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CITY OF MUKILTEO

This Net Metering Agreement is between
Public Utility District No. 1 of Snohomish County, Washington
and

City of Mukilteo

with ADDENDUM regarding WASHINGTON STATE INVESTMENT COST RECOVERY INCEN-
TIVE FOR RENEWABLE ENERGY

THIS NET METERING AGREEMENT (this "Agreement") is made and entered into as of the
29th day of July, 2009, by and between PUBLIC
UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON, a municipal corporation
organized and existing under the laws of the State of Washington (the "PUD"), and City of Mukilteo
("Customer"), with reference to the following facts:

RECITALS

WHEREAS, Customer intends to install on its premises a fuel cell, a cogeneration system, as defined in Rate
Schedule 200, or a facility that produces electrical energy using water, wind, solar energy or biogas from animal
waste as a fuel with nameplate capacity of not more than 100 kilowatts ("kW"), to be interconnected and oper-
ated in parallel with the PUD's electric system (the Customer's "Generator"); and,

WHEREAS, Customer intends to use any power from the Generator for its own consumption, with any excess
to be supplied to the PUD and any deficit to be supplied by the PUD; and,

WHEREAS, in accordance with the State of Washington's Net Metering Law, Revised Code of Washington
("RCW") Chapter 80.60, as amended, the PUD intends to install a bi-directional meter on Customer's prem-
ises and to bill Customer for such electric energy as it may use over and above the amount of electric energy
produced by Customer's Generator; and,

WHEREAS, in order to protect the safety and reliability of the PUD's electric system and its employees, Cus-
tomer agrees to install at its own expense all necessary interconnection, safety, and power quality equipment;
and,

WHEREAS, the aggregate capacity of generators operating under the PUD's Net Metering Program has not
exceeded the limit of 3.638 megawatts (which equals 0.25 percent of the PUD's peak demand during 1996) set
under RCW § 80.60.020(1) as amended, provided that not less one-half that amount (1.81875 megawatts) is
available for net metering systems using water, wind, solar energy or biogas to generate electricity; and,

WHEREAS, the addition of the net metering system will not exceed limits established by the PUD for inter-
connection of generators on the distribution feeder line, circuit, or network serving Customer.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

AGREEMENT

I. TERM

This Agreement shall run from the date first set forth above until Customer's Generator is permanently disconnected from the PUD's electric system in conformity with the terms of this Agreement, provided that all obligations incurred before the termination of the contract shall continue in force until fully satisfied.

As provided in Addendum I, and set forth in Washington State law, investment cost recovery incentives will not be available after June 30, ~~2017~~ 2020 *CMH*

II. CUSTOMER'S OBLIGATIONS

A. Generator Specifications: Customer shall own and operate entirely at its own expense a fuel cell, a cogeneration system, or a facility that produces electrical energy using water, wind, solar energy or biogas from animal waste as a fuel ("Generator") located at 11930 Cyrus Way, Mukilteo, WA 98275, and conforming to the following specifications:

MANUFACTURER: SMA

MODEL (Name & Number): SB 3000 US

NAMEPLATE CAPACITY: 3750

FUEL OR ENERGY SOURCE (check one):

- WATER WIND SOLAR BIOGAS FUEL CELL COGEN

OUTPUT RATING: 2.72 kW, 208 Volts, 3 phase, 60 hertz.

B. Interconnection Requirements: Customer shall install, operate and maintain, entirely at its own expense, such equipment as is necessary to satisfy the safety, interconnection, and power quality requirements applicable to small electric power generators of the National Electric Code, National Electric Safety Code, Washington State Safety Standards, PUD Electrical Service Requirements and Standards, Institute of Electrical and Electronics Engineers, and recognized safety testing laboratories, and such other safety, interconnection, and power quality requirements as the PUD may reasonably specify. Standard PUD requirements for interconnection and operation of customer-owned generating facilities (100 kW or less in size) are specified in Exhibit A, which is attached hereto and is incorporated by reference as if set forth fully herein. Requirements specifically applicable to this generator are specified in Exhibit B, which is attached hereto and is incorporated by reference as if set forth fully herein. Customer shall provide facilities to accommodate the PUD's metering equipment.

