Rate</td>
<td>$184/kW-yr</td>
<td>$170/kW-yr</td>
</tr>
<tr>
<td>Contract</td>
<td>15 MW</td>
<td>31.5 MW</td>
</tr>
<tr>
<td>Energy Limit</td>
<td>18.5 MWh/hr</td>
<td>38 MWh/hr</td>
</tr>
</tbody>
</table>

Ormat, the original developer, recently re-acquired the projects and has embarked on a capital improvement program to enhance plant longevity and performance. Ormat desired the consolidation to realize savings in the costs to schedule power deliveries from the projects through Imperial Irrigation District. Internal SCE financial analysis has valued the savings to Ormat should the two contracts be consolidated at approximately [redacted] over the life of the contract. Following extensive negotiations, Ormat agreed to make a cash payment of [redacted] to SCE upon SCE obtaining final CPUC approval no longer subject to appeal of the contract amendment and termination. This provides an immediate and real benefit to SCE’s ratepayers.

The proposed Agreement preserve an earlier amendment which limits energy
deliveries on an hourly basis and limits the deliveries eligible for capacity bonus payments and extends these limits to the entirety of the consolidated contract.

SCE and Ormat seek expedited CPUC approval of the Agreements for planning and administrative purposes, and to be able to reap the mutual benefits of the Agreements. Should final CPUC approval not be expedited, the financial advantages for Ormat to enter into the Agreements will be significantly reduced. Aside from the obvious benefits to SCE's ratepayers, expedited CPUC approval will also serve to encourage and facilitate the more efficient administration of a viable geothermal QF project.

Lars Bergmann
Director, QF Resources
Room 490, G01
626.302.1823
FAX: 21823 FAX:21103
Cell: 909.313.1376
lars.bergmann@sce.com

Lars E Bergmann
To:
s.linsey@cpuc.ca.gov
06/11/2003 02:19
cc: Bruce
Mccarthy/SCE/EIX@SCE
PM
Subject: Ormesa

(Embedded image moved to file: pic28099.pcx)

Steve, per my voicemail of yesterday, here is a summary of the contract restructuring and associated agreement (via a RALF) that we intend to file in approximately 30 days whereby we'll combine two geothermal contracts into one, provide for a complete repowering of multiple generators, and secure a cash payment for ratepayers of [redacted] Can you let me know if you need any additional information? If so, please feel free to contact Bruce McCarthy at 626.302.8667. Thanks.

Edison is seeking CPUC approval, via the RALF process of a contract restructuring represented by the following Agreements:
"Amendment No. 2 to the Power Purchase Contract Between Southern California Edison Company and Ormesa Geothermal QFID 3010" & "Contract Termination Agreement between Ormesa Geothermal II and Southern California Edison Company (QFID 3012)"

The above captioned Amendment and Termination Agreements consolidate two adjacent ISO4 contracted geothermal projects, owned by the same developer, into a single contract as follows:

<table>
<thead>
<tr>
<th>Terminated 3012</th>
<th>Unamended 3010</th>
<th>Amendment 2, 3010</th>
</tr>
</thead>
<tbody>
<tr>
<td>End date</td>
<td>March 2018</td>
<td>October 2017</td>
</tr>
<tr>
<td>Capacity Rate</td>
<td>$184/kW-yr</td>
<td>$170/kW-yr</td>
</tr>
<tr>
<td>Contract</td>
<td>15 MW</td>
<td>31.5 MW</td>
</tr>
<tr>
<td>Capacity Limit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Limit</td>
<td>18.5 MWh/hr</td>
<td>38 MWh/hr</td>
</tr>
<tr>
<td>Contract Bonus</td>
<td>15 MW</td>
<td>27 MW</td>
</tr>
<tr>
<td>Limit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimate of</td>
<td>120,000,000 kWh</td>
<td>168,192,000 kWh</td>
</tr>
<tr>
<td>Annual Deliveries</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Amendment No. 2 preserves an earlier amendment which limits energy deliveries on an hourly basis and limits the deliveries eligible for
capacity bonus payments and extends these limits to the entirety of the consolidated contract.

With the exception of an improved project description all other terms and conditions remain unchanged and are from ISO4.

Ormat, the original developer, recently re-acquired the projects and have embarked on a capital improvement program to enhance plant longevity and performance. Ormat desired the consolidation to realize scheduling savings from the Imperial Irrigation District.

The amendment's effectiveness is conditioned on prior CPUC approval, which when such approval is no longer subject to appeal, Edison will receive from Ormat [redacted] for the benefit of its ratepayers.

Lars Bergmann
Director, QP Resources
Room 490, GO1
626.302.1823
PAX: 21823 FAX:21103
Cell: 909.313.1376
lars.bergmann@sce.com
ATTACHMENT 6

Power Purchase Contract between Southern California Edison Company and Republic Geothermal, QFID 3010, July 18, 1984; and Amendment No. 1 to the Power Purchase Contract between Southern California Edison Company and Ormesa Geothermal, QFID 3010, December 23, 1988.
POWER PURCHASE CONTRACT
BETWEEN
SOUTHERN CALIFORNIA EDISON COMPANY
AND
REPUBLIC GEOTHERMAL, INC.

CLD NO.

QF ID NO. 3010

Document No. 2044C
<table>
<thead>
<tr>
<th>SECTION</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PROJECT SUMMARY</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>DEFINITIONS</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>TERM</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>GENERATING FACILITY</td>
<td>9</td>
</tr>
<tr>
<td>5</td>
<td>OPERATING OPTIONS</td>
<td>18</td>
</tr>
<tr>
<td>6</td>
<td>INTERCONNECTION FACILITIES</td>
<td>19</td>
</tr>
<tr>
<td>7</td>
<td>METERING</td>
<td>20</td>
</tr>
<tr>
<td>8</td>
<td>POWER PURCHASE PROVISIONS</td>
<td>21</td>
</tr>
<tr>
<td>9</td>
<td>PAYMENT AND BILLING PROVISIONS</td>
<td>43</td>
</tr>
<tr>
<td>10</td>
<td>TAXES</td>
<td>45</td>
</tr>
<tr>
<td>11</td>
<td>TERMINATION</td>
<td>46</td>
</tr>
<tr>
<td>12</td>
<td>SALE OF GENERATING FACILITY</td>
<td>46</td>
</tr>
<tr>
<td>13</td>
<td>ABANDONMENT OF PROJECT</td>
<td>47</td>
</tr>
<tr>
<td>14</td>
<td>LIABILITY</td>
<td>48</td>
</tr>
<tr>
<td>15</td>
<td>INSURANCE</td>
<td>50</td>
</tr>
<tr>
<td>16</td>
<td>UNCONTROLLABLE FORCES</td>
<td>52</td>
</tr>
<tr>
<td>17</td>
<td>NONDEDICATION OF FACILITIES</td>
<td>54</td>
</tr>
<tr>
<td>18</td>
<td>PRIORITY OF DOCUMENTS</td>
<td>54</td>
</tr>
<tr>
<td>19</td>
<td>NOTICES AND CORRESPONDENCE</td>
<td>55</td>
</tr>
<tr>
<td>20</td>
<td>PREVIOUS COMMUNICATIONS</td>
<td>55</td>
</tr>
<tr>
<td>21</td>
<td>THIRD PARTY BENEFICIARIES</td>
<td>55</td>
</tr>
<tr>
<td>22</td>
<td>NONWAIVER</td>
<td>56</td>
</tr>
<tr>
<td>23</td>
<td>DISPUTES</td>
<td>56</td>
</tr>
<tr>
<td>24</td>
<td>SUCCESSORS AND ASSIGNS</td>
<td>58</td>
</tr>
<tr>
<td>SECTION</td>
<td>TITLE</td>
<td>PAGE</td>
</tr>
<tr>
<td>---------</td>
<td>------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>25</td>
<td>EFFECT OF SECTION HEADINGS</td>
<td>58</td>
</tr>
<tr>
<td>26</td>
<td>TRANSMISSION</td>
<td>58</td>
</tr>
<tr>
<td>27</td>
<td>GOVERNING LAW</td>
<td>60</td>
</tr>
<tr>
<td>28</td>
<td>CONFIDENTIALITY</td>
<td>60</td>
</tr>
<tr>
<td>29</td>
<td>MULTIPLE ORIGINALS</td>
<td>61</td>
</tr>
<tr>
<td></td>
<td>SIGNATURES</td>
<td>61</td>
</tr>
<tr>
<td>9</td>
<td>APPENDIX A</td>
<td>A-1</td>
</tr>
<tr>
<td>10</td>
<td>APPENDIX B</td>
<td>B-1</td>
</tr>
<tr>
<td>11</td>
<td>APPENDIX C</td>
<td>C-1</td>
</tr>
</tbody>
</table>
1. PROJECT SUMMARY

This Contract is entered into between Southern California Edison Company ("Edison") and Republic Geothermal, Inc., a California Corporation ("Seller"). Seller is willing to construct, own, and operate a Qualifying Facility and sell electric power to Edison and Edison is willing to purchase electric power delivered by Seller to Edison at the Point of Interconnection pursuant to the terms and conditions set forth as follows:

1.1 All Notices shall be sent to Seller at the following address:
Republic Geothermal, Inc.
11823 East Slauson Avenue
Santa Fe Springs, CA 90670
Attn: President

1.2 Seller's Generating Facility:
   a. Nameplate Rating: 46,800 kW.
   b. Location: East Mesa, Imperial County, California
   c. Type (Check One):
      ______ Cogeneration Facility
      X ______ Small Power Production Facility

1.3 Contract Capacity: 24,000 kW
   1.3.1 Estimated as-available capacity: 0.

1.4 Expected annual production: 168,192,000 kWh.

1.5 Expected date of Firm Operation: April 1, 1986.

1.6 Contract Term: 30 years.
1.7 Operating Options pursuant to Section 5: (Check One)
   _X_ Operating Option I. Excess Generator output
dedicated to Edison. **No** electric service or
standby service required from Edison.
   ____ Operating Option II. Entire Generator output
dedicated to Edison with separate electric
service required from Edison.

1.8 The Capacity Payment Option selected by Seller
pursuant to Section 8.1 shall be: (Check One)
   _X_ Option A - As-available capacity based upon:
      ____ Standard Offer No. 1 Capacity Payment
      Schedule, or
      ____ Forecast of Annual As-Available Capacity
      Payment Schedule
   _X_ Option B - Firm Capacity
   _X_ Standard Offer No. 2 Capacity Payment
   Schedule in effect at time of Contract execution
   ____ Standard Offer No. 2 Capacity Payment
   Schedule in effect at time of Firm Operation
      (Firm Capacity)

1.9 The Energy Payment Option selected by Seller
pursuant to Section 8.2 shall be: (Check One)
   _X_ Option 1 - Forecast of Annual Marginal Cost of
      Energy in effect at date of execution of this
      Contract. (Appendix B)
Option 2 – Levelized Forecast of Marginal Cost of Energy in effect at date of execution of this Contract. (Appendix C)

For the energy payment refund pursuant to Section 8.5 under Option 2, Edison's Incremental Cost of Capital is 15%.

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

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

100 percent of Forecast of Annual Marginal Cost of Energy, and

0 percent of Edison's published avoided cost of energy as updated periodically and accepted by the Commission.
GENERAL TERMS AND CONDITIONS

2. DEFINITIONS

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

2.1 Adjusted Capacity Price: The $/kW-yr capacity purchase price based on the Capacity Payment Schedule in effect at the time of Contract execution for the time period beginning on the date of Firm Operation for the first generating unit and ending on the date of termination or reduction of Contract Capacity under Capacity Payment Option B.

2.2 Appendix A: Capacity Payment Schedule - Forecast of Annual As-Available Capacity

2.3 Appendix B: Energy Payment Schedule - Forecast of Annual Marginal Cost of Energy

2.4 Appendix C: Energy Payment Schedule - Levelized Forecast of Marginal Cost of Energy

2.5 Capacity Payment Schedule(s): Published capacity payment schedule(s) as authorized by the Commission and in effect at the time of execution of this Contract for as-available or firm capacity.

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

2.7 Contract: This document and Appendices, as amended from time to time.
2.8 **Contract Capacity:** The electric power producing capability of the Generating Facility which is committed to Edison.

2.9 **Contract Capacity Price:** The capacity purchase price from the Capacity Payment Schedule approved by the Commission and in effect on the date of execution of this Contract for Capacity Payment Option B.

2.10 **Contract Term:** Period in years commencing with date of Firm Operation during which Edison shall purchase electric power from Seller.

2.11 **Current Capacity Price:** The $/kW-yr capacity price provided in the Capacity Payment Schedule determined by the year of termination or reduction of Contract Capacity and the number of years from such termination or reduction to the expiration of the Contract Term for Capacity Payment Option B.

2.12 **Edison:** The Southern California Edison Company.

2.13 **Edison Electric System Integrity:** The state of operation of Edison's electric system in a manner which is deemed to minimize the risk of injury to persons and/or property and enables Edison to provide adequate and reliable electric service to its customers.
2.14 Emergency: A condition or situation which in Edison's sole judgment affects Edison Electric System Integrity.

2.15 Energy: Kilowatthours generated by the Generating Facility which are purchased by Edison at the Point of Interconnection.

2.16 Firm Operation: The date agreed on by the Parties on which each generating unit of the Generating Facility is determined to be a reliable source of generation and on which such unit can be reasonably expected to operate continuously at its Contract Capacity.

2.17 First Period: The period of the Contract Term specified in Section 3.1.

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

2.19 Generating Facility: All of Seller's generators, together with all protective and other associated equipment and improvements, necessary to produce electrical power at Seller's Facility excluding associated land, land rights, and interests in land.

2.20 Generator: The generator(s) and associated prime mover(s), which are a part of the Generating Facility.
2.21 **Interconnection Facilities:** The electrical interconnection facilities furnished, at no cost to Edison, by Seller, or by the Interconnecting Utility on the Seller's behalf, which are appurtenant to, and/or incidental to, the Project. The Interconnection Facilities shall include, but are not limited to, transmission lines and/or distribution lines between the Project and transmission lines and/or distribution lines of the Interconnecting Utility, relays, power-circuit breakers, metering devices, telemetering devices, and other control and protective devices specified by the Interconnecting Utility as necessary for operation of the Project in parallel with the Interconnecting Utility's electric system.

2.22 **Interconnecting Utility:** Any utility which takes delivery of electrical energy generated by the Generating Facility and which transmits such electrical energy to the Point of Interconnection.

2.23 **Operate:** To provide the engineering, purchasing, repair, supervision, training, inspection, testing, protection, operation, use, management, replacement, retirement, reconstruction, and maintenance of and for the Generating Facility in accordance with applicable California utility standards and good engineering practices.
2.24 **Operating Representatives:** Individual(s) appointed by each Party for the purpose of securing effective cooperation and interchange of information between the Parties in connection with administration and technical matters related to this Contract.

2.25 **Parties:** Edison and Seller.

2.26 **Party:** Edison or Seller.

2.27 **Peak Months:** Those months which the Edison annual system peak demand could occur. Currently, but subject to change with notice, the peak months for the Edison system are June, July, August, and September.

2.28 **Point of Interconnection:** The point where the electrical energy generated by the Seller at the Project is delivered to the Edison electric system.

