

**POWER PURCHASE and INTERCONNECTION AGREEMENT
FOR CUSTOMER-OWNED GENERATION
(Account No. _____)**

This Agreement, effective the _____ day of _____, 20____
by and between:

PUBLIC UTILITY DISTRICT NO. 1 OF KITTITAS COUNTY,
WASHINGTON, herein referred to as "District",

And

herein referred to as "Producer"

RECITALS:

The District is a municipal corporation organized and existing pursuant to Washington law;

"Qualified alternative energy resources" includes electricity produced from generation facilities that are fueled by: (a) wind; or (b) solar energy and other alternative energy resources. For this program, the District limits these resources to 25 kilowatts of capacity or less per system.

The District desires to purchase qualified alternative energy resources from local producers. To encourage installation of these resources in Kittitas County, the District has established a program that allows Kittitas County residents to receive a portion of the revenue from the voluntary purchases by ratepayers. Under this program there will be customers that purchase the resources (called Purchasers) and customers that produce the resources (called Producers). This agreement pertains to the Producers.

"Customer-Owned Generation" is generation defined to be fueled by solar, wind or other qualified resource that does not utilize battery backup.

The Producer has notified the District that it plans to become a Customer-Owned Generation Producer (herein referred to as Producer) in Kittitas County, Washington at a location described in the completed Application for Interconnection of Alternative Power Generation, attached hereto.

The District and Producer have agreed upon the terms and conditions applicable to the interconnection of the Producer's generation to the District's system.

The District has adopted a policy for purchasing the power produced by Customer-Owned generation.

Producer desires to sell and the District is willing to purchase electric output of the Producer's generators on the terms and conditions contained in this Agreement.

The District will deliver the power from the Producer's generation facilities to the District's other retail customers that want to purchase their power.

NOW THEREFORE, in consideration of the mutual promises contained herein, the District and Producer agree as follows:

1. Installation of Generating Systems (Generators)

Producer shall be solely responsible for acquiring the site, completing installation of the Generators and complying with the interconnection requirements specified in the applicable engineering criteria prescribing the technical interconnection, protection, and metering requirements for any Generation as adopted by District Engineering Services. This shall include the acquisition by Producer of all easements, licenses and permits of every type required for the installation and operation of the generators. Installation shall not be deemed complete until such time as the District verifies that all of the requirements specified by the District have been fully satisfied and all District-required testing has been completed to the District's satisfaction. District requirements are set forth in the following document which the Producer acknowledges receipt of Interconnection Requirements for Customer-Owned Generation and Net Metering Generation and Policy For Generation Within Kittitas County PUD's Service Territory.

2. Testing Requirements.

The District will require interconnection safety related testing of each system prior to interconnecting the system. The District will require at a minimum, annual testing of interconnection safety features of the system. The District may require additional testing to ensure safety of the District's distribution system is always maintained.

The District may at its discretion, also require additional tests to determine compliance with IEEE Standard 1547 or other tests to ensure proper operation of the system or to ensure the distribution system is not negatively impacted by the system.

3. Interconnection with District Facilities and Effective Date of This Agreement.

Producer agrees to comply with the interconnection requirements set forth in the Interconnection Requirements for Customer-Owned Generation and Net Metering Generation and the District's Electrical Service Requirements.

Interconnection of Customer-Owned Generation to the District's system shall be available on a first come first served basis as determined by the effective date of any proposed interconnection agreements.

All costs associated with the interconnection, as noted in the Customer-Owned Generation Policy, shall be paid by the Producer, unless otherwise noted in this or other agreements and policies. Payments shall be made as follows: Connection fees and the Account Service Charge shall be paid at the time the Application is submitted. The Account Service Charge will be refunded if the Producer does not proceed with the installation. This agreement shall not be in effect until the Producer has satisfied this payment requirement.

All Line Extension costs must be paid in accordance with the District's Line Extension policy. If payments are not made as set forth herein, such nonpayment shall be deemed to be a material breach and the District may immediately disconnect the generators from the District's system and the Producer shall be responsible for all disconnection costs.

