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**CALIFORNIA INDEPENDENT SYSTEM  
OPERATOR**

**AND**

**[NAME OF QF PARTICIPATING GENERATOR]**

**QUALIFYING FACILITY PARTICIPATING  
GENERATOR AGREEMENT**

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## **QUALIFYING FACILITY PARTICIPATING GENERATOR AGREEMENT (QF PGA)**

**THIS AGREEMENT** is dated this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_ and is entered into, by and between:

(1) **[Full Legal Name]**, having its registered and principal place of business located at **[Address]** (the "Participating Generator");

and

(2) **California Independent System Operator Corporation**, a California nonprofit public benefit corporation having a principal executive office located at such place in the State of California as the ISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom, California 95630 (the "ISO").

The Participating Generator and the ISO are hereinafter referred to as the "Parties".

### **Whereas:**

- A.** The ISO Tariff provides that the ISO shall not schedule Energy or Ancillary Services generated by any Generating Unit interconnected to the ISO Controlled Grid, or to the Distribution System of a Participating TO or of a UDC or MSS Operator otherwise than through a Scheduling Coordinator.
- B.** The ISO Tariff further provides that the ISO shall not be obliged to accept Schedules or Adjustment Bids or bids for Ancillary Services relating to Generation from any Generating Unit interconnected to the ISO Controlled Grid unless the relevant Generator undertakes in writing to the ISO to comply with all applicable provisions of the ISO Tariff.
- C.** The Participating Generator wishes to be able to Schedule Energy and to submit Adjustment Bids, Supplemental Energy bids and bids for Ancillary Services from a Qualifying Facility Net Scheduled QF to the ISO through a Scheduling Coordinator and, therefore, wishes to undertake to the ISO that it will comply with the applicable provisions of the ISO Tariff, except as otherwise specified in this Agreement.
- D.** It is the intent of the Parties that this Agreement will harmonize the special operational characteristics of the Participating Generator's Qualifying Facility with the ISO's Grid operation function. Nothing in this Agreement is intended to limit or restrict the rights of the Participating Generator under Section 5.1.5 of the ISO Tariff.

- E. The Parties are entering into this Agreement in order to establish the terms and conditions on which the ISO and the Participating Generator will discharge their respective duties and responsibilities under the ISO Tariff.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, **THE PARTIES AGREE** as follows:

## ARTICLE I DEFINITIONS AND INTERPRETATION

- 1.1 Master Definitions Supplement.** Unless defined in this Agreement, all capitalized terms and expressions used in this Agreement shall have the same meaning as those contained in the Master Definitions Supplement to the ISO Tariff.
- 1.2 Special Definitions for this Agreement.** In this Agreement, the following words and expressions shall have the meanings set forth below:
- "Existing QF Contract"** means an agreement for the sale of capacity, Energy, and/or Ancillary Services by the Participating Generator to an electric utility from a Qualifying Facility that became effective on or prior to December 20, 1995 or, in the case of a Participating Generator employing landfill gas technology, on or prior to December 31, 1996.
- "Net Scheduled QF"** means the Qualifying Facility identified in Schedule 1 of this Agreement operated as a single unit such that the Energy scheduled with the ISO is the net value of the aggregate electrical net output of the Qualifying Facility and the Self-provided Load.
- "Point of Demarcation"** means the point: (1) where the Participating Generator's electrical conductors contact an electric utility system or the ISO Controlled Grid; or (2) if dedicated utility distribution facilities are employed, where the dedicated facilities contact the electric utility system or the ISO Controlled Grid.
- "Qualifying Facility" (QF)** means a qualifying cogeneration facility or qualifying small power production facility, as defined in the Code of Federal Regulations, Title 18, Part 292 (18 C.F.R. § 292).
- "Self-provided Load"** means the portion of Load that is served by the Net Scheduled QF listed in Schedule 1 consistent with Section 218(b) of the California Public Utilities Code.
- 1.3 Rules of Interpretation.** The following rules of interpretation and conventions shall apply to this Agreement:

- (a) if there is any inconsistency between this Agreement and the ISO Tariff, the ISO Tariff will prevail to the extent of the inconsistency, except as expressly provided otherwise in this Agreement;
- (b) the singular shall include the plural and vice versa;
- (c) the masculine shall include the feminine and neutral and vice versa;
- (d) “includes” or “including” shall mean “including without limitation”;
- (e) references to a Section, Article or Schedule shall mean a Section, Article or a Schedule of this Agreement, as the case may be, unless the context otherwise requires;
- (f) a reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented or restated through the date as of which such reference is made;
- (g) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced or restated from time to time;
- (h) unless the context otherwise requires, any reference to a “person” includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization or other entity, in each case whether or not having separate legal personality;
- (i) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
- (j) any reference to a day, week, month or year is to a calendar day, week, month or year; and
- (k) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement.

## ARTICLE II

### ACKNOWLEDGEMENTS OF PARTICIPATING GENERATOR AND ISO

- 2.1 ISO Responsibility.** The Parties acknowledge that the ISO is responsible for the efficient use and reliable operation of the ISO Controlled Grid consistent with achievement of planning and operating reserve criteria no less stringent than those established by the Western Electricity Coordinating Council and the North American Electric Reliability Council and further acknowledges that the ISO may not be able to satisfy fully these responsibilities if the Participating Generator fails to fully comply with all of its obligations under this Agreement.
- 2.2 Scope of Application to Parties.** The Participating Generator and ISO acknowledge that all Qualifying Facility Generators, except those specified in Section 2.2.1 of this Agreement, wishing to schedule Energy and to submit

Adjustment Bids, Supplemental Energy bids and bids for Ancillary Services to the ISO through a Scheduling Coordinator shall first execute this Agreement or the standard Participating Generator Agreement applicable to non-QF Generators. The Parties acknowledge that execution of this Agreement by the Participating Generator satisfies the requirement of a written agreement as set forth in Section 5 of the ISO Tariff.