2.29 **Project:** The Generating Facility and Interconnection Facilities required to permit the Generator to deliver electric energy and make capacity available to Interconnecting Utility.

2.30 **Qualifying Facility:** Cogeneration or Small Power Production Facility which meets the criteria as defined in Title 18, Code of Federal Regulations, Section 292.201 through 292.207.

2.31 **Renewable Resources:** Wind parks, small hydroelectric, solar, and geothermal resources which produce electric power.
2.32 **Second Period**: The period of the Contract Term specified in Section 3.2.

2.33 **Seller**: The Party identified in Section 1.0.

2.34 **Seller’s Facility**: The premises and equipment of Seller located as specified in Section 1.2.

2.35 **Small Power Production Facility**: The facilities and equipment which use biomass, waste, or Renewable Resources, including wind, solar, geothermal, and water, to produce electrical energy as defined in Title 18, Code of Federal Regulations, Section 292.201 through 292.207.

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

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

2.38 **Uncontrollable Forces**: Any occurrence beyond the control of a Party which causes that Party to be unable to perform its obligations hereunder and which a Party has been unable to overcome by the exercise of due diligence, including but not limited to flood, drought, earthquake, storm, fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike,
labor dispute, action or inaction of government or other proper authority, which may conflict with the terms of this Contract, or failure, threat of failure or sabotage of facilities which have been maintained in accordance with good engineering and operating practices in California. The failure of the Interconnecting Utility to deliver electrical energy to the Point of Interconnection shall be an Uncontrollable Force only if such failure is beyond the control of the Interconnecting Utility.

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

3. TERM

This Contract shall be effective upon execution by the Parties and shall remain effective until either Party gives 90 days prior written notice of termination to the other Party, except that such notice of termination shall not be effective to terminate this Contract prior to expiration of the Contract Term specified in Section 1.6.

3.1 The First Period of the Contract Term shall commence upon date of Firm Operation but not later than 5 years from the date of execution of this Contract.

a. If the Contract Term specified in Section 1.6 is 15 years, the First Period of the Contract Term shall be for 5 years.
b. If the Contract Term specified in Section 1.6 is 20, 25, or 30 years, the First Period of the Contract Term shall be for 10 years.

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

4. GENERATING FACILITY

4.1 Ownership
The Generating Facility shall be owned by Seller.

4.2 Design

4.2.1 Seller, at no cost to Edison, shall:

a. Design the Generating Facility.

b. Acquire all permits and other approvals necessary for the construction, operation, and maintenance of the Generating Facility.

c. Complete all environmental impact studies necessary for the construction, operation, and maintenance of the Generating Facility.

4.2.2 Edison shall have the right to review the design of the Generating Facility's electrical system and the Seller's
Interconnection Facilities. Edison shall have the right to request modifications to the design of the Generating Facility's electrical system and the Seller's Interconnection Facilities. Such modifications shall be required if necessary to maintain Edison Electric System Integrity. If Seller does not agree to such modifications, resolution of the difference between the Parties shall be made pursuant to Section 23.

4.3 Construction

Edison shall have the right to review, consult with, and make recommendations regarding Seller's construction schedule and to monitor the construction and start-up of the Project. Seller shall notify Edison, as far in advance of Firm Operation as reasonably possible, of changes in Seller's Construction Schedule which may affect the date of Firm Operation.

4.4 Operation

4.4.1 Edison shall have the right to monitor operation of the Project and may require changes in Seller's method of operation if
such changes are necessary, in Edison's sole judgment, to maintain Edison Electric System Integrity.

4.4.2 Seller shall notify, in writing, Edison's Operating Representative at least 14 days prior to the initial delivery of electrical energy from the Project to the Point of Interconnection.

4.4.3 Edison shall have the right to require Seller to curtail or reduce the delivery of electrical energy from the Project to the Edison electric system whenever Edison determines, in its sole judgment, that such curtailment or reduction is necessary to facilitate maintenance of Edison's facilities, or to maintain Edison Electric System Integrity. If Edison requires Seller to curtail or reduce the delivery of electrical energy from the Project to the Edison electric system pursuant to this Section 4.4.3, Seller shall have the right to continue to serve its total electrical requirements. Each Party shall endeavor to correct, within a reasonable period, the condition on its system which necessitates the curtailment or the
reduction of delivery of electrical energy from the Project. The duration of the curtailment or the reduction shall be limited to the period of time such a condition exists.

Each Party shall keep the other Party's Operating Representative informed as to the operating schedule of their respective facilities affecting each other's operation hereunder, including any reduction in Contract Capacity availability. In addition, Seller shall provide Edison with reasonable advance notice regarding its scheduled outages including any reduction in Contract Capacity availability. Reasonable advance notice is as follows:

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

4.4.5 Notification by each Party's Operating Representative of outage date and duration.
should be directed to the other Party's Operating Representative by telephone.

4.4.6 Seller shall not schedule major overhauls during Peak Months.

4.4.7 Seller shall maintain an operating log at Seller's Facility with records of: real and reactive power production; changes in operating status, outages, Protective Apparatus operations; and any unusual conditions found during inspections. Changes in setting shall also be logged for Generators which are "block-loaded" to a specific kW capacity. In addition, Seller shall maintain records applicable to the Generating Facility, including the electrical characteristics of the Generator and settings, adjustments of the Generator control equipment, and well-field information. Information maintained pursuant to this Section 4.4.7 shall be provided to Edison, within 30 days of Edison's request.

4.4.8 At Edison's request, Seller shall make all reasonable effort to deliver power at an average rate of delivery at least equal to the Contract Capacity during periods of
Emergency. In the event that the Seller has previously scheduled an outage coincident with an Emergency, Seller shall make all reasonable efforts to reschedule the outage. The notification periods listed in Section 4.4.4 shall be waived by Edison if Seller reschedules the outage. Seller shall demonstrate the ability to provide Edison the specified Contract Capacity within 30 days of the date of Firm Operation. Thereafter, at least once per year at Edison's request, Seller shall demonstrate the ability to provide Contract Capacity for a reasonable period of time as required by Edison. Seller's demonstration of Contract Capacity shall be at Seller's expense and conducted at a time and pursuant to procedures mutually agreed upon by the Parties. If Seller fails to demonstrate the ability to provide the Contract Capacity, the Contract Capacity shall be reduced by agreement of the Parties pursuant to Section 8.1.2.5.

Seller warrants that, at the date of first electrical energy deliveries from the Project and during the term of this
Contract, the Generating Facility shall meet the requirements established as of the effective date of this Contract by the Federal Energy Regulatory Commission's rules (Title 18, Code of Federal Regulations, Section 292.201 through 292.207) implementing the Public Utility Regulatory Policies Act of 1978 (16 U.S.C.A. 796 et seq.).

4.4.11 The Seller warrants that the Generating Facility shall, at all times, conform to all applicable laws and regulations. Seller shall obtain and maintain any governmental authorizations and permits for the continued operation of the Generating Facility. If, at any time, Seller does not hold such authorizations and permits, Seller agrees to reimburse Edison for any loss which Edison incurs as a result of the Seller's failure to maintain governmental authorization and permits.

4.4.12 In the event electrical energy from the Project is curtailed or reduced pursuant to Sections 4.4.3, 16 or 8.4, the Seller, in its sole discretion, may elect to
(i) sell said electrical energy to a third party or (ii) deliver said electrical energy to a third party for future delivery to Edison at times and at amounts agreeable to Edison. The Seller shall be responsible for making all such arrangements. The provisions in this Section 4.4.12 shall only apply for the duration of the curtailment or reduction.

4.4.13 Seller shall maintain operating communications with the Edison switching center designated by the Edison Operating Representative. The operating communications shall include, but not be limited to, system paralleling or separation, scheduled and unscheduled shutdowns, equipment clearances, levels of operating voltage, reactive power generation, and daily capacity and generation reports.

4.5 Maintenance

4.5.1 Seller shall maintain the Generating Facility in accordance with applicable California utility industry standards and good engineering and operating practices. Edison shall have the right to monitor such
maintenance of the Generating Facility. Seller shall maintain and deliver a maintenance record of the Generating Facility to Edison's Operating Representatives upon request.

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

4.5.3 The allowance for scheduled maintenance is as follows:

a. Outage periods for scheduled maintenance shall not exceed 840 hours (35 days) in any 12-month period. This allowance may be used in increments of an hour or longer on a consecutive or nonconsecutive basis.

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

4.6 Any review by Edison of the design, construction, operation, or maintenance of the Project is solely for the information of Edison. By making such review, Edison makes no representation as to the
economic and technical feasibility, operational capability, or reliability of the Project. Seller shall in no way represent to any third party that any such review by Edison of the Project, including, but not limited to, any review of the design, construction, operation, or maintenance of the Project by Edison, is a representation by Edison as to the economic and technical feasibility, operational capability, or reliability of said facilities. Seller is solely responsible for economic and technical feasibility, operational capability, and reliability thereof.

4.7 Edison shall have access to the Seller's geothermal field and power-generating facilities for the purpose of gathering technical information and records. The technical information and records shall include, but not be limited to, drilling data, well-testing data, well-production data and design, power plant performance data and design, environmental data, brine handling design, and operation and maintenance data. Edison agrees not to interfere with Seller's rules and operating regulations.

5. OPERATING OPTIONS

5.1 Seller shall elect in Section 1.7 to Operate its Generating Facility pursuant to one of the following options:
a. Operating Option I: Seller dedicates the excess Generator output to Edison with no electrical service or standby service required from Edison.

b. Operating Option II: Seller dedicates the entire Generator output to Edison with electrical service required from Edison.

5.2 After expiration of the First Period of the Contract Term, Seller may change the Operating Option, but not more than once per year upon at least 90 days prior written notice to Edison. A reduction in Contract Capacity as a result of a change in operating options shall be subject to Section 8.1.2.5. Edison shall not be required to remove or reserve capacity of Interconnection Facilities made idle by a change in operating options. Edison may dedicate any such idle Interconnection Facilities at any time to serve other customers or to interconnect with other electric power sources. Edison shall process requests for changes of operating option in the chronological order received.

6. INTERCONNECTION FACILITIES

6.1 Seller shall design, engineer, procure, construct, and test the Interconnection Facilities in accordance with applicable California utility standards and good engineering practices and the rules and regulations of the Interconnecting Utility or shall contract
with the Interconnecting Utility or an independent contractor acceptable to Edison to furnish such design, engineering, procurement, construction and testing.

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

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

7. METERING

7.1 All meters and equipment used for the measurement of electrical power for determining Edison's payments to Seller pursuant to this Contract shall be provided, owned, and maintained by Edison and/or the Interconnecting Utility at Seller's expense.

7.2 If Seller's Generating Facility is rated at a Capacity of 500 kW or greater, then Edison, at its option, may install at Seller's expense, generation metering and/or telemetering equipment.

7.3 Edison's or the Interconnecting Utility's meters shall be sealed and the seals shall be broken only when the meters are to be inspected, tested, or adjusted by Edison or the Interconnecting Utility.
Seller shall be given reasonable notice of testing and have the right to have its Operating Representative present on such occasions.

7.4 Edison's or Interconnecting Utility's, meters installed pursuant to this Contract shall be tested by Edison or Interconnecting Utility, at Edison's or Interconnecting Utility's expense, at least once each year and at any reasonable time upon request by either Party, at the requesting Party's expense. If Seller makes such request, Seller shall reimburse said expense to Edison or Interconnecting Utility within thirty days after presentation of a bill therefor.

7.5 Metering equipment found to be inaccurate shall be repaired, adjusted, or replaced by Edison or Interconnecting Utility such that the metering accuracy of said equipment shall be within plus or minus two percent. If metering equipment inaccuracy exceeds plus or minus two percent, the correct amount of Energy and capacity delivered during the period of said inaccuracy shall be estimated by Edison and agreed upon by the Parties.

8. POWER PURCHASE PROVISIONS
Prior to the date of Firm Operation, Seller shall be paid for Energy only pursuant to Edison's published avoided cost of energy based on Edison's full avoided operating
cost as periodically updated and accepted by the Commission. If at any time electrical energy can be delivered to Edison and Seller is contesting the claimed jurisdiction of any entity which has not issued a license or other approval for the Project, Seller, in its sole discretion and risk, may deliver electrical energy to Edison and for any electrical energy purchased by Edison Seller shall receive payment from Edison for (i) Energy pursuant to this Section, and (ii) as-available capacity based on a capacity price from the Standard Offer No. 1 Capacity Payment Schedule as approved by the Commission. Unless and until all required licenses and approvals have been obtained, Seller may discontinue deliveries at any time.

8.1 Capacity Payments

Seller shall sell to Edison and Edison shall purchase from Seller capacity pursuant to the Capacity Payment Option selected by Seller in Section 1.8. The Capacity Payment Schedules will be based on Edison's full avoided operating costs as approved by the Commission throughout the life of this Contract.
8.1.1 Capacity Payment Option A -- As-Available Capacity.

If Seller selects Capacity Payment Option A, Seller shall be paid a Monthly Capacity Payment calculated pursuant to the following formula:

\[
\text{Monthly Capacity Payment} = \frac{(A \times D) + (B \times D) + (C \times D)}{D}
\]

Where:
- **A** = kWh purchased by Edison during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.
- **B** = kWh purchased by Edison during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.
- **C** = kWh purchased by Edison during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.
- **D** = The appropriate time differentiated capacity price from either the Standard Offer No. 1 Capacity Payment Schedule or Forecast of Annual As-Available Capacity Payment Schedule as specified by Seller in Section 1.8.
8.1.1.1 If Seller specifies the Standard Offer No. 1 Capacity Payment Schedule in Section 1.8, then the formula set forth in Section 8.1.1 shall be computed with \( D \) equal to the appropriate time differentiated capacity price from the Standard Offer No. 1 Capacity Payment Schedule for the Contract Term.

8.1.1.2 If Seller specifies the Forecast of Annual As-Available Capacity Payment Schedule in Section 1.8, the formula set forth in Section 8.1.1 shall be computed as follows:

a. During the First Period of the Contract Term, \( D \) shall equal the appropriate time differentiated capacity price from the Forecast of Annual As-Available Capacity Payment Schedule.

b. During the Second Period of the Contract Term, the formula shall be computed with \( D \) equal to the appropriate time differentiated capacity price from Standard Offer No. 1 Capacity Payment
Schedule, but not less than the greater of (i) the appropriate time differentiated capacity price from the Forecast of Annual As-Available Capacity Payment Schedule for the last year of the First Period, or (ii) the appropriate time differentiated capacity price from the Standard Offer No. 1 Capacity Payment Schedule for the first year of the Second Period.

8.1.2 Capacity Payment Option B--Firm Capacity Purchase

If Seller selects Capacity Payment Option B, Seller shall provide to Edison for the Contract Term the Contract Capacity specified in Section 1.3, or as adjusted pursuant to Section 8.1.2.6, and Seller shall be paid as follows:

8.1.2.1 If Seller meets the performance requirements set forth in Section 8.1.2.2, Seller shall be paid a Monthly Capacity Payment, beginning from the date of Firm Operation equal

Document No. 2044C -25-
to the sum of the on-peak, mid-peak, and off-peak Capacity Period Payments. Each capacity period payment is calculated pursuant to the following formula:

$$\text{Monthly Capacity Period Payment} = A \times B \times C \times D$$

Where A = Contract Capacity Price specified in Section 1.8 based on the Standard Offer No. 2 Capacity Payment Schedule as approved by the Commission and in effect on the date of the execution of this Agreement.