C. Initial Operation: Customer shall submit equipment specifications and detailed plans, including one-line diagrams, for the installation of the Generator and associated interconnection, safety, and control equipment and wiring to the PUD for its review and advance written approval prior to their actual installation. Customer shall not commence operation of its generator until the PUD has inspected and, where appropriate, tested the Generator and all associated equipment and wiring and has provided its written approval to commence parallel operations and Customer has, in addition, obtained all necessary inspections and regulatory approvals as specified in Subsection E of this Section II.

D. Changes In Operation: Customer shall make no change in the Generator or associated equipment and wiring without prior written approval of the PUD.

E. **Legal Compliance:** Customer shall be solely responsible for obtaining any and all necessary easements, licenses and permits, or exemptions there from, as may be required by any federal, state, or local statutes, regulations, ordinances or other legal mandates, and to operate the Generator in compliance with all applicable statutes, regulations, ordinances or other legal mandates. In addition, Customer shall comply with all applicable provisions of the PUD Electrical Service Requirements and the PUD's Customer Service Regulations as they may be revised from time to time by the PUD's Board of Commissioners.

III. NET METERING

A. **Metering Equipment:** The PUD shall install and maintain an electronic kilowatt-hour meter capable of registering the bi-directional flow of electricity at the Point of Interconnection at a level of accuracy that meets all applicable standards, regulations and statutes. The Point of Interconnection shall be defined as the point where electrical conductor owned by Customer makes physical contact with the PUD's electric system and feeds power onto or receives power from the PUD's electric system. The Point of Interconnection shall be specified in the plans and drawings submitted by Customer to the PUD.

B. **Interconnection Charge:** Prior to commencing operations, and as a condition of receiving PUD approval for commencement of operations under Section II.C., Customer shall deposit with the PUD an interconnection charge consisting of: (1) the cost to the PUD to install any special or additional interconnection facilities on its electric system, if necessary to accommodate the flow of electricity from the Generator on to the PUD's electric system, including, but not limited to, control and protective devices, distribution transformer and reinforcement of its system; (2) any charges due the PUD under its Line Extension Policy; and, (3) the cost of any time and materials expended by PUD staff for engineering, reviewing plans, inspection, or other activities related to installation and interconnection of the Generator not otherwise recovered under the provisions of this Paragraph III.B.

C. **Charges for Electric Energy:** Customer shall purchase any required electrical power from the PUD. Customer shall pay the minimum monthly fee specified in the PUD rate schedule applicable to customers in the same class as Customer as that rate schedule may be revised from time to time by the PUD's Board of Commissioners. In addition, Customer shall pay for the net energy used, or be credited with the net energy produced, in accordance with the formula specified in the PUD's Schedule 200 -- Net Metering Program, as that Schedule 200 may be modified from time to time by the PUD's Board of Commissioners. The price for electric energy provided to or credited to the Customer under this Section III shall be the price charged for such electric energy by the PUD under the PUD rate schedule applicable to customers in the same class as Customer as such rate schedule may be revised from time to time by the PUD's Board of Commissioners. Customer shall be billed on the schedule applicable to customers in the same class and geographic area as Customer and shall be subject to the payment terms specified in the PUD's Customer Service Regulations. If, at the time of termination of this Contract, any energy balance remains in favor of Customer under the terms of this Section III, that energy balance shall be monetized using the cost of energy only contained in the PUD rate schedule then applicable to Customer and the customer shall be paid that monetized amount.

IV. ACCESS

A. **Emergency Access:** The PUD shall have the right at any time during a PUD electric system emergency or when the PUD reasonably believes a hazardous condition exists to enter Customer's premises to address any problem or condition reasonably related to the electric system emergency or to relieve the hazardous condition.

B. Routine Access: In addition to the PUD's access rights established under the PUD's Customer Service Regulations, Customer shall at all reasonable times provide access to authorized PUD personnel to inspect or test the Generator and all related equipment and wiring provided that the PUD provides at least twenty-four (24) hours' notice to the Customer and schedules access at a mutually convenient time.