Upon completion of installation of the generators and receipt of the Producer's certification that all necessary Federal, State and local permits have been obtained, the District shall within a reasonable time interconnect the Producer's generators to the District's facilities. Such interconnection shall be done at a time convenient to the District and which causes no or minimal disruption of service. If necessary, Producer shall supply certification of compliance with permit requirements to the District prior to interconnection and if

required by issuing agency shall provide continuing certification annually thereafter.

4. Point of Delivery.

Power generated by Producer shall be delivered to the District at the meter located at the Producer's facilities. The District shall own, furnish and install the standard bi-directional metering as described in the Interconnection Requirements for Customer-Owned Generation.

5. Access to Producer's Generation Facilities.

The District shall have the right to ingress and egress from the Producer's generating facilities at all hours for any purpose reasonably connected with this Agreement.

6. Ownership of Improvements.

The District shall own any and all improvements or equipment attached to the District's distribution or transmission system on the District's side of the bi-directional meter. The District shall be deemed the owner of such equipment and/or improvements upon completion of construction. In consideration of the mutual benefits and other consideration stated in this Agreement, the Producer specifically agrees that the Producer shall not be entitled to any compensation or payment for said equipment and/or improvements.

7. Operation and Maintenance of Generators.

Producer shall be solely responsible for all costs and expenses of every type relating to the permitting, purchase, operation, and maintenance of the generators. Producer shall at all times during the term of this Agreement keep the generators in good repair and operating conditions so as not to cause damage to District's facilities or electric system. Producer is not relying upon the District or any representations or statements made by District employees regarding steps or actions necessary for the safe or good operation of Producer's facilities. Producer shall at all times operate the generators in compliance with the District's Policy For Customer-Owned Generation within Kittitas County PUD's Service Territory, a copy of which Producer acknowledges receipt, and the District's interconnection requirements. If additional or modified equipment or facilities are necessary to continue proper interconnection of Producer's facilities, the same shall be installed at Producer's expense. Failure to do so will be considered to be a material breach of this Agreement and will result in the immediate disconnection from District facilities.

8. Damage or Interference with District's Facilities.

If Producer's generating facilities cause damage to the District's electric system and/or facilities, Producer shall be responsible for all costs associated with the repair and/or replacement of such facilities or equipment. If Producer's facilities in any way cause a loss or damage to the District's other customer, retail or wholesale, Producer shall be responsible for such damages, claims and losses.

If Producer's generating facilities causes damage to or interferes with District or its customer's facilities, the District will disconnect the Producer's from the District's system until the cause of the damage or interference is remedied.

9. Purchase and Sale of Energy Delivered.

During the term of this Agreement, the District shall buy from Producer the electrical energy produced by the customer-owned generators and delivered to the District subject to the terms and conditions of this Agreement.

A. Payment by the District.

Payment shall only be made for actual deliveries of energy. Payments shall be made pursuant to Section 12 hereof. This payment is subject to change based on refunds the District may be required to pay to others.

B. Use of Energy by the District.

The District intends to utilize the delivered energy as part of its overall power resources for local loads. The Producer and District agree that the payments to be made by the District to the Producer do not depend upon how the District actually uses the energy delivered.

10. Interruption of Producer's Energy Deliveries by District.

The District shall have the right at any time, without liability to the Producer or any other person, to interrupt, reduce, suspend or curtail generation and/or deliveries of energy: (a) when reasonably necessary in order for the District to construct, install, maintain, repair, replace, remove, investigate, or inspect any equipment or any part of its electric system; or (b) if the District reasonably determines, in its sole discretion, that interruption or reduction of deliveries or power is necessary because of a system emergency, a forced outage, Force Majeure or other operational considerations. If an outage is planned by the District in advance, the District will provide reasonable advance notice to Producer of such outage, if practicable.

11. No Reliance.

The Producer acknowledges and understands that the energy market is not static, but is dynamic and volatile. The Producer has not relied upon any price or supply forecasts including Customer-Owned generation purchase levels, made by the District, its employees or representatives in deciding to go forward with its generation project or the interconnection.