B = Conversion factors to convert annual capacity prices to monthly payments by time of delivery as specified in Standard Offer No. 2 Capacity Payment Schedule and subject to periodic modifications as approved by the Commission.

C = Contract Capacity specified in Section 1.3.

D = Period Performance Factor, not to exceed 1.0, calculated as follows:
Period Performance Factor = 

[Period kWh Purchased by Edison
(Limited by the Level of
Contract Capacity)]

[0.8 x Contract Capacity x
(Period Hours minus Maintenance
Hours Allowed in Section 4.5.)]

8.1.2.2 Performance Requirements

To receive the Monthly Capacity
Payment in Section 8.1.2.1, Seller
shall provide the Contract Capacity
in each Peak Month for all on-peak
hours as such peak hours are defined
in Edison's Tariff Schedule No. TOU-8
on file with the Commission, except
that Seller is entitled to a 20% allowance for Forced Outages for each
Peak Month. Seller shall not be
subject to such performance
requirements for the remaining hours
of the year.

a. If Seller fails to meet the
requirements specified in
Section 8.1.2.2, Seller, in
Edison's sole discretion, may be
placed on probation for a period
not to exceed 15 months. If
Seller fails to meet the requirements specified in Section 8.1.2.2 during the probationary period, Edison may derate the Contract Capacity to the greater of the capacity actually delivered during the probationary period, or the capacity at which Seller can reasonably meet such requirements. A reduction in Contract Capacity as a result of this Section 8.1.2.2 shall be subject to Section 8.1.2.5.

If Seller fails to meet the requirements set forth in this Section 8.1.2.2 due to a forced outage on the Edison system, or a request to reduce or curtail delivery under Section 8.4, Edison shall continue Monthly Capacity Payments pursuant to Capacity Payment Option B. The Contract Capacity curtailed shall be treated the same as scheduled maintenance outages in the
calculation of the Monthly Capacity Payment.

8.1.2.3 If Seller is unable to provide Contract Capacity due to Uncontrollable Forces, Edison shall continue Monthly Capacity Payments pursuant to Capacity Payment Option B for 90 days from the occurrence of the Uncontrollable Force. Monthly Capacity Payments payable during a period of interruption or reduction by reason of an Uncontrollable Force shall be treated the same as scheduled maintenance outages.

8.1.2.4 Capacity Bonus Payment
For Capacity Payment Option B, Seller may receive a Capacity Bonus Payment as follows:

a. Bonus During Peak Months
For a Peak Month, Seller shall receive a Capacity Bonus Payment if (i) the requirements set forth in Section 8.1.2.2 have been met, and (ii) the on-peak capacity factor exceeds 85%.
b. **Bonus During Non-Peak Months**

For a non-peak month, Seller shall receive a Capacity Bonus Payment if (i) the requirements set forth in Section 8.1.2.2 have been met, (ii) the on-peak capacity factor for each Peak Month during the year was at least 85%, and (iii) the on-peak capacity factor for the non-peak month exceeds 85%.

c. For any eligible month, the Capacity Bonus Payment shall be calculated as follows:

\[
\text{Capacity Bonus Payment} = A \times B \times C \times D
\]

Where

\[
A = (1.2 \times \text{On-Peak Capacity Factor}) - 1.02
\]

Where the On-Peak Capacity Factor, not to exceed 1.0, is calculated as follows:

\[
\text{On-Peak Capacity Factor} = \left(\frac{\text{Period kWh Purchased by Edison (Limited by the Level of Contract Capacity)}}{\text{(Contract Capacity) \times (Period Hours minus Maintenance Hours Allowed in Section 4.5)}}\right)
\]
B = Contract Capacity Price specified in Section 1.8 for Capacity Payment Option B

C = 1/12

D = Contract Capacity specified in Section 1.3

d. When Seller is entitled to receive a Capacity Bonus Payment, the Monthly Capacity Payment shall be the sum of the Monthly Capacity Payment pursuant to Section 8.1.2.1 and the Monthly Capacity Bonus Payment pursuant to this Section 8.1.2.4.

8.1.2.5 Capacity Reduction

a. Seller may reduce the Contract Capacity specified in Section 1.3, provided that Seller gives Edison prior written notice for a period determined by the amount of Contract Capacity reduced as follows:
<table>
<thead>
<tr>
<th>Amount of Contract Capacity Reduced</th>
<th>Length of Notice Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>25,000 kw or under</td>
<td>12 months</td>
</tr>
<tr>
<td>25,001 - 50,000 kw</td>
<td>36 months</td>
</tr>
<tr>
<td>50,001 - 100,000 kw</td>
<td>48 months</td>
</tr>
<tr>
<td>over 100,000 kw</td>
<td>60 months</td>
</tr>
</tbody>
</table>

b. Subject to Section 9.3, Seller shall refund to Edison with interest at the current published Federal Reserve Board three months prime commercial paper rate, an amount equal to the difference between (i) the accumulated Monthly Capacity Payments paid by Edison pursuant to Capacity Payment Option B up to the time the reduction notice is received by Edison, and (ii) the total capacity payments which Edison would have paid if based on the Adjusted Capacity Price.

c. From the date the reduction notice is received to the date of actual capacity reduction, Edison shall make capacity payments based on the Adjusted Capacity
Price for the amount of Contract Capacity being reduced.

d. Seller may reduce Contract Capacity without the notice prescribed in Section 8.1.2.5(a), provided that Seller shall refund to Edison the amount specified in Section 8.1.2.5(b) and an amount equal to: (i) the amount of Contract Capacity being reduced, times (ii) the difference between the Current Capacity Price and the Contract Capacity Price, times (iii) the number of years and fractions thereof (not less than one year) by which the Seller has been deficient in giving the prescribed notice. If the Current Capacity Price is less than the Contract Capacity Price, only payment under Section 8.1.2.5(b) shall be due to Edison.

8.1.2.6

Adjustment to Contract Capacity

The Parties may agree in writing at any time to adjust the
Contract Capacity. Seller may reduce the Contract Capacity pursuant to Section 8.1.2.5.
Seller may increase the Contract Capacity with Edison's approval and thereafter receive payment for the increased capacity in accordance with the Contract Capacity Price for the Capacity Payment Option selected by Seller for the remaining Contract Term.

Excess Capacity

For Capacity Payment Option B, Seller shall be paid for capacity in excess of Contract Capacity based on the as-available capacity price in Standard Offer No. 1 Capacity Payment Schedule, as updated and approved by the Commission.

8.2 Energy Payments - First Period

During the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for the (electrical) energy delivered by the Seller (and purchased by Edison) at the Point of Interconnection
pursuant to the Energy Payment Option selected by
the Seller in Section 1.9, as follows.

8.2.1 Energy Payment Option 1 -- Forecast of
Annual Marginal Cost of Energy.

If Seller selects Energy Payment Option 1,
then during the First Period of the
Contract Term, Seller shall be paid a
Monthly Energy Payment for electrical
energy delivered by Seller and purchased
by Edison at the Point of Interconnection
during each month in the First Period of
the Contract Term pursuant to the
following formula:

\[
\text{Monthly Energy Payment} = \left( \frac{(A \times D) + (B \times D) + (C \times D))}{E} \right) \times E
\]

Where:

\( A \) = kWh purchased by Edison during
on-peak periods defined in
Edison's Tariff Schedule No.
TOU-8.

\( B \) = kWh purchased by Edison during
mid-peak periods defined in
Edison's Tariff Schedule No.
TOU-8.

\( C \) = kWh purchased by Edison during
off-peak periods defined in
Edison's Tariff Schedule No.
TOU-8.
\[ D = \text{The sum of:} \]
\[
(i) \text{the appropriate time differentiated energy price from the Forecast of Annual Marginal Cost of Energy, multiplied by the decimal equivalent of the percentage of the forecast specified in Section 1.9, and} \\
(ii) \text{the appropriate time differentiated energy price from Edison's published avoided cost of energy multiplied by the decimal equivalent of the percentage of the published energy price specified in Section 1.9.} \\
\]

\[ E = \text{Energy Loss Adjustment Factor For Remote Generating Sites}^* \]

8.2.2 Energy Payment Option 2 -- Levelized Forecast of Marginal Cost of Energy.

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

\[
\text{Monthly Energy Payment} = [(A \times D) + (B \times D) + (C \times D)] \times E
\]

Where:

- \(A\) = kWh purchased by Edison during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.
- \(B\) = kWh purchased by Edison during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.
- \(C\) = kWh purchased by Edison during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.

*The Energy Loss Adjustment Factor For Remote Generating Sites shall be 1.0, subject to adjustment by Commission orders and rulings.*
D = The sum of:
(i) the appropriate time differentiated energy price from the Levelized Forecast of Marginal Cost of Energy, for the First Period of the Contract Term multiplied by the decimal equivalent of the percentage of the levelized forecast specified in Section 1.9, and (ii) the appropriate time differentiated energy price from Edison's published avoided cost of energy multiplied by the decimal equivalent of the percentage of the published energy price specified in Section 1.9.

E = Energy Loss Adjustment Factor For Remote Generating Sites*

8.2.2.1 Performance Requirement for Energy Payment Option 2
During the First Period when the annual forecast referred to in

*The Energy Loss Adjustment Factor For Remote Generating Sites shall be 1.0, subject to adjustment by Commission orders or rulings.
Section 8.2.1 is greater than the levelized forecast referred to in Section 8.2.2, Seller shall deliver to Edison at least 70 percent of the average annual kWh delivered to Edison during those previous periods when the levelized forecast referred to in Section 8.2.2 is greater than the annual forecast referred to in Section 8.2.1. If Seller does not meet the performance requirements of this Section 8.2.2.1, Seller shall be subject to Section 8.5.

8.3 Energy Payments - Second Period

During the Second Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for electrical energy delivered by Seller and purchased by Edison \( \text{[at the Point of Interconnection]} \) at a rate equal to 100% of Edison's published avoided cost of energy based on Edison's full avoided operating cost as updated periodically and accepted by the Commission, pursuant to the following formula:

\[
\text{Monthly Energy Payment} = \text{kWh purchased by Edison for each on-peak, mid-peak, and off-peak time period defined in Edison's Tariff Schedule No. TOU-8}
\]
Edison's published avoided cost of energy by time of delivery for each time period

* Energy Loss Adjustment Factor for Remote Generating Sites*

8.4 Edison shall not be obligated to accept or pay for electrical energy generated by the Generating Facility, and may request Seller whose Generating Facility is one (1) MW or greater to discontinue or reduce delivery of electric energy, for not more than 300 hours annually during off-peak hours when purchases would result in costs greater than those which Edison would incur if it did not purchase electrical energy from Seller but instead utilized an equivalent amount of electrical energy generated from another Edison source, or (ii) the Edison Electric System demand would require that Edison hydro-energy be spilled to reduce generation.

*The Energy Loss Adjustment Factor For Remote Generating Sites shall be 1.0, subject to adjustment by Commission orders or rulings.*
8.5 Energy Payment Refund

If Seller elects Energy Payment Option 2, Seller shall be subject to the following:

8.5.1 If Seller fails to perform the Contract obligations for any reason during the First Period of the Contract Term, or fails to meet the performance requirements set forth in Section 8.2.2.1, and at the time of such failure to perform, the net present value of the cumulative Energy payments received by Seller pursuant to Energy Payment Option 2 exceeds the net present value of what Seller would have been paid pursuant to Energy Payment Option 1, Seller shall make an energy payment refund equal to the difference in such net present values in the year in which the refund is due. The present value calculation shall be based upon the rate of Edison's incremental cost of capital specified in Section 1.9.

8.5.2 Not less than 90 days prior to the date Energy is first delivered to the Point of Interconnection, Seller shall provide and maintain a performance bond, surety bond, performance insurance, corporate guarantee,
or bank letter of credit, satisfactory to Edison, which shall insure payment to Edison of the Energy Payment Refund at any time during the First Period. Edison may, in its sole discretion, accept another form of security except that in such instance a 1-1/2 percent reduction shall then apply to the levelized forecast referred to in Section 8.2.2 in computing payments for Energy. Edison shall be provided with certificates evidencing Seller's compliance with the security requirements in this Section which shall also include the requirement that Edison be given 90 days prior written notice of the expiration of such security.

8.5.3 If Seller fails to provide replacement security not less than 60 days prior to the date of expiration of existing security, the Energy Payment Refund provided in Section 8.5 shall be payable forthwith. Thereafter, payments for Energy shall be 100 percent of the Monthly Energy Payment provided in Section 8.2.1.

8.5.4 If Edison at any time determines the security to be otherwise inadequate, and
so notifies Seller, payments thereafter for Energy shall be 100 percent of the Monthly Energy Payment provided in Section 8.2.1. If within 30 days of the date Edison gives notice of such inadequacies, Seller satisfies Edison's security requirements, Energy Payment Option 2 shall be reinstated. If Seller fails to satisfy Edison's security requirements within the 30-day period, the Energy Payment Refund provided in Section 8.5 shall be payable forthwith.

9. PAYMENT AND BILLING PROVISIONS

9.1 For Energy and capacity purchased by Edison:

9.1.1 Edison shall mail to Seller no later than thirty days after the end of each monthly billing period (1) a statement showing the Energy and capacity delivered to Edison during the on-peak, mid-peak, and off-peak periods, as those periods are specified in Edison's Tariff Schedule No. TOU-8 for that monthly billing period, (2) Edison's computation of the amount due Seller, and (3) Edison's check in payment of said amount.
9.1.2 If the monthly payment period involves portions of two different published Energy payment schedule periods, the monthly Energy payment shall be prorated on the basis of the percentage of days at each price.

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

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

9.2 Edison shall bill the Seller, on a monthly basis, for the costs Edison has incurred in the transmission of the electrical energy from the Project to the Point of Interconnection pursuant to the provisions of Section 26.

9.3 Payments Due to Contract Capacity Reduction

9.3.1 The Parties agree that the refund and payments provided in Section 8.1.2.5 represent a fair compensation for the
reasonable losses that would result from such reduction of Contract Capacity.

9.3.2 In the event of a reduction in Contract Capacity, the quantity, in kW, by which the Contract Capacity is reduced shall be used to calculate the refunds and payments due Edison in accordance with Section 8.1.2.5, as applicable.

9.3.3 Edison shall provide invoices to Seller for all refunds and payments due Edison under this Section 9 which shall be due within 60 days.

9.3.4 If Seller does not make payments as required in Section 9.2.3, Edison shall have the right to offset any amounts due it against any present or future payments due Seller and may pursue any other remedies available to Edison as a result of Seller's failure to perform.

9.4 Energy Payment Refund

Energy Payment Refund is immediately due and payable upon Seller's failure to perform the contract obligations as specified in Section 8.5.

10. TAXES

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

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

10.3 Edison shall refer any requests for information regarding the Project from any taxing authority to Seller, and Seller shall not withhold any properly requested information from any requesting taxing authority.

11. TERMINATION

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

12. SALE OF GENERATING FACILITY

12.1 If Seller desires to sell the Generating Facility, Seller shall promptly offer to Edison, or any entity designated by Edison in its sole discretion, the right to purchase the Generating Facility. Edison, or any such entity designated by Edison, shall have up to sixty days following the offer to accept Seller's offer or reach agreement with Seller.