V. INVESTMENT COST RECOVERY INCENTIVE. Customer has elected to participate in the investment cost recovery incentive for renewable energy resources under the Washington State Senate Substitute Bill 5101, Chapter 300, Laws of Washington of 2005, which adds new sections to R.C.W. Chapter 82.16, providing incentives for the production of certain forms of renewable energy. Customer therefore agrees to the additional terms set forth in Addendum I, which is specifically incorporated herein.

VI. INDEMNITY. Customer hereby indemnifies and agrees to hold harmless and release the PUD and its elected and other officials, officers, employees and agents and each of the heirs, personal representatives, successors and assigns of any of the foregoing from and against any and all losses, claims, damages, costs, demands, fines, judgments, penalties, obligations, payments and liabilities, together with any reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and out-of-pocket expenses and reasonable costs and expenses of investigation) incurred in connection with any of the foregoing, resulting from, relating to or arising out of or in connection with: (i) any failure or abnormality in the operation of Customer's Generator or any related equipment; (ii) any failure of the Customer to comply with the standards, specifications, or requirements referenced in Paragraphs II or IV of this Agreement or Exhibits A and B of this Agreement which results in abnormal voltages or voltage fluctuations, abnormal changes in the harmonic content of the generating facility output, single phasing, or any other abnormality related to the quantity or quality of the power produced by the generating facility; (iii) any failure of Customer duly to perform or observe any term, provision, covenant, agreement or condition hereunder to be performed or observed by or on behalf of Customer or (iv) any negligence or intentional misconduct of Customer related to operation of the Generator or any associated equipment or wiring. The indemnification obligations of Customer under this Agreement shall not be limited in any way by insurance or any limitation on the amount or type of damages, compensation or benefits payable to or for any third party under workers' compensation acts, disability benefits acts or other employee benefits acts. With respect to any portions of this Agreement subject to Section 4.24.115 of the R.C.W., in the event of any concurrent negligence on the part of the PUD and Customer, the indemnification obligations of the indemnitor under this Agreement shall be valid and enforceable only to the extent allowed under R.C.W. § 4.24.115.

VII. DISCONNECTION. Customer may disconnect the Generator at any time upon thirty (30) days' notice to the PUD and this Agreement shall terminate upon permanent physical removal of facilities necessary to interconnect the Generator with the PUD's electric system, provided that any payment obligation arising under Section III and any indemnification obligation arising under Section V before the termination of this Contract shall survive such termination and shall continue in force until fully satisfied.

VIII. FORCE MAJEURE

A. Suspension of Obligations. Neither Party shall be liable to the other for, or be considered to be in breach of or default under this Agreement because of, any failure or delay in performance by such Party under this Agreement to the extent such failure or delay is caused by or results from any cause or condition which is beyond such Party's reasonable control, or which such Party is unable to prevent or overcome by exercise of reasonable diligence (any such cause or condition, a "Force Majeure"), including but not limited to: failure or threat of failure of facilities or equipment; fire, lightning, flood, earthquake, volcanic activity, wind, drought, storm and other natural disasters or acts of the elements; court order and act, or failure to act, of civil, military

or governmental authority; change in governmental law or regulation; strike, lockout and other labor dispute; epidemic, riot, insurrection, sabotage, war and other civil disturbance or disobedience; labor or material shortage; unanticipated discovery of historical or archaeological remains or artifacts; act or omission of any person other than such Party, including breach of contract or failure of performance by any person providing services to the PUD which the PUD intended to use in its performance under this Agreement.

B. Notice; Required Efforts to Resume Performance. Any Party claiming Force Majeure shall give the other Party maximum practicable advance notice of any failure or delay resulting from a Force Majeure, and shall use its reasonable best efforts to overcome the Force Majeure and to resume performance as soon as possible; provided, however, that nothing in this Agreement shall be construed to require either Party to settle any strike or labor dispute in which it may be involved.

C. No Excuse of Payment Obligations. Notwithstanding any other provision of this Agreement, in no event shall a Force Majeure excuse a Party's failure or delay to pay any amounts due and owing to the other Party under or pursuant to this Agreement.

IX. INDEPENDENT CONTRACTORS. The Parties hereto are independent contractors and shall not be deemed to be partners, joint venturers, employees, franchisees or franchisers, servants or agents of each other for any purpose whatsoever under or in connection with this Agreement.