12. Billing and Payments by the District.

A. The District shall measure the net electricity produced or consumed by the Customer-Owned Generator in accordance with normal metering practices.

B. If the electricity supplied by the District exceeds the electricity generated by the Customer-Owned Generator during the billing period, or any portion thereof, then the Customer-Owned Generator shall be billed at the rate under which the Customer-Owned Generator takes service for the net electricity supplied by the District. In addition, the Customer-Owned Generator shall be billed the appropriate facilities charge paid by other Customers in the same rate class for each meter and any other charges applicable to energy use and applicable adjusting rates.

C. If the electricity generated by the Customer-Owned Generator during the billing period, or any portion thereof, exceeds the electricity supplied by the District, then the Customer-Owned Generator shall be:

- a. Billed for the appropriate facility charge as other customers in the same rate class for each meter and any other charges, such as Demand and reactive power charges and any applicable adjusting rates; and
- b. Credited for the net excess kilowatt-hours generated during the billing period.

D. Customer-Owned Generator shall pay any amount owing for electric service provided by the District in accordance with applicable rates and policies. Nothing in this agreement shall limit the District's rights under applicable Rate Schedules.

E. Amounts not paid on or before the due date shall accrue interest at the rate of one and one-half percent (1 1/2%) per month.

13. Facilities Fee.

The District will charge a monthly facilities fee for, issuing an annual statement of energy received by the District and for record keeping and related accounting associated with administration of the program. The fee will also include other fixed costs associated with connecting the Producer to the District's distribution system (i.e. a dual meter base adapter). The fee will be based on monthly costs, and will be indicated on the annual statement sent to the Producer. The Producer though is obligated to pay this fee at the time the statement is issued. This fee is subject to change by the Kittitas County PUD Board of Commissioners.

14. Payments by Producer.

Any payments due by Producer to the District shall be paid within thirty (30) calendar days after an invoice is sent to Producer. Amounts not paid shall accrue interest at the rate of one and one-half percent (1 1/2%) per month. Amounts not paid may be offset against sums due to the Producer by the District. Failure to pay any such sums by the due date may be considered to be a default.

15. Force Majeure.

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

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

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

(3) The non-performing Party uses reasonable efforts to remedy its inability to perform, such efforts not to include settlement of a labor dispute.

B. When the non-performing Party is able to resume performance of its obligations under this Agreement, the Party shall give the other Party written notice to that effect.

C. In the event a Party is unable to perform its obligations under this Agreement due to legislative, judicial, or regulatory agency actions, that Party shall not be deemed to be in breach of any obligation pursuant to this Agreement.

16. Term.

This Agreement shall be effective from the date set forth above and continue in full force and effect until terminated by either party pursuant to other provisions of this Agreement. Either party may terminate this Agreement upon providing the other party with a written notice thirty (30) days prior to the effective date of such termination.

17. Default.

In the event of a breach of this Agreement by either Party, the non-breaching Party may deliver a notice of default to the breaching Party. The notice of default shall specify the nature of the breach that is the basis for the notice and give the breaching Party at least ten (10) days to cure said default, stating that failure to cure said breach will entitle the non-breaching Party to terminate this Agreement. Bankruptcy, insolvency, reorganization or liquidation by either Party shall constitute a breach of this Agreement.

18. Compliance with Laws and Regulations.

Producer shall comply with all environmental laws and regulations and shall maintain and operate the generators in strict accordance with all applicable laws, regulations and safety codes. Producer is solely responsible for compliance with all environmental, land use and other regulatory requirements. If the District or a regulatory agency at any time determines the facilities are being operated in an illegal, unsafe or unreliable condition, it shall have the unilateral right to interrupt and discontinue its receipt of energy and generation without any liability or obligation. Further, if any regulatory entity or entity charged with ensuring reliability of electric systems or charged with permitting the Producer's facility requests or directs disconnection of Producer's facilities, the District may disconnect such facilities without liability to the Producer. If necessary, Producer shall supply certification of compliance with permit requirements to the District prior to interconnection and if required by issuing agency, shall provide continuing certification annually thereafter.