12.2 If the Parties are unable to reach a satisfactory agreement within sixty days following the offer pursuant to Section 12.1, and the Generating
Facility is offered to any third party or parties, Edison, or any such entity designated by Edison, has the right for thirty days following each offer to agree to purchase the Generating Facility under the same terms and conditions, if such terms and conditions are better to Edison than those offered in Section 12.1. Any offers to sell made more than two years after Edison's failure to accept a previous offer to sell under Section 12.1, shall again be subject to the terms of Sections 12.1 and 12.2.

13. ABANDONMENT OF PROJECT

13.1 The Generating Facility shall be deemed to be abandoned if Seller discontinues operation of the Generating Facility with the intent that such discontinuation be permanent. Such intent shall be conclusively presumed by either (i) Seller's notice to Edison of such intent, or (ii) Seller's operation of the Generating Facility in such a manner that no Energy is generated therefrom for 200 consecutive days during any period after Firm Operation of the first generating unit, unless otherwise agreed to in writing by the Parties. If the Project is prevented from generating Energy due to an Uncontrollable Force, then such period shall be extended for the duration of the Uncontrollable Force, not to exceed one year.
13.2 If Seller abandons the Generating Facility during the term of this Agreement, Edison, or any entity designated by Edison in its sole discretion, shall have the right to purchase the Generating Facility pursuant to the provisions of Section 12.

14. LIABILITY

14.1 Each Party (First Party) releases the other Party (Second Party), its directors, officers, employees and agents from any loss, damage, claim, cost, charge, or expense of any kind or nature (including any direct, indirect or consequential loss, damage, claim, cost, charge, or expense), including attorney's fees and other costs of litigation incurred by the First Party, in connection with damage to property of the First Party caused by or arising out of the Second Party's construction, engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use or ownership of its facilities, to the extent that such loss, damage, claim, cost, charge, or expense is caused by the negligence of Second Party, its directors, officers, employees, agents, or any person or entity whose negligence would be imputed to Second Party.

14.2 Each Party shall indemnify and hold harmless the other Party, its directors, officers, and employees
or agents from and against any loss, damage, claim, cost, charge, or expense of any kind or nature (including direct, indirect or consequential loss, damage, claim, cost, charge, or expense), including attorney's fees and other costs of litigation, incurred by the other Party in connection with the injury to or death of any person or damage to property of a third party arising out of the indemnifying Party's construction, engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use, or ownership of its facilities, to the extent that such loss, damage, claim, cost, charge, or expense is caused by the negligence of the indemnifying Party, its directors, officers, employees, agents, or any person or entity whose negligence would be imputed to the indemnifying Party; provided, however, that each Party shall be solely responsible for and shall bear all cost of claims brought by its contractors or its own employees and shall indemnify and hold harmless the other Party for any such costs including costs arising out of any workers compensation law. Seller releases and shall defend and indemnify Edison from any claim, cost, loss, damage, or liability arising from any contrary representation concerning the
effect of Edison's review of the design,  
construction, operation, or maintenance of the  
Project.

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

14.4 Neither Party shall be indemnified by the other  
Party under Section 14.2 for its liability or loss  
resulting from its sole negligence or willful  
misconduct.

15. INSURANCE

15.1 Until Contract is terminated, Seller shall obtain  
and maintain in force as hereinafter provided  
comprehensive general liability insurance, including  
contractual liability coverage, with a combined  
single limit of not less than $1,000,000 each  
ocurrence. The insurance carrier or carriers and  
form of policy shall be subject to review and  
approval by Edison.

15.2 Prior to the date Seller's generating facility first  
delivers electrical energy to the Point of  
Interconnection, Seller shall (i) furnish certificate  
of insurance to Edison, which certificate shall  
provide that such insurance shall not be terminated
nor expire except on thirty days prior written notice to Edison, (ii) maintain such insurance in effect for so long as Seller's Generating Facility is delivering electrical energy to the Point of Interconnection, and (iii) furnish to Edison an additional insured endorsement with respect to such insurance in substantially the following form:

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

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

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

15.3 If Seller fails to comply with the provisions of this Section 15, Seller shall, at its own cost, defend, indemnify, and hold harmless Edison, its directors, officers, employees, agents, assigns, and successors in interest from and against any and all loss, damage, claim, cost, charge, or expense of any kind or nature (including direct, indirect or consequential loss, damage, claim, cost, charge, or expense, including attorney's fees and other costs of litigation) resulting from the death or injury to any person or damage to any property, including the personnel and property of Edison, to the extent that Edison would have been protected had Seller complied with all of the provisions of this Section 15.

16. **UNCONTROLLABLE FORCES**

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

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

(1) The non-performing Party, within two weeks
after the occurrence of the Uncontrollable
Force, gives the other Party written notice
describing the particulars of the occurrence;

(2) The suspension of performance is of no greater
scope and of no longer duration than is
required by the Uncontrollable Force;

(3) The non-performing Party uses its best efforts
to remedy its inability to perform (this
subsection shall not require the settlement of
any strike, walkout, lockout or other labor
dispute on terms which, in the sole judgment of
the party involved in the dispute, are contrary
to its interest. It is understood and agreed
that the settlement of strikes, walkouts,
lockouts or other labor disputes shall be at
the sole discretion of the Party having the
difficulty);

(4) When the non-performing Party is able to resume
performance of its obligations under this
Contract, that Party shall give the other Party
written notice to that effect; and
(5) Capacity payments during such periods of Uncontrollable Force on Seller's part shall be governed by Section 8.1.2.3.

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

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

17. NONDEDICATION OF FACILITIES

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

18. PRIORITY OF DOCUMENTS

If there is a conflict between this document and any Appendix, the provisions of this document shall govern. Each Party shall notify the other immediately upon the determination of the existence of any such conflict.
19. NOTICES AND CORRESPONDENCE

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

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

All notices sent pursuant to this Section 19 shall be
effective when received, and each Party shall be entitled
to specify as its proper address any other address in the
United States upon written notice to the other Party.

20. PREVIOUS COMMUNICATIONS

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

21. THIRD PARTY BENEFICIARIES

This Contract is for the sole benefit of the Parties and
shall not be construed as granting any rights to any

Document No. 2044C
person or entity other than the Parties or imposing obligations on either Party to any person or entity other than the Parties.

22. NONWAIVER

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

23. DISPUTES

23.1 Any dispute arising between the Parties relating to interpretation of the provisions of this Contract or to performance of the Parties hereunder, other than matters which may not be settled without the consent of an involved insurance company, shall be reduced to writing, by the complaining Party, stating the complaint and proposed solution and submitted to the other Party's manager responsible for the administration of this Contract. Such manager's interpretation and decision thereon shall be incorporated into a written document outlining his
interpretation and decision and specifying that it is the final decision of such manager. A copy of such document shall be furnished to complaining Party within ten days following the receipt of complaining Party's written complaint.

23.2 The decision of such manager pursuant to Section 23.1 shall be final and conclusive from the date of receipt of such copy by the complaining Party, unless within thirty days complaining Party furnishes a written appeal to such manager. Following receipt of such appeal, a joint hearing shall be held within fifteen days of said appeal, at which time the Parties shall each be afforded an opportunity to present evidence in support of their respective positions. Such joint hearing shall be conducted by one authorized representative of Seller and one authorized representative of Edison and other necessary persons. Pending final decision of a dispute hereunder, the Parties shall proceed diligently with the performance of their obligations under this Contract.

23.3 The final decision by the Parties' authorized representatives shall be made within fifteen days after presentation of all evidence affecting the dispute, and shall be reduced to writing. The decision shall be final and conclusive.
23.4 If the authorized representatives cannot reach a final decision within the fifteen-day period set forth in Section 23.3, any remedies which are provided by law may be pursued.

24. **SUCCESSORS AND ASSIGNS**

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

25. **EFFECT OF SECTION HEADINGS**

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

26. **TRANSMISSION**

26.1 Edison shall endeavor to make arrangements with Interconnecting Utilities for the necessary transmission of the electrical energy from the Project to the Point of Interconnection. Seller shall be responsible for all such costs associated
with such transmission of electrical energy,
including the cost of transmission losses from the
Project to the Point of Interconnection as provided
for in the transmission arrangements between Edison
and the Interconnecting Utilities.

26.2 If Edison is unable to secure firm transmission
service or equivalent arrangements from
Interconnecting Utilities which are required to
transmit the electrical energy from the Project to
the Point of Interconnection at terms and conditions
satisfactory to Edison in its sole judgement, then
Edison shall not be liable to the Seller for any
damages arising from Edison's failure to secure said
transmission service or arrangements nor will Edison
be required to purchase Energy which is not
delivered or capacity which is not made available at
the Point of Interconnection.

26.3 If Edison is able to secure transmission service or
equivalent arrangements from Interconnecting
Utilities which are required to transmit the
electrical energy from the Project to the Point of
Interconnection, then Edison shall notify Seller of
the costs, terms and conditions of such arrangements
and Seller shall have 60 calendar days to accept or
reject such service or arrangements. In the event
Seller rejects such service or arrangements, then
Edison shall not be obligated to seek other service or arrangements, nor will Edison be liable to the Seller for any damages arising from Seller's failure to accept such service or arrangements, nor will Edison be required to purchase Energy which is not delivered or capacity which is not made available at the Point of Interconnection.

27. GOVERNING LAW

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

28. CONFIDENTIALITY

28.1 Except as provided herein, the Parties shall hold all information in this Contract and all information related to or received pursuant to this Contract as confidential.

28.2 Neither Party shall disclose any part nor the whole of this Contract to any third party without the express prior written consent of the other Party; such consent shall not be unreasonably withheld.

28.3 From time to time governmental and/or regulatory agencies may request disclosure of the Contract or Contract-related information from either Party or both Parties and if such is the case either Party or both Parties may consent to such disclosure provided,
that (i) the requestor(s) be notified by the disclosing Party that the information being released is confidential, and that (ii) the disclosing Party inform the other Party to the extent practicable, 10 days prior to delivery of the information, in writing, as to the nature of the information to be disclosed and to whom disclosed.

29. MULTIPLE ORIGINALS

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

SIGNATURES

IN WITNESS WHEREOF, the Parties hereto have executed this Contract this 18th of July, 1984.

SOUTHERN CALIFORNIA EDISON COMPANY

BY Edward A. Myers, Jr.
Vice President

REPUBLIC GEOTHERMAL, INC.

BY Timothy M. Evans
Vice President
APPENDIX A
SOUTHERN CALIFORNIA EDISON COMPANY
LONG-TERM STANDARD OFFER
CAPACITY PAYMENT SCHEDULE –
FORECAST OF ANNUAL AS-AVAILABLE CAPACITY

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Year</th>
<th>As-Available Capacity ($/kW-year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1983</td>
<td>70</td>
</tr>
<tr>
<td>2</td>
<td>1984</td>
<td>76</td>
</tr>
<tr>
<td>3</td>
<td>1985</td>
<td>81</td>
</tr>
<tr>
<td>4</td>
<td>1986</td>
<td>87</td>
</tr>
<tr>
<td>5</td>
<td>1987</td>
<td>94</td>
</tr>
<tr>
<td>6</td>
<td>1988</td>
<td>101</td>
</tr>
<tr>
<td>7</td>
<td>1989</td>
<td>109</td>
</tr>
<tr>
<td>8</td>
<td>1990</td>
<td>117</td>
</tr>
<tr>
<td>9</td>
<td>1991</td>
<td>126</td>
</tr>
<tr>
<td>10</td>
<td>1992</td>
<td>148</td>
</tr>
<tr>
<td>11</td>
<td>1993</td>
<td>158</td>
</tr>
<tr>
<td>12</td>
<td>1994</td>
<td>169</td>
</tr>
<tr>
<td>13</td>
<td>1995</td>
<td>180</td>
</tr>
<tr>
<td>14</td>
<td>1996</td>
<td>194</td>
</tr>
<tr>
<td>15</td>
<td>1997</td>
<td>206</td>
</tr>
</tbody>
</table>

1 This forecast to be used in conjunction with Capacity Payment Option A.
2 The annual as-available capacity ($/kW-yr) will be converted to a seasonal time-of-delivery ($/kWh) value that is consistent with as-available time-of-delivery rates current authorized by the Commission for Avoided As-Available Capacity.
APPENDIX B
SOUTHERN CALIFORNIA EDISON COMPANY
LONG-TERM STANDARD OFFER
ENERGY PAYMENT SCHEDULE -

FORECAST OF ANNUAL MARGINAL COST OF ENERGY¹

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Year</th>
<th>Annual Marginal Cost of Energy (£/kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1983</td>
<td>5.3</td>
</tr>
<tr>
<td>2</td>
<td>1984</td>
<td>5.6</td>
</tr>
<tr>
<td>3</td>
<td>1985</td>
<td>5.7</td>
</tr>
<tr>
<td>4</td>
<td>1986</td>
<td>6.0</td>
</tr>
<tr>
<td>5</td>
<td>1987</td>
<td>6.4</td>
</tr>
<tr>
<td>6</td>
<td>1988</td>
<td>6.9</td>
</tr>
<tr>
<td>7</td>
<td>1989</td>
<td>7.6</td>
</tr>
<tr>
<td>8</td>
<td>1990</td>
<td>8.1</td>
</tr>
<tr>
<td>9</td>
<td>1991</td>
<td>8.6</td>
</tr>
<tr>
<td>10</td>
<td>1992</td>
<td>9.3</td>
</tr>
<tr>
<td>11</td>
<td>1993</td>
<td>10.1</td>
</tr>
<tr>
<td>12</td>
<td>1994</td>
<td>10.9</td>
</tr>
<tr>
<td>13</td>
<td>1995</td>
<td>11.8</td>
</tr>
<tr>
<td>14</td>
<td>1996</td>
<td>12.6</td>
</tr>
<tr>
<td>15</td>
<td>1997</td>
<td>13.6</td>
</tr>
</tbody>
</table>

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

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

LONG-TERM STANDARD OFFER

ENERGY PAYMENT SCHEDULE –

LEVELIZED FORECAST OF MARGINAL COST OF ENERGY\(^1\)

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Initial Year of Delivery</th>
<th>5-Year Levelized Forecast ($/kWh)</th>
<th>Levelized Forecast ($/kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1983</td>
<td>5.7</td>
<td>6.5</td>
</tr>
<tr>
<td>2</td>
<td>1984</td>
<td>6.0</td>
<td>6.9</td>
</tr>
<tr>
<td>3</td>
<td>1985</td>
<td>6.4</td>
<td>7.3</td>
</tr>
<tr>
<td>4</td>
<td>1986</td>
<td>6.8</td>
<td>7.9</td>
</tr>
<tr>
<td>5</td>
<td>1987</td>
<td>7.3</td>
<td>8.5</td>
</tr>
<tr>
<td>6</td>
<td>1988</td>
<td>7.9</td>
<td>9.1</td>
</tr>
</tbody>
</table>

\(^1\)Levelized Forecast to be used in conjunction with Energy Payment Option 2.