X. ASSIGNMENT; BINDING AGREEMENT. Customer shall not assign its rights under this Agreement to any other party without the express written consent of the PUD. The PUD may impose reasonable conditions on any such assignment (a) to ensure that none of the Customer's costs under this Agreement are transferred to the PUD as a result of default, bankruptcy, or any other cause, and (b) to ensure that the intent of SSB 5101 and the PUD's obligations thereunder are carried out consistent with the legislature's intent.

XI. NOTICES AND OTHER COMMUNICATIONS.

A. Notice Methods and Addresses. All notices, requests, demands and other communications required or permitted to be given under this Agreement shall be given in writing (i) by personal delivery, (ii) by recognized overnight air courier service, (iii) by United States postal service, postage prepaid, registered or certified mail, return receipt requested, or (iv) by facsimile transmission, using facsimile equipment providing written confirmation of successful completed transmission to the receiving facsimile number. All notices to either Party shall be made to the address set forth below. Any notice shall be deemed to have been given on the date delivered, if delivered personally, by overnight air courier service or by facsimile transmission; or, if mailed, shall be deemed to have been given on the date shown on the return receipt as the date of delivery or the date on which the United States postal service certified that it was unable to deliver, whichever is applicable.

B. Addresses for Notification: If to the PUD:

Public Utility District No. 1 of Snohomish County, Washington
2320 California Street
PO Box 1107
Everett, WA 98206-1107

Attn: _____

Telephone: (425) _____

FAX (425) _____

Email: _____

If to the CUSTOMER:

CITY OF MUKILTEO
Attn: J. NIGGEMEYER
Tel. (425) 263-9001 FAX ()
Email: jniggemeyer@ci.mukilteo, wa.us

C. **Change of Address:** Either party may change the address to which notices should be sent by giving notice of such change in accordance with the requirements of Section ~~X~~.A. _{XI. *MA*}

XII. **CONSISTENCY WITH OTHER CONTRACTS AND RATE SCHEDULES.** Except as set forth explicitly herein, nothing in this Agreement shall be read to alter any provision of any other contract, agreement, regulation, tariff or rate schedule setting for the rates, terms, conditions of service, or conditions of interconnection between the PUD and Customer.

XIII. **NO THIRD PARTY BENEFICIARIES.** Except as expressly set forth in this Agreement, none of the provisions of this Agreement shall inure to the benefit of or be enforceable by any third Party.

XIV. **ENTIRE AGREEMENT.** This Agreement and the Exhibits and Addendum attached hereto set forth the entire agreement of the Parties and supersede any and all prior agreements with respect to the subject matter of this Agreement. The rights and obligations of the Parties hereunder shall be subject to and governed by this Agreement.

XV. **REMEDIES CUMULATIVE.** No remedy conferred by this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity.

XVI. **WAIVERS.** Except as otherwise provided herein or as agreed by the Parties, no provision of this Agreement may be waived except as documented or confirmed in writing. Any waiver at any time by a Party of its right with respect to a default under this Agreement, or with respect to any other matter arising in connection therewith, shall not be deemed a waiver with respect to any subsequent default or matter. Either Party may waive any notice or agree to accept a shorter notice than specified in this Agreement. Such waiver of notice or acceptance of shorter notice by a Party at any time regarding a notice shall not be considered a waiver with respect to any subsequent notice required under this Agreement.

XVII. **INVALID PROVISION.** The invalidity or unenforceability of any provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

XVIII. **AMENDMENT.** No change, amendment or modification of any provision of this Agreement shall be valid unless set forth in a written amendment to this Agreement signed by both Parties.

XIX. **HEADINGS.** All headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.

XX. **SEVERABILITY.** If any provision of this Agreement or the application of such provision to any person or circumstance shall be held invalid, the remainder of this Agreement or the application of such provision to persons

or circumstances other than those to which it is held invalid shall not be affected thereby.

XXI. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

XXII. ATTORNEYS' FEES. In the event any action or suit is brought by either Party under or in connection with this Agreement, the prevailing Party will be entitled to recover from the other Party, as part of its judgment, reasonable attorneys' fees and expenses and its costs of suit.