19. No Right to Use District's System for Direct Sales to Third Parties.

The Parties recognize that this Agreement does not confer a right upon Producer to transmit or distribute power to any third party using the District's electric system.

20. Taxes.

Any and all taxes due and owing as a result of the operation of Producer's facilities and payments due from District to Producer shall be the sole responsibility of the Producer.

21. Insurance.

Producers with Customer-Owned generation will not be required to carry liability insurance with the District as a named insured if their system and equipment meets the requirements provided in the District's *Interconnection Requirements for Customer Owned Generation Facilities and Net Metering Generation*.

22. Indemnity.

A. Producer shall defend, indemnify and hold harmless the District and its Representatives (which shall be deemed to include the District's directors, officers, employees and agents) from and against any and all liabilities, claims, losses, damages or expenses of any type or kind, including reasonable attorney fees, and expert witness fees, which may be incurred or sustained by the District or its agents, officers, employees or representatives by reason of any act, omission, misconduct, negligence, or default on the part of Producer or its employees, agents, or contractors arising in connection with or related to in any way Producer's ownership, installation, maintenance or operation of the generators.

B. Producer shall defend, indemnify and hold harmless the District and its representatives (which shall be deemed to include the District's directors, officers, employees and agents) from and against any and all liability, claims, lawsuits, losses damages, expenses, fines, penalties, citations or infractions of any type or nature, including reasonable attorney fees and expert witness fees, which may be incurred or sustained due to the Producer's alleged violation of any permitting, land use, or environmental laws and regulations. In the event a claim is made which is subject to this subsection, the District reserves the right to select legal counsel and control the defense and settlement of any such claim. Such defense shall be at the sole expense of the Producer.

C. Producer's indemnification obligation shall not apply to liability for damages for bodily injury to persons or damage to property caused by the sole negligence of the District and not in any way attributable to any act or omission on the part of the Producer.

D. The indemnity obligation of the Producer includes any claim or loss suffered by an employee of Producer or any subcontractor regardless of any immunity provided by the Washington Industrial Insurance Act, RCW Title 51, or any other applicable law and the Producer expressly agrees to waive its immunity under RCW Title 51.

E. THE TERMS OF THIS SECTION, SPECIFICALLY INCLUDING THE PRECEDING WAIVER OF IMMUNITY, SHALL BE DEEMED MUTUALLY NEGOTIATED TO THE FULLEST EXTENT ALLOWED BY THE LAWS OF THE STATE OF WASHINGTON.

23. Limitation of District's Liability.

The District shall not be liable to the Producer for consequential, incidental, punitive or indirect damage of any kind due to any damage to or disconnection of Producer's generating facilities. The District shall have no responsibility or liability to the Producer or any other person or entity for or in connection with any service interruption, suspension, curtailment or fluctuation or disturbance of energy, whatever the cause, except the District shall be liable for repair or replacement cost (whichever is less) of Producer's generating facilities suffering physical damage as a consequence of the District's negligence in operating its electric system.

24. Removal of Interconnection Facilities.

The Producer shall pay the reasonable costs of removal, relocation, modification or renovation of any facilities or equipment required for interconnection with the District's electric system upon termination of this Agreement.

25. Electric Service Regulations

Service under this agreement is subject to the District's Electric Service Policies. In cases of conflict between this agreement and the regulations, this agreement will apply.

26. Interpretation; Attorneys' Fees and Venue.

This Agreement shall be interpreted under the laws of the State of Washington. In the event it is necessary for either party to utilize the services of an attorney to enforce any of the terms of this Agreement, such enforcing party shall be entitled to compensation for its reasonable attorney's fees and costs. In the event of litigation regarding any of the terms of this Agreement, the substantially prevailing party shall be entitled, in addition to other relief, to such reasonable attorney's fees and costs as determined by the court. Venue for any such actions shall be exclusively in Kittitas County, Washington.