The annual energy payments in the table will be converted to seasonal time-of-delivery energy payment rates that are consistent with the time-of-delivery rates currently authorized by the Commission for Avoided Energy Cost Payments.
AMENDMENT NO. 1
TO THE
POWER PURCHASE CONTRACT
BETWEEN
SOUTHERN CALIFORNIA EDISON COMPANY
AND
ORMESA GEOTHERMAL
QFID NO. 3010

This Amendment No. 1 to the Power Purchase Contract (Document No. 2044C) originally entered into between Republic Geothermal, Inc. and Southern California Edison Company ("Contract") is entered into by Ormesa Geothermal, a California general partnership ("Seller"), and Southern California Edison Company, a California corporation ("Edison") (individually "Party," collectively "Parties").

RECITALS

This Amendment No. 1 to the Contract is made with reference to the following facts, among others:

2.1 Republic Geothermal, Inc. and Edison executed the Contract as of the 18th day of July, 1984.

2.2 Republic Geothermal, Inc. assigned the Contract to Ormat Systems, Inc. on November 6, 1984, to which assignment Edison consented on December 19, 1984.

2.3 Ormat Systems, Inc. assigned the Contract to Seller on February 27, 1985, to which assignment Edison consented on July 22, 1985.

2.4 On June 17, 1988, Seller provided Edison with a new address for correspondence and the identity of the fiduciary to whom payments are to be mailed.
2.5 The Parties mutually desire to adjust the pattern of payments under the Contract in a manner that will give the Seller more certainty about its payment stream, but reduce the overall cost of energy to Edison. To that end, the Parties desire to increase the Contract Capacity from 24,000 kW to 31,500 kW, limit Contract energy deliveries to Edison to 38,000 kilowatthours per hour, and limit the Contract Capacity eligible for Capacity Bonus Payment to 27,000 kW.

AGREEMENT

The Parties agree to amend the Contract as follows:

3.1 Delete Section 1.1 and replace it with the following:

"1.1 All notices and correspondence, except payments for Energy and capacity, shall be sent to Seller at the following address:

Ormesa Geothermal
P.O. Box 819
El Centro, CA 92244

All payments to Seller for Energy and capacity shall be sent to Seller's fiduciary at the following address:

First Interstate Bank
Corporate Trust Division
707 Wilshire Boulevard, W 10-2
Los Angeles, CA 90017
Account: SCE Payment
Account No. 8213132-000"

3.2 Delete Section 1.2.a and replace it with the following:

"a. Nameplate Rating: 38,000 kW"
3.3 Delete Section 1.3 and replace it with the following:

"1.3  Contract Capacity: 31,500 kW"

3.4 Delete Lines 5 and 6, Page 31, Section 8.1.2.4.c and replace it with the following:

"D = 27,000 kW"

3.5 Delete Section 9.1.1 and replace it with the following:

"9.1.1  Not later than thirty (30) days after the end of each monthly billing period, Edison shall mail to Seller: (1) a statement showing the Energy and Contract Capacity delivered to Edison during the on-peak, mid-peak, and off-peak periods, as those periods are specified in Edison's Tariff Schedule No. TOU-8 for that monthly billing period; and (2) Edison's computation of the amount due Seller. Within the same thirty (30) days, Edison shall mail to Seller's fiduciary, at the address provided in Section 1.1, Edison's check made payable to Seller, in payment of the amount due Seller."

3.6 Add the following subsection to Section 14:

"14.5  Seller shall indemnify and hold harmless Edison, its directors, officers, and employees or agents from and against any loss, damage, claim, cost, charge or expense (including direct, indirect, or consequential loss, damage, claim, cost, charge or expense), including attorney's fees and other costs of litigation, incurred by Edison and resulting from the mailing of payment to Seller's fiduciary as provided in Section 9.1.1."

OTHER CONTRACT TERMS AND CONDITIONS

Except as expressly amended herein, the terms and conditions of the original Contract shall remain in full force and effect.

EFFECTIVE DATE

This Amendment No. 1 shall become effective when it has been duly executed by the Parties.
SIGNATURE CLAUSE

The signatories hereto represent that they have been appropriately authorized to enter into this Amendment No. 1 to the Contract on behalf of the Party for whom they signed. This Amendment No. 1 to the Contract is hereby executed as of this 23rd day of December, 1988.

SOUTHERN CALIFORNIA EDISON COMPANY

By: [Signature]
Name: GLENN J. BJORKLUND
Title: Vice President

ORMESA GEOTHERMAL

By: [Signature]
Name: [Signature]
Title: [Signature]

Document No. WTM/V111
ATTACHMENT 7

POWER PURCHASE CONTRACT
BETWEEN
SOUTHERN CALIFORNIA EDISON COMPANY
AND
ORMAT SYSTEMS INC.

QF ID NO. 3012

RECEIVED
JUL 05 1984
CDM/GO

Document No. 1468H
<table>
<thead>
<tr>
<th>SECTION</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PROJECT SUMMARY</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>DEFINITIONS</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>TERRI</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>GENERATING FACILITY</td>
<td>9</td>
</tr>
<tr>
<td>5</td>
<td>OPERATING OPTIONS</td>
<td>18</td>
</tr>
<tr>
<td>6</td>
<td>INTERCONNECTION FACILITIES</td>
<td>19</td>
</tr>
<tr>
<td>7</td>
<td>METERING</td>
<td>20</td>
</tr>
<tr>
<td>8</td>
<td>POWER PURCHASE PROVISIONS</td>
<td>21</td>
</tr>
<tr>
<td>9</td>
<td>PAYMENT AND BILLING PROVISIONS</td>
<td>42</td>
</tr>
<tr>
<td>10</td>
<td>TAXES</td>
<td>44</td>
</tr>
<tr>
<td>11</td>
<td>TERMINATION</td>
<td>45</td>
</tr>
<tr>
<td>12</td>
<td>SALE OF GENERATING FACILITY</td>
<td>45</td>
</tr>
<tr>
<td>13</td>
<td>ABANDONMENT OF PROJECT</td>
<td>46</td>
</tr>
<tr>
<td>14</td>
<td>LIABILITY</td>
<td>47</td>
</tr>
<tr>
<td>15</td>
<td>INSURANCE</td>
<td>50</td>
</tr>
<tr>
<td>16</td>
<td>UNCONTROLLABLE FORCES</td>
<td>52</td>
</tr>
<tr>
<td>17</td>
<td>NONDEDICATION OF FACILITIES</td>
<td>54</td>
</tr>
<tr>
<td>18</td>
<td>PRIORITY OF DOCUMENTS</td>
<td>54</td>
</tr>
<tr>
<td>19</td>
<td>NOTICES AND CORRESPONDENCE</td>
<td>54</td>
</tr>
<tr>
<td>20</td>
<td>PREVIOUS COMMUNICATIONS</td>
<td>55</td>
</tr>
<tr>
<td>21</td>
<td>THIRD PARTY BENEFICIARIES</td>
<td>55</td>
</tr>
<tr>
<td>22</td>
<td>NONWAIVER</td>
<td>55</td>
</tr>
<tr>
<td>23</td>
<td>DISPUTES</td>
<td>56</td>
</tr>
<tr>
<td>24</td>
<td>SUCCESSORS AND ASSIGNS</td>
<td>57</td>
</tr>
<tr>
<td>SECTION</td>
<td>TITLE</td>
<td>PAGE</td>
</tr>
<tr>
<td>---------</td>
<td>------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>25</td>
<td>EFFECT OF SECTION HEADINGS</td>
<td>58</td>
</tr>
<tr>
<td>26</td>
<td>TRANSMISSION</td>
<td>58</td>
</tr>
<tr>
<td>27</td>
<td>AMENDMENT</td>
<td>59</td>
</tr>
<tr>
<td>28</td>
<td>GOVERNING LAW</td>
<td>59</td>
</tr>
<tr>
<td>29</td>
<td>CONFIDENTIALITY</td>
<td>59</td>
</tr>
<tr>
<td>30</td>
<td>MULTIPLE ORIGINALS</td>
<td>60</td>
</tr>
<tr>
<td>31</td>
<td>SIGNATURES</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>APPENDIX A</td>
<td>A-1</td>
</tr>
<tr>
<td>32</td>
<td>APPENDIX B</td>
<td>B-1</td>
</tr>
<tr>
<td>33</td>
<td>APPENDIX C</td>
<td>C-1</td>
</tr>
</tbody>
</table>
1. PROJECT SUMMARY

This Contract is entered into between Southern California Edison Company ("Edison") and Ormat Systems Inc., a Massachusetts Corporation ("Seller"). Seller is willing to construct, own, and operate a Qualifying Facility and sell electric power to Edison and Edison is willing to purchase electric power delivered by Seller to Edison at the Point of Interconnection pursuant to the terms and conditions set forth as follows:

1.1 All Notices shall be sent to Seller at the following address:

Ormat Systems Inc.
98 South Street
Hopkinton, MA 01748
Attn: President

1.2 Seller's Generating Facility:

a. Nameplate Rating: 18,500 kW.

b. Location: East Mesa, Imperial County, California

c. Type (Check One):

[ ] Cogeneration Facility
[X] Small Power Production Facility

1.3 Contract Capacity: 15,000 kW

1.3.1 Estimated available capacity: 0 kW.

1.4 Expected annual production: 120,000,000 kWh.

1.5 Expected Date of Firm Operation: September 1, 1985

1.6 Contract Term: 30 years
1.7 Operating Options pursuant to Section 5: (Check One)

X Operating Option I. Excess Generator output
dedicated to Edison. No electric service or
standby service required from Edison.

___ Operating Option II. Entire Generator output
dedicated to Edison with separate electric
service required from Edison.

1.8 The Capacity Payment Option selected by Seller
pursuant to Section 8.1 shall be: (Check One)

___ Option A - As-available capacity based upon:

___ Standard Offer No. 1 Capacity Payment

Schedule, or

___ Forecast of Annual As-Available Capacity

Payment Schedule

X Option B - Firm Capacity

___ Standard Offer No. 2 Capacity Payment

Schedule in effect at time of Contract execution

___ Standard Offer No. 2 Capacity Payment

Schedule in effect at time of Firm Operation


(Firm Capacity)

1.9 The Energy Payment Option selected by Seller
pursuant to Section 8.2 shall be: (Check One)

X Option 1 - Forecast of Annual Marginal Cost of
Energy in effect at date of execution of this
Contract. (Appendix B)
Option 2 - Levelized Forecast of Marginal Cost of Energy in effect at date of execution of this Contract. (Appendix C)

For the energy payment refund pursuant to Section 8.5 under Option 2, Edison's Incremental Cost of Capital is 15%.

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

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

100 percent of Forecast of Annual Marginal Cost of Energy, and

0 percent of Edison's published avoided cost of energy as updated periodically and accepted by the Commission.
GENERAL TERMS AND CONDITIONS

2. DEFINITIONS

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

2.1 Adjusted Capacity Price: The $/kW-yr capacity
purchase price based on the Capacity Payment
Schedule in effect at the time of Contract execution
for the time period beginning on the date of Firm
Operation for the first generating unit and ending
on the date of termination or reduction of Contract
Capacity under Capacity Payment Option B.

2.2 Appendix A: Capacity Payment Schedule - Forecast of
Annual As-Available Capacity

2.3 Appendix B: Energy Payment Schedule - Forecast of
Annual Marginal Cost of Energy

2.4 Appendix C: Energy Payment Schedule - Levelized
Forecast of Marginal Cost of Energy

2.5 Capacity Payment Schedule(s): Published capacity
payment schedule(s) as authorized by the Commission
and in effect at the time of execution of this
Contract for as-available or firm capacity.

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

2.7 Contract: This document and Appendices, as amended
from time to time.
2.8 **Contract Capacity**: The electric power producing capability of the Generating Facility which is committed to Edison.

2.9 **Contract Capacity Price**: The capacity purchase price from the Capacity Payment Schedule approved by the Commission and in effect on the date of execution of this Contract for Capacity Payment Option B.

2.10 **Contract Term**: Period in years commencing with date of Firm Operation during which Edison shall purchase electric power from Seller.

2.11 **Current Capacity Price**: The $/kW-yr capacity price provided in the Capacity Payment Schedule determined by the year of termination or reduction of Contract Capacity and the number of years from such termination or reduction to the expiration of the Contract Term for Capacity Payment Option B.

2.12 **Edison**: The Southern California Edison Company.

2.13 **Edison Electric System Integrity**: The state of operation of Edison's electric system in a manner which is deemed to minimize the risk of injury to persons and/or property and enables Edison to provide adequate and reliable electric service to its customers.
2.14 Emergency: A condition or situation which in Edison's sole judgment affects Edison Electric System Integrity.

2.15 Energy: Kilowatthours generated by the Generating Facility which are purchased by Edison at the Point of Interconnection.

2.16 Firm Operation: The date agreed on by the Parties on which each generating unit of the Generating Facility is determined to be a reliable source of generation and on which such unit can be reasonably expected to operate continuously at its effective rating (expressed in kW).

2.17 First Period: The period of the Contract Term specified in Section 3.1.

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

2.19 Generating Facility: All of Seller's generators, together with all protective and other associated equipment and improvements, necessary to produce electrical power at Seller's Facility excluding associated land, land rights, and interests in land.

2.20 Generator: The generator(s) and associated prime mover(s), which are a part of the Generating Facility.
2.21 **Interconnection Facilities**: The electrical interconnection facilities furnished, at no cost to Edison, by Seller, or by the Interconnecting Utility on the Seller's behalf, which are appurtenant to, and/or incidental to, the Project. The Interconnection Facilities shall include, but are not limited to, transmission lines and/or distribution lines between the Project and transmission lines and/or distribution lines of the Interconnecting Utility, relays, power-circuit breakers, metering devices, telemetering devices, and other control and protective devices specified by the Interconnecting Utility as necessary for operation of the Project in parallel with the Interconnecting Utility's electric system.

2.22 **Interconnecting Utility**: The electric utility, or any other utility which takes delivery of electric energy generated by the Generating Facility.

2.23 **Operate**: To provide the engineering, purchasing, repair, supervision, training, inspection, testing, protection, operation, use, management, replacement, retirement, reconstruction, and maintenance of and for the Generating Facility in accordance with applicable California utility standards and good engineering practices.
2.24 Operating Representatives: Individual(s) appointed by each Party for the purpose of securing effective cooperation and interchange of information between the Parties in connection with administration and technical matters related to this Contract.

2.25 Parties: Edison and Seller.

2.26 Party: Edison or Seller.

2.27 Peak Months: Those months which the Edison annual system peak demand could occur. Currently, but subject to change with notice, the peak months for the Edison system are June, July, August, and September.

2.28 Point of Interconnection: The point where the electrical energy generated by the Seller, at the Project, is delivered to the Edison electric system.

2.29 Project: The Generating Facility and Interconnection Facilities required to permit the Generator to deliver electric energy and make capacity available to Interconnecting Utility.

2.30 Qualifying Facility: Cogeneration or Small Power Production Facility which meets the criteria as defined in Title 18, Code of Federal Regulations, Section 292.201 through 292.207.

2.31 Renewable Resources: Wind parks, small hydroelectric, solar, and geothermal resources which produce electric power.
2.32 Second Period: The period of the Contract Term specified in Section 3.2.

2.33 Seller: The Party identified in Section 1.0.

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

2.35 Small Power Production Facility: The facilities and equipment which use biomass, waste, or Renewable Resources, including wind, solar, geothermal, and water, to produce electrical energy as defined in Title 18, Code of Federal Regulations, Section 292.201 through 292.207.