XXIII. GOVERNING LAW; VENUE. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington (regardless of the laws that might otherwise govern under applicable principles of conflicts of law of such state). Venue for any action arising under or in connection with this Agreement shall be in the Superior Court for Snohomish County, Washington, or in the United States District Court for the Western District of Washington.

XXIV. RULES OF CONSTRUCTION; STATUTORY REFERENCES. Whenever in this Agreement the context so suggests, references to the masculine shall be deemed to include the feminine, references to the singular shall be deemed to include the plural, and references to "or" shall be deemed to be disjunctive but not necessarily exclusive. No provision of this Agreement shall be construed in favor of or against either of the Parties hereto by reason of the extent to which any such Party or its counsel participated in the drafting thereof or by reason of the extent to which such provision or any other provision or provisions of this Agreement is or are inconsistent with any prior draft thereof. Any reference to statutes or laws will include all amendments, modifications, or replacements of the specific sections and provisions concerned.

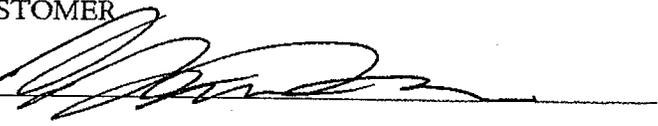
IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

PUBLIC UTILITY DISTRICT NO. 1 OF
SNOHOMISH COUNTY, WASHINGTON

By: 

Its: Emerging Technologies Program Manager 11/4/09

CUSTOMER

By: 

Its: Assistant City Engineer

Exhibit A

INTERCONNECTION REQUIREMENTS

CUSTOMER-OWNED GENERATING FACILITIES 100 KILOWATTS OR LESS

Chapter 1: General Conditions

This document states the general conditions and requirements and technical specifications for the safe and reliable operation of interconnected customer-owned generating facilities, 100 kW or less in capacity, that are intended to generate energy to serve all or a part of the customer's load or for purchase by the PUD.

Note: Capitalized terms shall have the meaning of the word as defined in Chapter 3, Definitions.

A. Electrical Generating Systems (100 kW and Smaller)

Any electrical generating facility with a maximum electrical generating capacity of 100 kW or less must comply with these standards to be eligible to connect and operate in parallel with the PUD's distribution system.

B. Application

Each customer seeking to interconnect qualifying generation will fill out and submit the application form to the PUD. Information must be accurate, complete, and approved by the PUD prior to installing the generating facility.

C. Application Fees

Customers will not be charged an interconnection application fee.

D. Application Prioritization

All generation interconnection requests for facilities 100 kW or less from customers will be prioritized by the PUD the same as any new load requests. Preference will not be given to either request type. The PUD will process the application and provide interconnection in a time frame consistent with the average of other service connections.

E. Interconnection Agreement

Prior to interconnection all qualifying customers will obtain a Certificate of Completion and sign an appropriate Interconnection Agreement. This Agreement between the PUD and Customer outlines the interconnection standards, billing and revenue agreements, and on-going maintenance and operation requirements.

F. Unauthorized Connections.

For the purposes of public and working personnel safety, any non-approved generation interconnections discovered will be immediately disconnected from the PUD system.

G. Technical Specifications

All technical specifications are contained in Chapter 2.

H. Dedicated Distribution Transformer.

To ensure reliable service to all PUD customers and to minimize possible problems for other customers, the PUD will review the need for a dedicated-to-single-customer distribution transformer. Interconnecting generation under 100 kW may require a separate transformer. If the PUD requires a dedicated distribution transformer, the Customer shall pay for all costs of the new transformer and related facilities.

I. Metering

Net Metering for Solar, Wind, Hydropower and Fuel Cells as set forth in RCW 80.60: The PUD shall install, own and maintain a kilowatt-hour meter, or meters as the installation may determine, capable of registering the bi-directional flow of electricity at the Point of Common Coupling at a level of accuracy that meets all applicable standards, regulations and statutes. The meter(s) may measure such parameters as time of delivery, power factor, voltage and such other parameters as the PUD shall specify. The customer shall provide space for metering equipment. It will be the customer's responsibility to provide the current transformer enclosure (if required), meter socket(s) and junction box after the customer has submitted his/her drawings and equipment specifications for PUD approval. The PUD may approve other generating sources for net metering but is not required to do so.