27. Amendment, Modification or Waiver.

Any amendments or modifications to this Agreement shall be in writing and subject to mutual agreement by the Parties. The failure of any Party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by any Party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, shall be deemed to be construed as further or continuing waiver of any

such breach or a waiver of the breach of any other term or covenant unless such waiver is in writing.

28. Notices.

All notices and other communications required or permitted hereunder shall be deemed given when received and, unless otherwise provided herein, shall be in writing, shall be sent by nationally recognized overnight courier services or sent by regular mail deposited in the United States mail, postage prepaid, addressed to the Parties at the address set below, and shall be deemed received upon the sooner of (i) the date actually received, or (ii) the third business day following mailing.

Public Utility District No.1 of Kittitas County

Attn: General Manager
1400 Vantage Highway
Ellensburg, WA 98926

Producer:

Attn: _____

Address: _____ Address: _____

E-mail: _____

Phone Number: _____

29. Several Obligations; No Partnership or Agency Status.

Except where specifically stated in this Agreement to be otherwise, the duties, obligations, and liabilities of the Parties are intended to be several and not joint or collective. Neither party shall have the right to bind or obligate the other in any way or manner unless otherwise provided for herein. Nothing contained in this Agreement shall be construed to create an association, trust, partnership, franchise, or joint venture or impose a trust or partnership duty, obligation or liability, or an agency relationship on or with regards to either Party. Each Party shall be liable individually and severally for its own obligations under this Agreement.

30. Miscellaneous.

A. Successors and Assigns. All the terms and provisions of this Agreement shall be binding upon, inure to the benefit of, and enforceable by the successors and permitted assigns of the parties hereto.

B. Interpretation. The parties agree that the terms and provisions of this Agreement embody their mutual intent and that such terms and conditions are not to be construed more liberally in favor of, nor more strictly against, either party. To the extent the mutual covenants of the parties under this Agreement create obligations that extend beyond the termination or expiration of this Agreement, the applicable provisions of this Agreement shall be deemed to survive such termination or expiration for the limited purpose of enforcing such covenants and obligations in accordance with the terms of this Agreement.

C. Counterparts. This Agreement may be executed in counterparts,

each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

D. Authority. Each person executing this Agreement represents that he or she has authority to execute it on behalf of the respective party. If Producer is incorporated, it shall naming and authorizing their representative(s) to enter into and execute this Agreement.

E. Entire Agreement. The provisions of this Agreement and any attached Exhibits constitute the entire understanding and agreement between the parties regarding the subject matter hereof, supersede entirely all prior understandings, agreements or representations regarding the subject matter hereof, whether written or oral, and may not be altered or amended except by an instrument in writing signed by the parties. The parties each acknowledge and agree that no representation, warranty, or inducement has been made to it regarding the rights set forth in this Agreement which is not expressly set forth in this Agreement and the attached Exhibits.

F. Third Party Beneficiaries. This Agreement is intended to be solely for the benefit of the parties hereto and their permitted successors and permitted assignees and is not of energy, whatever the cause, except the District shall be liable for repair or replacement cost intended to and shall not confer any rights or benefits on any other third party not a signatory hereto.

G. No Agency. Neither party shall be considered to be the agent or representative of the other party. No agency relationship is created by this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representative on the date first above written.

PUBLIC UTILITY
DISTRICT NO. 1
OF KITTITAS COUNTY

(INSERT NAME OF
PRODUCER)

By _____
General Manager

By _____
Title _____

EXHIBIT A

CERTIFICATION REGARDING PERMITS

The undersigned states **under penalty of perjury** that:

1. He/she has authority to sign on behalf of the
Producer,

_____ [name of
company].

2. The Producer has obtained all necessary permits for
the installation and operation of its generating facilities located at

_____ [only one site may
be listed per certification].

3. The Producer has complied and will continue to
comply with all laws related to the siting, installation and operation of
the generating facilities described above.

Dated this _____ day of _____ 20____.

Signature: _____

Name: _____

Title: _____