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

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

2.38 Uncontrollable Forces: Any occurrence beyond the control of a Party which causes that Party to be unable to perform its obligations hereunder and which a Party has been unable to overcome by the exercise of due diligence, including but not limited to flood, drought, earthquake, storm, fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike,
labor dispute, action or inaction of government or other proper authority, which may conflict with the terms of this Contract, or failure, threat of failure or sabotage of facilities which have been maintained in accordance with good engineering and operating practices in California. The failure of the Interconnecting Utility to deliver electrical energy to the Point of Interconnection shall be an Uncontrollable Force only if such failure is beyond the control of the Interconnecting Utility.

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

3. **TERM**

This Contract shall be effective upon execution by the Parties and shall remain effective until either Party gives 90 days prior written notice of termination to the other Party, except that such notice of termination shall not be effective to terminate this Contract prior to expiration of the Contract Term specified in Section 1.6. 3.1 The First Period of the Contract Term shall commence upon date of Firm Operation but not later than 5 years from the date of execution of this Contract. 3.1a. If the Contract Term specified in Section 1.6 is 15 years, the First Period of the Contract Term shall be for 5 years.
b. If the Contract Term specified in Section 1.6 is 20, 25, or 30 years, the First Period of the Contract Term shall be for 10 years.

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

4. GENERATING FACILITY

4.1 Ownership

The Generating Facility shall be owned by Seller.

4.2 Design

4.2.1 Seller, at no cost to Edison, shall:

a. Design the Generating Facility.

b. Acquire all permits and other approvals necessary for the construction, operation, and maintenance of the Generating Facility.

c. Complete all environmental impact studies necessary for the construction, operation, and maintenance of the Generating Facility.

4.2.2 Edison shall have the right to review the design of the Generating Facility's electrical system and the Seller's
Interconnection Facilities. Edison shall have the right to request modifications to the design of the Generating Facility's electrical system and the Seller's Interconnection Facilities. Such modifications shall be required if necessary to maintain Edison Electric System Integrity. If Seller does not agree to such modifications, resolution of the difference between the Parties shall be made pursuant to Section 23.

4.3 Construction
1. Edison shall have the right to review, consult with, and make recommendations regarding Seller's construction schedule and to monitor the construction and start-up of the Project. Seller shall notify Edison, as far in advance of Firm Operation as reasonably possible, of changes in Seller's Construction Schedule which may affect the date of Firm Operation.

4.4 Operation
4.4.1 Edison shall have the right to monitor operation of the Project and may require changes in Seller's method of operation if such changes are necessary, in Edison's
sole judgment, to maintain Edison Electric System Integrity.

4.4.2 Seller shall notify, in writing, Edison's Operating Representative at least 14 days prior to the initial delivery of electrical energy from the Project to the Point of Interconnection.

4.4.3 Edison shall have the right to require Seller to curtail or reduce the delivery of electrical energy from the Project to the Edison electric system whenever Edison determines, in its sole judgement, that such curtailment or reduction is necessary to facilitate maintenance of Edison's facilities, or to maintain Edison Electric System Integrity. If Edison requires Seller to curtail or reduce the delivery of electrical energy from the Project to the Edison electric system pursuant to this Section 4.4.3, Seller shall have the right to continue to serve its total electrical requirements. Each Party shall endeavor to correct, within a reasonable period, the condition on its system which necessitates the curtailment or the reduction of delivery of electrical energy.
energy from the Project. The duration of
the curtailment or the reduction shall be
limited to the period of time such a
case exists.

4.4.4 Each Party shall keep the other Party's
Operating Representative informed as to
the operating schedule of their respective
facilities affecting each other's
operation hereunder, including any
reduction in Contract Capacity
availability. In addition, Seller shall
provide Edison with reasonable advance
notice regarding its scheduled outages
including any reduction in Contract
Capacity availability. Reasonable advance
notice is as follows:

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

4.4.5 Notification by each Party's Operating
Representative of outage date and duration
should be directed to the other Party's
Operating Representative by telephone.
4.4.6 Seller shall not schedule major overhauls during Peak Months.

4.4.7 Seller shall maintain an operating log at Seller's Facility with records of: real and reactive power production; changes in operating status, outages, Protective Apparatus operations; and any unusual conditions found during inspections. Changes in setting shall also be logged for Generators which are "block-loaded" to a specific kW capacity. In addition, Seller shall maintain records applicable to the Generating Facility, including the electrical characteristics of the Generator and settings, adjustments of the Generator control equipment, and well-field information. Information maintained pursuant to this Section 4.4.7 shall be provided to Edison, within 30 days of Edison's request.

4.4.8 At Edison's request, Seller shall make all reasonable effort to deliver power at an average rate of delivery at least equal to the Contract Capacity during periods of Emergency. In the event that the Seller has previously scheduled an outage
coincident with an Emergency, Seller shall make all reasonable efforts to reschedule the outage. The notification periods listed in Section 4.4.4 shall be waived by Edison if Seller reschedules the outage.

4.4.9

Seller shall demonstrate the ability to provide Edison the specified Contract Capacity within 30 days of the date of Firm Operation. Thereafter, at least once per year at Edison's request, Seller shall demonstrate the ability to provide Contract Capacity for a reasonable period of time as required by Edison. Seller's demonstration of Contract Capacity shall be at Seller's expense and conducted at a time and pursuant to procedures mutually agreed upon by the Parties. If Seller fails to demonstrate the ability to provide the Contract Capacity, the Contract Capacity shall be reduced by agreement of the Parties pursuant to Section 8.1.2.5.

4.4.10

The Seller warrants that the Generating Facility meets the requirements of a Qualifying Facility as of the effective date of this Contract and continuing through the Contract Term.
4.4.11 The Seller warrants that the Generating Facility shall, at all times, conform to all applicable laws and regulations. Seller shall obtain and maintain any governmental authorizations and permits for the continued operation of the Generating Facility. If, at any time, Seller does not hold such authorizations and permits, Seller agrees to reimburse Edison for any loss which Edison incurs as a result of the Seller's failure to maintain governmental authorization and permits.

4.4.12 In the event electrical energy from the Project is curtailed or reduced pursuant to Sections 4.4.3, 16 or 8.4, the Seller, in its sole discretion, may elect to (i) sell said electrical energy to a third party or (ii) deliver said electrical energy to a third party for future delivery to Edison at times and at amounts agreeable to Edison. The Seller shall be responsible for making all such arrangements. The provisions in this Section 4.4.12 shall only apply for the duration of the curtailment or reduction.
4.4.13 Seller shall maintain operating communications with the Edison switching center designated by the Edison Operating Representative. The operating communications shall include, but not be limited to, system paralleling or separation, scheduled and unscheduled shutdowns, equipment clearances, levels of operating voltage or power factors, and daily capacity and generation reports.

4.5 Maintenance

4.5.1 Seller shall maintain the Generating Facility in accordance with applicable California utility industry standards and good engineering and operating practices. Edison shall have the right to monitor such maintenance of the Generating Facility. Seller shall maintain and deliver a maintenance record of the Generating Facility to Edison's Operating Representatives upon request.

4.5.2 Seller shall make a reasonable effort to schedule routine maintenance during Off-Peak Months and expected minimal generation periods for renewable resources. Outages for scheduled
maintenance shall not exceed a total of 30 peak hours for the Peak Months.

4.5.3 The allowance for scheduled maintenance is as follows:

a. Outage periods for scheduled maintenance shall not exceed 840 hours (35 days) in any 12-month period. This allowance may be used in increments of an hour or longer on a consecutive or nonconsecutive basis.

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

4.6 Any review by Edison of the design, construction, operation, or maintenance of the Project is solely for the information of Edison. By making such review, Edison makes no representation as to the economic and technical feasibility, operational capability, or reliability of the Project. Seller shall in no way represent to any third party that any such review by Edison of the Project, including, but not limited to, any review of the design, construction, operation, or maintenance of the Project by Edison, is a representation by Edison as to the economic and technical feasibility,
operational capability, or reliability of said
facilities. Seller is solely responsible for
economic and technical feasibility, operational
capability, and reliability thereof.

4.7 Edison shall have access to the Seller's geothermal
field and power-generating facilities for the purpose
of gathering technical information and records. The
technical information and records shall include, but
not be limited to, drilling data, well-testing data,
well-production data and design, power plant
performance data and design, environmental data,
brine handling design, and operation and maintenance
data. Edison agrees not to interfere with Seller's
rules and operating regulations.

5. **OPERATING OPTIONS**

5.1 Seller shall elect in Section 1.7 to Operate its
Generating Facility pursuant to one of the following
options:

a. Operating Option I: Seller dedicates the
   excess Generator output to Edison with no
electrical service or standby service required
   from Edison.

b. Operating Option II: Seller dedicates the
   entire Generator output to Edison with
   electrical service required from Edison.
5.2 After expiration of the First Period of the Contract Term, Seller may change the Operating Option, but not more than once per year upon at least 90 days prior written notice to Edison. A reduction in Contract Capacity as a result of a change in operating options shall be subject to Section 8.1.2.5. Edison shall not be required to remove or reserve capacity of Interconnection Facilities made idle by a change in operating options. Edison may dedicate any such idle Interconnection Facilities at any time to serve other customers or to interconnect with other electric power sources. Edison shall process requests for changes of operating option in the chronological order received.

6. INTERCONNECTION FACILITIES

6.1 Seller shall design, engineer, procure, construct, and test the Interconnection Facilities in accordance with applicable California utility standards and good engineering practices and the rules and regulations of the Interconnecting Utility.

6.2 The design, installation, operation, maintenance, and modifications of the Interconnection Facilities shall be at Seller’s expense.

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

7. METERING

7.1 All meters and equipment used for the measurement of
electrical power for determining Edison's payments
to Seller pursuant to this Contract shall be
provided, owned, and maintained by Edison and/or the
Interconnecting Utility at Seller's expense.

7.2 If Seller's Generating Facility is rated at a
Capacity of 500 kW or greater, then Edison, at its
option, may install at Seller's expense, generation
metering and/or telemetering equipment.

7.3 Edison's or the Interconnecting Utility's meters
shall be sealed and the seals shall be broken only
when the meters are to be inspected, tested, or
adjusted by Edison or Interconnecting Utility.
Seller shall be given reasonable notice of testing
and have the right to have its Operating
Representative present on such occasions.

7.4 Edison's or Interconnecting Utility's meters
installed pursuant to this Contract shall be tested
by Edison or Interconnecting Utility, at Edison's or
Interconnecting Utility's expense, at least once
each year and at any reasonable time upon request by
either Party, at the requesting Party's expense. If
Seller makes such request, Seller shall reimburse
said expense to Edison or Interconnecting Utility within thirty days after presentation of a bill therefor.

7.5 Metering equipment found to be inaccurate shall be repaired, adjusted, or replaced by Edison or Interconnecting Utility such that the metering accuracy of said equipment shall be within plus or minus two percent. If metering equipment inaccuracy exceeds plus or minus two percent, the correct amount of Energy and capacity delivered during the period of said inaccuracy shall be estimated by Edison and agreed upon by the Parties.

8. POWER PURCHASE PROVISIONS

Prior to the date of Firm Operation, Seller shall be paid for Energy only pursuant to Edison's published avoided cost of energy based on Edison's full avoided operating cost as periodically updated and accepted by the Commission. If at any time electrical energy can be delivered to Edison and Seller is contesting the claimed jurisdiction of any entity which has not issued a license or other approval for the Project, Seller, in its sole discretion and risk, may deliver electrical energy to Edison and for any electrical energy purchased by Edison Seller shall receive payment from Edison for (i) Energy pursuant to this Section, and (ii) as-available capacity based on a capacity price from the Standard Offer No. 1
Capacity Payment Schedule as approved by the Commission. Unless and until all required licenses and approvals have been obtained, Seller may discontinue deliveries at any time.

8.1 **Capacity Payments**

Seller shall sell to Edison and Edison shall purchase from Seller capacity pursuant to the Capacity Payment Option selected by Seller in Section 1.8. The Capacity Payment Schedules will be based on Edison's full avoided operating costs as approved by the Commission throughout the life of this Contract.

8.1.1 **Capacity Payment Option A -- As-Available Capacity.**

If Seller selects Capacity Payment Option A, Seller shall be paid a Monthly Capacity Payment calculated pursuant to the following formula:

\[
\text{Monthly Capacity Payment} = (A \times D) + (B \times D) + (C \times D)
\]

Where:

- \( A \) = kWh purchased by Edison during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.

- \( B \) = kWh purchased by Edison during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

//

Document No. 1468H
\[ C \text{ = kWh purchased by Edison during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.} \]

\[ D \text{ = The appropriate time differentiated capacity price from either the Standard Offer No. 1 Capacity Payment Schedule or Forecast of Annual As-Available Capacity Payment Schedule as specified by Seller in Section 1.8.} \]

8.1.1.1 If Seller specifies the Standard Offer No. 1 Capacity Payment Schedule in Section 1.8, then the formula set forth in Section 8.1.1 shall be computed with \( D \) equal to the appropriate time differentiated capacity price from the Standard Offer No. 1 Capacity Payment Schedule for the Contract Term.

8.1.1.2 If Seller specifies the Forecast of Annual As-Available Capacity Payment Schedule in Section 1.8, the formula set forth in Section 8.1.1 shall be computed as follows:
a. During the First Period of the Contract Term, D shall equal the appropriate time differentiated capacity price from the Forecast of Annual As-Available Capacity Payment Schedule.

b. During the Second Period of the Contract Term, the formula shall be computed with D equal to the appropriate time differentiated capacity price from Standard Offer No. 1 Capacity Payment Schedule, but not less than the greater of (i) the appropriate time differentiated capacity price from the Forecast of Annual As-Available Capacity Payment Schedule for the last year of the First Period, or (ii) the appropriate time differentiated capacity price from the Standard Offer No. 1 Capacity Payment Schedule for the first year of the Second Period.
8.1.2 Capacity Payment Option B—Firm Capacity Purchase

If Seller selects Capacity Payment Option B, Seller shall provide to Edison for the Contract Term the Contract Capacity specified in Section 1.3, or as adjusted pursuant to Section 8.1.2.6, and Seller shall be paid as follows:

8.1.2.1 If Seller meets the performance requirements set forth in Section 8.1.2.2, Seller shall be paid a Monthly Capacity Payment, beginning from the date of Firm Operation equal to the sum of the on-peak, mid-peak, and off-peak Capacity Period Payments. Each capacity period payment is calculated pursuant to the following formula:

\[
\text{Monthly Capacity Period Payment} = A \times B \times C \times D
\]

Where \( A = \) Contract Capacity Price specified in Section 1.8 based on the Standard Offer No. 2 Capacity Payment Schedule as approved by the Commission and in effect on
the date of the execution of this Agreement.

B = Conversion factors to convert annual capacity prices to monthly payments by time of delivery as specified in Standard Offer No. 2 Capacity Payment Schedule and subject to periodic modifications as approved by the Commission.

C = Contract Capacity specified in Section 1.3.