Production Metering: The PUD may require separate metering for production. This meter will record all generation produced and may be billed separately from any net metering or customer usage metering. All costs associated with the installation of production metering will be paid by the customer.

J. Labeling.

Common labeling furnished or approved by the PUD and in accordance with NEC requirements must be posted on meter base, disconnects, and transformers informing working personnel that generation is operating at or is located on the premises.

K. Insurance & Liability

As currently set forth for qualifying generation under RCW 80.60, for solar, wind, hydro or fuel cells no additional insurance will be necessary. For other generation facilities permitted under these standards but not contained within RCW 80.60, additional insurance and indemnification may be required. Qualifying generation must meet these interconnection standards and maintain compliance with these standards during operation.

L. Future Modification or Expansion.

Prior to any future modification or expansion of the customer-owned generating facility, the customer will obtain PUD review and approval. The PUD reserves the right to require the customer, at the customer's expense, to provide corrections or additions to existing electrical devices in the event of modification of government or industry regulations and standards.

M. PUD System Capacity

For the overall safety and protection of the PUD system, RCW 80.60 currently limits interconnection of generation for net metering to 0.25% of the PUD's peak demand during 1996. Additionally, interconnection of qualified customer-owned generation to individual distribution feeders will be limited to 10% of the feeder's peak capacity. However, the PUD may, in its sole discretion, allow additional generation interconnection beyond these stated limits.

N Customer-Owned Equipment Protection

It is the responsibility of the customer to protect their facilities, loads and equipment and comply with the requirements of all appropriate standards, codes, statutes and authorities.

O. Interconnection Costs

Additional costs above and beyond the application fee, if any, will be cost based and applied as appropriate. For example costs may be incurred for transformers, production meters, and PUD testing, qualification, and approval of non UL 1741 listed equipment.

Chapter 2: Technical Specifications

This Chapter sets forth the technical specifications and conditions that must be met to interconnect non-PUD-owned electric generation, 100 kW or less, for parallel operation with the distribution system of Snohomish Public Utility District No. 1. For purposes of these Standards, the interconnecting entity shall be designated Customer, and Snohomish Public Utility District No. 1 as PUD.

A. General Interconnection Requirements

1. Any Facility desiring to interconnect with the PUD distribution system or modify an existing interconnection must meet all minimum specifications applicable, as set forth in the following documents and standards and requirements in this Section in their most current approved version at the time of interconnection.
2. The specifications and requirements listed herein are intended to mitigate possible adverse impacts caused by the Facility on PUD equipment and personnel and on other customers of the PUD. They are not intended to address protection of the Facility itself or its internal load. It is the responsibility of the Facility to comply with the requirements of all appropriate standards, codes, statutes and authorities to protect itself and its loads.
3. The specifications and requirements listed herein shall apply generally to the non-PUD-owned electric generation equipment to which this standard and agreement(s) apply throughout the period encompassing the Customer's installation, testing and commissioning, operation, maintenance, decommissioning and removal of said equipment. The PUD may verify compliance at any time, with reasonable notice.
4. The Customer will comply with the following requirements in this Section. At its sole discretion, the PUD may approve alternatives that satisfy the intent of, and/or may excuse compliance with, any specific elements of the requirements contained in this Section.
 - a) **Code and Standards.** Customer shall conform to all applicable codes and standards for safe and reliable operation. Among these are the National Electric Code (NEC), National Electric Safety Code (NESC), the Institute of Electrical and Electronics Engineers (IEEE), American National Standards Institute (ANSI), and Underwriters Laboratories (UL) standards, and local, state and federal building codes. The Customer shall be responsible to obtain all applicable permit(s) for the equipment installations on their property.
 - b) **Safety.** All safety and operating procedures for joint use equipment shall be in compliance with the Occupational Safety and Health Administration (OSHA) Standard 29, CFR 1910.269, the NEC, Washington Administrative Code (WAC) rules, the Washington Industrial Safety and Health Administration (WISHA) Standard, and equipment manufacturer's safety and operating manuals.
 - c) **Power Quality.** Installations will be in compliance with all applicable standards including IEEE Standard 519-1992 Harmonic Limits.