D = Period Performance Factor, not to exceed 1.0, calculated as follows:

\[
\text{Period Performance Factor} = \frac{[\text{Period kWh Purchased by Edison (Limited by the Level of Contract Capacity)}]}{[0.8 \times \text{Contract Capacity} \times (\text{Period Hours minus Maintenance Hours Allowed in Section 4.5.})]}
\]

8.1.2.2 Performance Requirements

To receive the Monthly Capacity Payment in Section 8.1.2.1, Seller shall provide the Contract Capacity in each Peak Month for all on-peak hours as such peak hours are defined.
in Edison's Tariff Schedule No. TOU-8 on file with the Commission, except that Seller is entitled to a 20% allowance for Forced Outages for each Peak Month. Seller shall not be subject to such performance requirements for the remaining hours of the year.

a. If Seller fails to meet the requirements specified in Section 8.1.2.2, Seller, in Edison's sole discretion, may be placed on probation for a period not to exceed 15 months. If Seller fails to meet the requirements specified in Section 8.1.2.2 during the probationary period, Edison may derate the Contract Capacity to the greater of the capacity actually delivered during the probationary period, or the capacity at which Seller can reasonably meet such requirements. A reduction in Contract Capacity as a result of
this Section 8.1.2.2 shall be subject to Section 8.1.2.5.

b. If Seller fails to meet the requirements set forth in this Section 8.1.2.2 due to a Forced Outage on the Edison system, or a request to reduce or curtail delivery under Section 8.4, Edison shall continue Monthly Capacity Payments pursuant to Capacity Payment Option B. The Contract Capacity curtailed shall be treated the same as scheduled maintenance outages in the calculation of the Monthly Capacity Payment.

8.1.2.3 If Seller is unable to provide Contract Capacity due to Uncontrollable Forces, Edison shall continue Monthly Capacity Payments pursuant to Capacity Payment Option B for 90 days from the occurrence of the Uncontrollable Force. Monthly Capacity Payments payable during a period of interruption or reduction by reason of an Uncontrollable Force
shall be treated the same as scheduled maintenance outages.

8.1.2.4 Capacity Bonus Payment

For Capacity Payment Option B, Seller may receive a Capacity Bonus Payment as follows:

a. **Bonus During Peak Months**
   For a Peak Month, Seller shall receive a Capacity Bonus Payment if (i) the requirements set forth in Section 8.1.2.2 have been met, and (ii) the on-peak capacity factor exceeds 85%.

b. **Bonus During Non-Peak Months**
   For a non-peak month, Seller shall receive a Capacity Bonus Payment if (i) the requirements set forth in Section 8.1.2.2 have been met, (ii) the on-peak capacity factor for each Peak Month during the year was at least 85%, and (iii) the on-peak capacity factor for the non-peak month exceeds 85%.
c. For any eligible month, the Capacity Bonus Payment shall be calculated as follows:

\[ \text{Capacity Bonus Payment} = A \times B \times C \times D \]

Where \( A = (1.2 \times \text{On-Peak Capacity Factor}) - 1.02 \)

Where the On-Peak Capacity Factor, not to exceed 1.0, is calculated as follows:

\[ \frac{[\text{Period kWh Purchased by Edison (Limited by the Level of Contract Capacity)}]}{(\text{Contract Capacity}) \times (\text{Period Hours minus Maintenance Hours Allowed in Section 4.5})} \]

\( B = \text{Contract Capacity Price} \)

specified in Section 1.8 for Capacity Payment Option B

\( C = \frac{1}{12} \)

\( D = \text{Contract Capacity specified in Section 1.3} \)

d. When Seller is entitled to receive a Capacity Bonus Payment, the Monthly Capacity Payment shall be the sum of the Monthly Capacity Payment pursuant to Section 8.1.2.1 and the Monthly
Capacity Bonus Payment pursuant to this Section 8.1.2.4.

8.1.2.5 Capacity Reduction

a. Seller may reduce the Contract Capacity specified in Section 1.3, provided that Seller gives Edison prior written notice for a period determined by the amount of Contract Capacity reduced as follows:

<table>
<thead>
<tr>
<th>Amount of Contract Capacity Reduced</th>
<th>Length of Notice Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>25,000 kW or under</td>
<td>12 months</td>
</tr>
<tr>
<td>25,001 - 50,000 kW</td>
<td>36 months</td>
</tr>
<tr>
<td>50,001 - 100,000 kW</td>
<td>48 months</td>
</tr>
<tr>
<td>over 100,000 kW</td>
<td>60 months</td>
</tr>
</tbody>
</table>

b. Seller shall refund to Edison with interest at the current published Federal Reserve Board three months prime commercial paper rate, an amount equal to the difference between (1) the accumulated Monthly Capacity Payments paid by Edison pursuant to Capacity Payment Option B up to the time the reduction notice
is received by Edison, and
(ii) the total capacity payments
which Edison would have paid if
based on the Adjusted Capacity
Price.

c. From the date the reduction
notice is received to the date
of actual capacity reduction,
Edison shall make capacity
payments based on the Adjusted
Capacity Price for the amount of
Contract Capacity being reduced.
d. Seller may reduce Contract
Capacity without the notice
prescribed in Section 8.1.2.5(a),
provided that Seller shall refund
to Edison the amount specified
in Section 8.1.2.5(b) and an
amount equal to: (i) the amount
of Contract Capacity being
reduced, times (ii) the difference
between the Current Capacity
Price and the Contract Capacity
Price, times (iii) the number of
years and fractions thereof (not
less than one year) by which the
Seller has been deficient in giving the prescribed notice.
If the Current Capacity Price is less than the Contract Capacity Price, only payment under Section 8.1.2.5(b) shall be due to Edison.

8.1.2.6

The Parties may agree in writing at any time to adjust the Contract Capacity. Seller may reduce the Contract Capacity pursuant to Section 8.1.2.5. Seller may increase the Contract Capacity with Edison's approval and thereafter receive payment for the increased capacity in accordance with the Contract Capacity Price for the Capacity Payment Option selected by Seller for the remaining Contract Term.

8.1.2.7

For Capacity Payment Option B, Seller shall be paid for capacity in excess of Contract Capacity based on the as-available capacity price in Standard Offer.
8.2 Energy Payments - First Period

During the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for the electrical energy delivered by the Seller and purchased by Edison at the Point of Interconnection pursuant to the Energy Payment Option selected by the Seller in Section 1.9, as follows.

8.2.1 Energy Payment Option 1 — Forecast of Annual Marginal Cost of Energy.

If Seller selects Energy Payment Option 1, then during the First Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for electrical energy delivered by Seller and purchased by Edison at the Point of Interconnection during each month in the First Period of the Contract Term pursuant to the following formula:

Monthly Energy Payment = \[\left[\left(\frac{A \times D}{100} \right) + (B \times D) + (C \times D)\right] \times E\]

Where A = kWh purchased by Edison during on-peak periods defined in Edison's Tariff Schedule No. TOU-8.
B = kWh purchased by Edison during mid-peak periods defined in Edison's Tariff Schedule No. TOU-8.

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

D = The sum of:

(i) the appropriate time differentiated energy price from the Forecast of Annual Marginal Cost of Energy, multiplied by the decimal equivalent of the percentage of the forecast specified in Section 1.9, and

(ii) the appropriate time differentiated energy price from Edison's published avoided cost of energy multiplied by the decimal equivalent of the percentage of the published energy price specified in Section 1.9.
E = Energy Loss Adjustment Factor
For Remote Generating Sites*

8.2.2 Energy Payment Option 2 -- Levelized
Forecast of Marginal Cost of Energy.
If Seller selects Energy Payment Option 2,
then during the First Period of the
Contract Term, Seller shall be paid a
Monthly Energy Payment for electrical
energy delivered by Seller and purchased
by Edison each month during the First
Period of the Contract Term pursuant to
the following formula:

Monthly Energy Payment = \((A \times D) + (B \times D) + (C \times D)\) \times E

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

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

*The Energy Loss Adjustment Factor For Remote Generating Sites
shall be 1.0, subject to adjustment by Commission orders and
rulings.
C = kWh purchased by Edison during off-peak periods defined in Edison's Tariff Schedule No. TOU-8.

D = The sum of:
   (i) the appropriate time differentiated energy price from the Levelized Forecast of Marginal Cost of Energy, for the First Period of the Contract Term multiplied by the decimal equivalent of the percentage of the levelized forecast specified in Section 1.9, and (ii) the appropriate time differentiated energy price from Edison's published avoided cost of energy multiplied by the decimal equivalent of the percentage of the published energy price specified in Section 1.9.

E = Energy Loss Adjustment Factor For Remote Generating Sites

*The Energy Loss Adjustment Factor For Remote Generating Sites shall be 1.0, subject to adjustment by Commission orders or rulings.
8.2.2.1 Performance Requirement for Energy Payment Option 2

During the First Period when the annual forecast referred to in Section 8.2.1 is greater than the levelized forecast referred to in Section 8.2.2, Seller shall deliver to Edison at least 70 percent of the average annual kWh delivered to Edison during those previous periods when the levelized forecast referred to in Section 8.2.2 is greater than the annual forecast referred to in Section 8.2.1. If Seller does not meet the performance requirements of this Section 8.2.2.1, Seller shall be subject to Section 8.5.

8.3 Energy Payments - Second Period

During the Second Period of the Contract Term, Seller shall be paid a Monthly Energy Payment for electrical energy delivered by Seller and purchased by Edison at the Point of Interconnection at a rate equal to 100% of Edison's published avoided cost of energy as updated periodically and accepted by the Commission, pursuant to the following formula:

//
Monthly Energy Payment = kWh purchased by Edison for each on-peak, mid-peak, and off-peak time period defined in Edison's Tariff Schedule No. TOU-8

x Edison's published avoided cost of energy by time of delivery for each time period

x Energy Loss Adjustment Factor for Remote Generating Sites*

8.4 Edison shall not be obligated to accept or pay for electrical energy generated by the Generating Facility, and may request Seller whose Generating Facility is one (1) MW or greater to discontinue or reduce delivery of electric energy, for not more than 300 hours annually during off-peak hours when (i) purchases would result in costs greater than those which Edison would incur if it did not purchase electrical energy from Seller but instead utilized an equivalent amount of electrical energy generated from another Edison source, or (ii) the Edison Electric System demand would require that Edison hydro-energy be spilled to reduce generation.

*The Energy Loss Adjustment Factor For Remote Generating Sites shall be 1.0, subject to adjustment by Commission orders or rulings.
8.5 Energy Payment Refund

If Seller elects Energy Payment Option 2, Seller shall be subject to the following:

8.5.1 If Seller fails to perform the Contract obligations for any reason during the First Period of the Contract Term, or fails to meet the performance requirements set forth in Section 8.2.2.1, and at the time of such failure to perform, the net present value of the cumulative Energy payments received by Seller pursuant to Energy Payment Option 2 exceeds the net present value of what Seller would have been paid pursuant to Energy Payment Option 1, Seller shall make an energy payment refund equal to the difference in such net present values in the year in which the refund is due. The present value calculation shall be based upon the rate of Edison's incremental cost of capital specified in Section 1.9.

8.5.2 Not less than 90 days prior to the date Energy is first delivered to the Point of Interconnection, Seller shall provide and maintain a performance bond, surety bond, performance insurance, corporate guarantee,
or bank letter of credit, satisfactory to Edison, which shall insure payment to Edison of the Energy Payment Refund at any time during the First Period. Edison may, in its sole discretion, accept another form of security except that in such instance a 1-1/2 percent reduction shall then apply to the levelized forecast referred to in Section 8.2.2 in computing payments for Energy. Edison shall be provided with certificates evidencing Seller's compliance with the security requirements in this Section which shall also include the requirement that Edison be given 90 days prior written notice of the expiration of such security.

8.5.3 If Seller fails to provide replacement security not less than 60 days prior to the date of expiration of existing security, the Energy Payment Refund provided in Section 8.5 shall be payable forthwith. Thereafter, payments for Energy shall be 100 percent of the Monthly Energy Payment provided in Section 8.2.1.

8.5.4 If Edison at any time determines the security to be otherwise inadequate, and
so notifies Seller, payments thereafter for Energy shall be 100 percent of the Monthly Energy Payment provided in Section 8.2.1. If within 30 days of the date Edison gives notice of such inadequacies, Seller satisfies Edison's security requirements, Energy Payment Option 2 shall be reinstated. If Seller fails to satisfy Edison's security requirements within the 30-day period, the Energy Payment Refund provided in Section 8.5 shall be payable forthwith.

9. PAYMENT AND BILLING PROVISIONS

9.1 For Energy and capacity purchased by Edison:

9.1.1 Edison shall mail to Seller no later than thirty days after the end of each monthly billing period (1) a statement showing the Energy and capacity delivered to Edison during the on-peak, mid-peak, and off-peak periods, as those periods are specified in Edison's Tariff Schedule No. TOU-8 for that monthly billing period, (2) Edison's computation of the amount due Seller, and (3) Edison's check in payment of said amount.

//
9.1.2 If the monthly payment period involves portions of two different published Energy payment schedule periods, the monthly Energy payment shall be prorated on the basis of the percentage of days at each price.

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

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

9.2 Edison shall bill the Seller, on a monthly basis, for the costs Edison has incurred in the transmission of the electrical energy from the Project to the Point of Interconnection pursuant to the provisions of Section 26.

9.3 Payments Due to Contract Capacity Reduction

9.3.1 The Parties agree that the refund and payments provided in Section 8.1.2.5 represent a fair compensation for the
reasonable losses that would result from such reduction of Contract Capacity.

9.3.2 In the event of a reduction in Contract Capacity, the quantity, in kW, by which the Contract Capacity is reduced shall be used to calculate the refunds and payments due Edison in accordance with Section 8.1.2.5, as applicable.

9.3.3 Edison shall provide invoices to Seller for all refunds and payments due Edison under this Section 9 which shall be due within 60 days.

9.3.4 If Seller does not make payments as required in Section 9.2.3, Edison shall have the right to offset any amounts due it against any present or future payments due Seller and may pursue any other remedies available to Edison as a result of Seller's failure to perform.

9.4 Energy Payment Refund

Energy Payment Refund is immediately due and payable upon Seller's failure to perform the contract obligations as specified in Section 8.5.

10. TAXES

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

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

10.3 Seller or Edison shall provide information concerning the Project to any requesting taxing authority.

11. TERMINATION

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

12. SALE OF GENERATING FACILITY

12.1 If Seller desires to sell the Generating Facility, Seller shall promptly offer to Edison, or any entity designated by Edison in its sole discretion, the right to purchase the Generating Facility. Edison, or any such entity designated by Edison, shall have up to sixty days following the offer to accept Seller's offer or reach agreement with Seller.

12.2 If the Parties are unable to reach a satisfactory agreement within sixty days following the offer pursuant to Section 12.1, and the Generating Facility is offered to any third party or parties, Edison, or any such entity designated by Edison, has
the right for thirty days following each offer to agree to purchase the Generating Facility under the same terms and conditions, if such terms and conditions are better to Edison than those offered in Section 12.1. Any offers to sell made more than two years after Edison's failure to accept a previous offer to sell under Section 12.1, shall again be subject to the terms of Sections 12.1 and 12.2

12.3 Notwithstanding the foregoing, Seller shall have the right at any time to sell or transfer the Generating Facility to an affiliate of Seller and an affiliate of Seller may sell, transfer, or lease to Seller without giving rise to any right of first refusal of Edison. An "affiliate" of Seller shall mean a Party's parent, a Party's subsidiary, or any company of which a Party's parent is a parent. An "affiliate" of Seller shall also mean a partnership or joint venture from which the Seller leases and operates the Generating Facility. A "parent" shall mean a company which owns directly or indirectly not less than 51% of the shares entitled to vote in an election of directors of another company.

13. ABANDONMENT OF PROJECT

13.1 The Generating Facility shall be deemed to be abandoned if Seller discontinues operation of the
Generating Facility with the intent that such discontinuation be permanent. Such intent shall be conclusively presumed by either (i) Seller's notice to Edison of such intent, or (ii) Seller's operation of the Generating Facility in such a manner that no Energy is generated therefrom for 200 consecutive days during any period after Firm Operation of the first generating unit, unless otherwise agreed to in writing by the Parties. If the Project is prevented from generating Energy due to an Uncontrollable Force, then such period shall be extended for the duration of the Uncontrollable Force, not to exceed one year.

13.2 If Seller abandons the Generating Facility during the term of this Agreement, Edison, or any entity designated by Edison in its sole discretion, shall have the right to purchase the Generating Facility pursuant to the provisions of Section 12.

14. LIABILITY

14.1 Each Party (First Party) releases the other Party (Second Party), its directors, officers, employees and agents from any loss, damage, claim, cost, charge, or expense of any kind or nature (including any direct, indirect or consequential loss, damage, claim, cost, charge, or expense), including attorney's fees and other costs of litigation
incurred by the First Party, in connection with
damage to property of the First Party caused by or
arising out of the Second Party's construction,
engineering, repair, supervision, inspection,
testing, protection, operation, maintenance,
replacement, reconstruction, use or ownership of its
facilities, to the extent that such loss, damage,
claim, cost, charge, or expense is caused by the
negligence of Second Party, its directors, officers,
employees, agents, or any person or entity whose
negligence would be imputed to Second Party.

14.2 Each Party shall indemnify and hold harmless the
other Party, its directors, officers, and employees
or agents from and against any loss, damage, claim,
cost, charge, or expense of any kind or nature
(including direct, indirect or consequential loss,
damage, claim, cost, charge, or expense), including
attorney's fees and other costs of litigation,
incurred by the other Party in connection with the
injury to or death of any person or damage to
property of a third party arising out of the
indemnifying Party's construction, engineering,
repair, supervision, inspection, testing, protection,
operation, maintenance, replacement, reconstruction,
use, or ownership of its facilities, to the extent
that such loss, damage, claim, cost, charge, or
expense is caused by the negligence of the
indemnifying Party, its directors, officers,
employees, agents, or any person or entity whose
negligence would be imputed to the indemnifying
Party; provided, however, that each Party shall be
solely responsible for and shall bear all cost of
claims brought by its contractors or its own
employees and shall indemnify and hold harmless the
other Party for any such costs including costs
arising out of any workers compensation law. Seller
releases and shall defend and indemnify Edison from
any claim, cost, loss, damage, or liability arising
from any contrary representation concerning the
effect of Edison's review of the design,
construction, operation, or maintenance of the
Project.

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

14.4 Neither Party shall be indemnified by the other
Party under Section 14.2 for its liability or loss
resulting from its sole negligence or willful
misconduct.
15. **INSURANCE**

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

15.2 Prior to the date Seller's generating facility first delivers electrical energy to the Point of Interconnection, Seller shall (i) furnish certificate of insurance to Edison, which certificate shall provide that such insurance shall not be terminated nor expire except on thirty days prior written notice to Edison, (ii) maintain such insurance in effect for so long as Seller's Generating Facility is delivering electrical energy to the Point of Interconnection, and (iii) furnish to Edison an additional insured endorsement with respect to such insurance in substantially the following form:

"In consideration of the premium charged, Southern California Edison Company (Edison) is named as additional insured with respect to all liabilities arising out of Seller's use and ownership of Seller's Generating Facility."
"The inclusion of more than one insured under this policy shall not operate to impair the rights of one insured against another insured and the coverages afforded by this policy will apply as though separate policies had been issued to each insured. The inclusion of more than one insured will not, however, operate to increase the limit of the carrier's liability. Edison will not, by reason of its inclusion under this policy, incur liability to the insurance carrier for payment of premium for this policy.

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

15.3 If Seller fails to comply with the provisions of this Section 15, Seller shall, at its own cost, defend, indemnify, and hold harmless Edison, its directors, officers, employees, agents, assigns, and successors in interest from and against any and all loss, damage, claim, cost, charge, or expense of any kind or nature (including direct, indirect or consequential loss, damage, claim, cost, charge, or expense, including attorney's fees and other costs of litigation) resulting from the death or injury to
any person or damage to any property, including the personnel and property of Edison, to the extent that Edison would have been protected had Seller complied with all of the provisions of this Section 15.

16. UNCONTROLLABLE FORCES

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

16.2 If either Party, because of an Uncontrollable Force, is rendered wholly or partly unable to perform its obligations under this Contract, the Party shall be executed from whatever performance is affected by the Uncontrollable Force to the extent so affected provided that:

(1) The non-performing Party, within two weeks after the occurrence of the Uncontrollable Force, gives the other Party written notice describing the particulars of the occurrence;

(2) The suspension of performance is of no greater scope and of no longer duration than is required by the Uncontrollable Force;

(3) The non-performing Party uses its best efforts to remedy its inability to perform (this
subsection shall not require the settlement of any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the party involved in the dispute, are contrary to its interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be at the sole discretion of the Party having the difficulty);

(4) When the non-performing Party is able to resume performance of its obligations under this Contract, that Party shall give the other Party written notice to that effect; and

(5) Capacity payments during such periods of Uncontrollable Force on Seller's part shall be governed by Section 8.1.2.3.

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

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

17. NONDEDICATION OF FACILITIES

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

18. PRIORITY OF DOCUMENTS

If there is a conflict between this document and any Appendix, the provisions of this document shall govern. Each Party shall notify the other immediately upon the determination of the existence of any such conflict.

19. NOTICES AND CORRESPONDENCE

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

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

All notices sent pursuant to this Section 19 shall be effective when received, and each Party shall be entitled to specify as its proper address any other address in the United States upon written notice to the other Party.
20. **PREVIOUS COMMUNICATIONS**

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

21. **THIRD PARTY BENEFICIARIES**

This Contract is for the sole benefit of the Parties and shall not be construed as granting any rights to any person or entity other than the Parties or imposing obligations on either Party to any person or entity other than the Parties.

22. **NONWAIVER**

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

23.1 Any dispute arising between the Parties relating to
interpretation of the provisions of this Contract or
to performance of the Parties hereunder, other than
matters which may not be settled without the consent
of an involved insurance company, shall be reduced
to writing stating the complaint and proposed
solution and submitted to the appropriate Edison
manager, whose interpretation and decision thereon
shall be incorporated into a written document which
shall specify Edison's position and that it is the
final decision of such manager. A copy of such
document shall be furnished to Seller within ten
days following the receipt of Seller's written
complaint.

23.2 The decision of such manager pursuant to Section 23.1
shall be final and conclusive from the date of
receipt of such copy by the complaining Party,
unless within thirty days Seller furnishes a written
appeal to such manager. Following receipt of such
appeal, a joint hearing shall be held within fifteen
days of said appeal, at which time the Parties shall
each be afforded an opportunity to present evidence
in support of their respective positions. Such
joint hearing shall be conducted by one authorized
representative of Seller and one authorized
representative of Edison and other necessary persons. Pending final decision of a dispute hereunder, the Parties shall proceed diligently with the performance of their obligations under this Contract and in accordance with Edison's position pursuant to Section 23.1.

23.3 The final decision by the Parties' authorized representatives shall be made within fifteen days after presentation of all evidence affecting the dispute, and shall be reduced to writing. The decision shall be final and conclusive.

23.4 If the authorized representatives cannot reach a final decision within the fifteen-day period, any remedies which are provided by law may be pursued.

24. **SUCCESSORS AND ASSIGNS**

Neither Party shall voluntarily assign its rights nor delegate its duties under this Contract, or any part of such rights or duties, without the written consent of the other Party, except in connection with the sale or merger of a substantial portion of its properties. Any such assignment or delegation made without such written consent shall be null and void. Consent for assignment shall not be unreasonably withheld. Such assignment shall include, unless otherwise specified therein, all of Seller's rights to any refunds which might become due under the Contract. Seller may assign all or any part of
its interest under this Contract to a financing
institution to facilitate financing for the Project by
the Seller.

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

26. TRANSMISSION
26.1 Edison shall endeavor to make arrangements with
third parties for the necessary transmission of the
electrical energy from the Project to the Point of
Interconnection. Seller shall be responsible for
all costs associated with such transmission of
electrical energy, including the cost of transmission
losses from the Project to the Point of
Interconnection as determined by Edison in its sole
judgement.

26.2 If Edison is unable to secure firm transmission
service or equivalent arrangements from third
parties which are required to transmit the
electrical energy from the Project to the Point of
Interconnection at terms and conditions satisfactory
to Edison in its sole judgement, then Edison shall
not be liable to the Seller for any damages arising
from Edison's failure to secure said transmission
service or arrangements nor will Edison be required
to purchase Energy which is not delivered or
capacity which is not made available at the Point of
Interconnection.

27. AMENDMENT

If at any time during the term of this Agreement a change
in circumstances not anticipated at the time this
Agreement was executed significantly alters the rights or
obligations of either Party, the terms of the Agreement
which are directly affected by the change shall be
amended by mutual agreement of Parties.

28. GOVERNING LAW

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

29. CONFIDENTIALITY

29.1 Except as provided herein, the Parties shall hold
all information in this Contract and all informatin
related to or received pursuant to this Contract as
confidential.

29.2 Neither Party shall disclose any part nor the whole
of this Contract to any third party without the
express prior written consent of the other Party;
such consent shall not be unreasonably withheld.

29.3 From time to time governmental and/or regulatory
agencies may request disclosure of the Contract or
Contract-related information from either Party or both Parties and if such is the case either Party or both Parties may consent to such disclosure provided, that (i) the requestor(s) be notified by the disclosing Party that the information being released is confidential, and that (ii) the disclosing Party inform the other Party, in writing, as to the nature of the information disclosed and to whom disclosed.

30. MULTIPLE ORIGINALS

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

SIGNATURES

IN WITNESS WHEREOF, the Parties hereto have executed this Contract this 13th of June, 1984.

SOUTHERN CALIFORNIA EDISON COMPANY

By ____________________________
Name Edward A. Myers, Jr.
Title Vice President

ORMAT SYSTEMS INC.

By ____________________________
Name Barbara M. Christopher
Title Vice President
## APPENDIX A

SOUTHERN CALIFORNIA EDISON COMPANY

LONG-TERM STANDARD OFFER

CAPACITY PAYMENT SCHEDULE —

FORECAST OF ANNUAL AS-AVAILABLE CAPACITY\(^1\)

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Year</th>
<th>As-Available Capacity(^2) (($/kW-year))</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1983</td>
<td>70</td>
</tr>
<tr>
<td>2</td>
<td>1984</td>
<td>76</td>
</tr>
<tr>
<td>3</td>
<td>1985</td>
<td>81</td>
</tr>
<tr>
<td>4</td>
<td>1986</td>
<td>87</td>
</tr>
<tr>
<td>5</td>
<td>1987</td>
<td>94</td>
</tr>
<tr>
<td>6</td>
<td>1988</td>
<td>101</td>
</tr>
<tr>
<td>7</td>
<td>1989</td>
<td>109</td>
</tr>
<tr>
<td>8</td>
<td>1990</td>
<td>117</td>
</tr>
<tr>
<td>9</td>
<td>1991</td>
<td>126</td>
</tr>
<tr>
<td>10</td>
<td>1992</td>
<td>148</td>
</tr>
<tr>
<td>11</td>
<td>1993</td>
<td>158</td>
</tr>
<tr>
<td>12</td>
<td>1994</td>
<td>169</td>
</tr>
<tr>
<td>13</td>
<td>1995</td>
<td>180</td>
</tr>
<tr>
<td>14</td>
<td>1996</td>
<td>194</td>
</tr>
<tr>
<td>15</td>
<td>1997</td>
<td>206</td>
</tr>
</tbody>
</table>

\(^1\)This forecast to be used in conjunction with Capacity Payment Option A.

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

LONG-TERM STANDARD OFFER

ENERGY PAYMENT SCHEDULE -

FORECAST OF ANNUAL MARGINAL COST OF ENERGY

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Year</th>
<th>Annual Marginal Cost of Energy (¢/kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1983</td>
<td>5.3</td>
</tr>
<tr>
<td>2</td>
<td>1984</td>
<td>5.6</td>
</tr>
<tr>
<td>3</td>
<td>1985</td>
<td>5.7</td>
</tr>
<tr>
<td>4</td>
<td>1986</td>
<td>6.0</td>
</tr>
<tr>
<td>5</td>
<td>1987</td>
<td>6.4</td>
</tr>
<tr>
<td>6</td>
<td>1988</td>
<td>6.9</td>
</tr>
<tr>
<td>7</td>
<td>1989</td>
<td>7.6</td>
</tr>
<tr>
<td>8</td>
<td>1990</td>
<td>8.1</td>
</tr>
<tr>
<td>9</td>
<td>1991</td>
<td>8.6</td>
</tr>
<tr>
<td>10</td>
<td>1992</td>
<td>9.3</td>
</tr>
<tr>
<td>11</td>
<td>1993</td>
<td>10.1</td>
</tr>
<tr>
<td>12</td>
<td>1994</td>
<td>10.9</td>
</tr>
<tr>
<td>13</td>
<td>1995</td>
<td>11.8</td>
</tr>
<tr>
<td>14</td>
<td>1996</td>
<td>12.6</td>
</tr>
<tr>
<td>15</td>
<td>1997</td>
<td>13.6</td>
</tr>
</tbody>
</table>

1 This forecast to be used in conjunction with Energy Payment Option I.
2 The annual energy payments in the table will be converted to seasonal time-of-delivery energy-payment rates that are consistent with the time-of-delivery rates currently authorized by the Commission for Avoided Energy Cost Payments.
## APPENDIX C

**SOUTHERN CALIFORNIA EDISON COMPANY**

**LONG-TERM STANDARD OFFER**

**ENERGY PAYMENT SCHEDULE**

**LEVELIZED FORECAST OF MARGINAL COST OF ENERGY**

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Initial Year of Delivery</th>
<th>5-Year Levelized Forecast (¢/kWh)</th>
<th>Levelized Forecast (¢/KWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1983</td>
<td>5.7</td>
<td>6.5</td>
</tr>
<tr>
<td>2</td>
<td>1984</td>
<td>6.0</td>
<td>6.9</td>
</tr>
<tr>
<td>3</td>
<td>1985</td>
<td>6.4</td>
<td>7.3</td>
</tr>
<tr>
<td>4</td>
<td>1986</td>
<td>6.8</td>
<td>7.9</td>
</tr>
<tr>
<td>5</td>
<td>1987</td>
<td>7.3</td>
<td>8.5</td>
</tr>
<tr>
<td>6</td>
<td>1988</td>
<td>7.9</td>
<td>9.1</td>
</tr>
</tbody>
</table>

1. Levelized Forecast to be used in conjunction with Energy Payment Option 2.

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