B. Inverter-Based Interconnection Requirements, as Applicable

- IEEE Std 1547-2003 Standard for Interconnecting Distributed Resources with Electric Power Systems

- UL Standard 1741, Inverters, Converters, and Controllers for Use in Independent Power Systems - Equipment must be UL listed.
- IEEE Standard 929-2000, IEEE Recommended Practice for Utility Interface of Photovoltaic (PV) Systems

C. Non-Inverter-Based Interconnection Requirements

The Application for such Interconnection may require more detailed PUD review, testing, and approval, at Customer cost, of the equipment proposed to be installed to ensure compliance with applicable standards including:

- IEEE Std 1547-2003 Standard for Interconnecting Distributed Resources with Electric Power Systems
- ANSI Standard C37.90, IEEE Standard for Relays and Relay Systems Associated with Electric Power Apparatus
- Customers proposing such interconnection may also be required to submit a power factor mitigation plan for PUD review and approval.

D. Specific Interconnection Requirements

1. **Visible/Lockable Disconnect.** Customer shall furnish and install on Customer's side of the meter a UL approved safety disconnect switch which shall be capable of fully disconnecting the Customer's energy generating equipment from PUD electric service. The disconnect switch shall be located adjacent to PUD meters and shall be of the visible break type in a metal enclosure which can be secured by a padlock. The disconnect switch shall be accessible to PUD personnel at all times.

This requirement may be waived by the PUD if: (1) Customer provides interconnection equipment that Customer can demonstrate, to the satisfaction of PUD, performs physical disconnection of the generating equipment supply internally; and, (2) Customer agrees that its service may be disconnected entirely if generating equipment must be physically disconnected for any reason.

The PUD shall have the right to disconnect the Facility from PUD's supply at the disconnect switch when necessary to maintain safe electrical operating conditions or, if the Facility does not meet required standards or, if the Facility at any time adversely affects PUD's operation of its electrical system or the quality of PUD's service to other customers.

2. **Voltage and Phasing.** Nominal voltage and phase configuration of Customer generation must be compatible to the PUD system at the Point of Common Coupling (PCC).
3. **Interconnection to secondary Network Distribution Systems (distribution systems with multiple sources of secondary supply).** Customer must provide evidence that their generation will never result in reverse current flow through the PUD's Network Protectors. All instances of interconnection to secondary Distribution Networks shall require review and written pre-approval by designated PUD engineering staff. Interconnection to distribution secondary area networks is not allowed. Closed Transition Transfer Switches are not allowed in secondary Network Distribution Systems.

Chapter 3: Definitions

The following words and terms shall be understood to have the following meanings when used in the General Conditions and Technical Specifications of the Interconnection Standards.

- Application:** The notice provided by Customer to the PUD, which initiates the interconnection process.
- Certificate of Completion:** Form completed by Customer and the electrical inspector having jurisdiction over the installation indicating completion of installation and inspection.
- Customer:** Entity who owns and/or operates the Facility interconnected to the PUD distribution system
- Facility, also referred to as Electrical Generating System (EGS):** A source of electricity owned by the Customer that is located on the Customer's side of the PCC, and all facilities ancillary and appurtenant thereto, including interconnection equipment, which the Customer requests to interconnect to the PUD's distribution system.
- In-Service Date:** The date on which the Facility and System Modifications (if applicable) are complete and ready for service, even if the Facility is not placed in service on or by that date.
- Interconnection Service Agreement:** An agreement for interconnection service between the Customer and the PUD. The agreement also includes any amendments or supplements thereto entered into by the Customer and the PUD.
- Net Metering:** As defined in RCW 80.60.010, means "measuring the difference between the electricity supplied by an electric utility and the electricity generated by a customer-generator over the applicable billing period."
- Network Distribution System (Area or Spot):** Electrical service from a distribution system consisting of one or more primary circuits from one or more substations or transmission supply points arranged such that they collectively feed secondary circuits serving one (a spot network) or more (an area network) PUD customers.
- Point Of Common Coupling (PCC):** The point where the Customer's local electric power system connects to the PUD distribution system, such as the electric power revenue meter or at the location of the equipment designated to interrupt, separate or disconnect the connection between the Customer and PUD. See the PUD for the location at a particular Customer site.

Exhibit B

**PROJECT SPECIFIC INTERCONNECTION REQUIREMENT
(OPTIONAL)**

ADDENDUM I

WASHINGTON STATE INVESTMENT COST RECOVERY INCENTIVE FOR RENEWABLE ENERGY

This INVESTMENT COST RECOVERY INCENTIVE ADDENDUM is agreed upon in view of the fact that the Customer may qualify for an investment cost recovery incentive for renewable energy resources under the Senate Substitute Bill 5101, Chapter 300, Laws of Washington of 2005, which adds new sections to R.C.W. Chapter 82.16 ("SB 5101"), providing incentives for the production of certain forms of renewable energy, commonly referred to as the production incentive.

The Parties hereby agree as follows:

I. TERM

This Agreement shall run from the date first set forth above until the earlier of: (1) the date upon which electric generator for which incentives may be available is permanently disconnected from Snohomish County PUD's ("PUD") electric system; or, (2) June 30, ²⁰²⁰~~2014~~, provided that all obligations incurred before the termination of the contract shall continue in force until fully satisfied.

II. CERTIFICATION REQUIREMENTS

The PUD shall pay to Customer the Investment Cost Recovery Incentive ("ICRI") authorized by SB 5101, provided that Customer meets all the following requirements:

1. Customer has received a certification from the Washington State Department of Revenue and the Washington Rural Energy Development Center, as required by Section 3(3) of SB 5101, that its Generator qualifies for ICRI under SB 5101;
2. Customer has, by August 1 of each year during the Term of this Agreement, filed an application with the PUD meeting all requirements of Section 3(4)(a) of SB 5101;
3. The PUD has notified Customer pursuant to Section 3(4)(b) of SB 5101 that the ICRI payment is authorized;
4. The amount of ICRI requested by Customer does not exceed the amount that the PUD has been authorized to pay under SB 5101;
5. The Customer has complied with the record-keeping requirements of Section 3(4)(c) of SB 5101; and,
6. Customer has complied with all other requirements contained in SB 5101.

III. PAYMENT

A. **Amount of Payment.** If all the conditions specified in Section II of the Agreement are met, the PUD shall pay to the Customer an ICRI for power generated between July 1 and June 30, inclusive (the "fiscal year"), in the amount of fifteen cents per economic development kilowatt-hour, as defined in Section

2(2) of SB 5101, multiplied by the applicable factors (if any) specified in Section 3(5) of SB 5101, provided that the total ICRI payments to Customer shall not exceed \$⁵2,000¹¹⁴ in any fiscal year.

- B. Method of Payment.** The PUD may, at its sole discretion, either (i) make ICRI payments directly to Customer, or (ii) use ICRI payments as credits against Customer's electric utility bill.
- i. If the PUD elects to make direct payments, the PUD shall pay Customer, no later than November 30 after the end of each fiscal year, for the ICRI payments to which it is entitled under SB 5101 for that fiscal year.
 - ii. If the PUD elects to credit ICRI payments against Customer's electric utility bill, the PUD will calculate an annual production credit based on the meter reading or readings made prior to the accounting date of July 1st, which will be shown on Customer's billing statement, no later than November 30 after the end of each fiscal year, as a credit offsetting the amount of the Customer's electric utility bill. Should the credited amount exceed the amount of the Customer's electric utility bill, the credit will carry forward and apply to future electric utility bills until the credit is fully utilized.
 - iii. Customer shall not be eligible for any ICRI payments for electricity generated prior to July 1, 2005, or after June 30, ²⁰¹⁰2014. ~~AAA~~
- C. Proportional Reduction in Payment Amount.** Under SB 5101, the issuing of incentive payments by the PUD is limited by the greater of: (a) twenty-five one hundredths of one percent (0.25%) of the PUD's taxable sales under Washington law; or (b) twenty-five thousand dollars (\$25,000). This limitation applies to the cumulative total of all qualified incentive payments issued by the PUD to all customers in a given fiscal year. Should incentive payments owed by the PUD in a fiscal year exceed this limitation, the PUD will reduce Customer's incentive payments in the same proportion that it reduces all other qualified incentive payments owed in that fiscal year until the limitation is no longer exceeded.