- 2.2.1 Exemption for Certain Generators.** The Generator with a Net Scheduled QF with an existing power purchase agreement with a UDC is not required to sign a QF Participating Generator Agreement if: (a) the Generator sells all of its Energy (excluding any Energy consumed by auxiliary load equipment electrically connected to that Generator at the same point) and Ancillary Services to the UDC; (b) the Generator sells any Energy through "over the fence" arrangements as authorized under Section 218(b) of the California Public Utilities Code; or (c) the Generator employs landfill gas technology for the generation of electricity as authorized under 218(c) of the California Public Utilities Code. With respect to subsections (a) and (b), an existing power purchase agreement shall mean an agreement which has been entered into and is effective as of December 20, 1995. With respect to subsection (c), an existing power purchase agreement shall mean an agreement which has been entered into and is effective as of December 31, 1996.

### ARTICLE III TERM AND TERMINATION

- 3.1 Effective Date.** This Agreement shall remain in full force and effect until terminated pursuant to Section 3.2 of this Agreement and shall be effective as of the later of: (1) the date the Agreement is executed by the Parties; or (2) where the Participating Generator is a party to an existing Participating Generator Agreement, the date upon which termination of the existing Participating Generator Agreement is accepted for filing and made effective by FERC; or (3) where the Participating Generator is a party to an existing Participating Generator Agreement and this Agreement is required to be filed with FERC for acceptance, the later of the date upon which termination of the existing Participating Generator Agreement is accepted for filing and made effective by FERC, or the date this Agreement is accepted for filing and made effective by FERC.
- 3.2 Termination**
- 3.2.1 Termination by ISO.** Subject to Section 5.2, the ISO may terminate this Agreement by giving written notice of termination in the event that the Participating Generator commits any material default under this Agreement and/or the ISO Tariff which, if capable of being remedied, is not remedied within thirty (30) days after the ISO has given, to the Participating Generator, written notice of the default, unless excused by reason of Uncontrollable Forces in accordance with Article X of this Agreement. With respect to any notice of

termination given pursuant to this Section, the ISO must file a timely notice of termination with FERC. The filing of the notice of termination by the ISO will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met, and (2) the ISO files the notice of termination within 30 days after receipt of such request. This Agreement shall terminate upon acceptance by FERC of such a notice of termination.

- 3.2.2 Termination by Participating Generator.** In the event that the Participating Generator no longer wishes to schedule Energy or provide Ancillary Services through a Scheduling Coordinator over the ISO Controlled Grid, it may terminate this Agreement, on giving the ISO ninety (90) days written notice, provided, however, that in accordance with Section 4.1.3, the Participating Generator may modify Schedule 1 to eliminate generating resources which it no longer owns or no longer has contractual entitlement to and such modification shall be effective upon receipt by the ISO. With respect to any notice of termination given pursuant to this Section, the ISO must file a timely notice of termination with FERC. The filing of the notice of termination by the ISO will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met, and (2) the ISO files the notice of termination within 30 days of receipt of such request. This Agreement shall terminate upon acceptance by FERC of such a notice of termination.

## ARTICLE IV GENERAL TERMS AND CONDITIONS

### 4.1 Net Scheduled QFs

- 4.1.1 Identification of Net Scheduled QF.** The Participating Generator has identified the Net Scheduled QF that it owns, operates or has a contractual entitlement to, in Schedule 1, as required by Section 5.3 of the ISO Tariff.
- 4.1.2 Technical Characteristics.** The Participating Generator shall provide to the ISO the required information regarding operating contacts, rated capacity, and operating characteristics of the Net Scheduled QF. Pursuant to Section 2.5.25 of the ISO Tariff, and the Existing QF Contract, if any, associated with that Net Scheduled QF, the ISO may verify, inspect and test the capacity and operating characteristics of the Net Scheduled QF. The performance of such inspection or test shall be conducted at a time mutually agreed upon by the Parties, which agreement shall not unreasonably be withheld.
- 4.1.3 Notification of Changes.** Sixty (60) days prior to changing any technical information in Schedule 1, the Participating Generator shall notify the ISO of the proposed changes. Pursuant to Section 2.5.25 of the ISO Tariff, the ISO may verify, inspect and test the capacity and operating characteristics; provided that the performance of such inspection or test is conducted at a time mutually agreed upon by the Parties, which agreement shall not unreasonably be withheld. The ISO shall post on the ISO Home Page a schedule showing, for at

least one year in advance: (i) the proposed dates on which the ISO's Master File will be updated, which dates shall occur at least every three months; (ii) the dates on which the information contained in the revised Master File will become effective; and (iii) the deadlines by which changed technical information must be submitted to the ISO in order to be tested and included in the next scheduled update of the ISO's Master File. Unless the Participating Generator fails to test at the values in the proposed change(s), the change will become effective upon the effective date for the next scheduled update of the Master File, provided the Participating Generator submits the changed information by the applicable deadline. Subject to such notification this Agreement shall not apply to any Net Scheduled QF identified in Schedule 1 which the Participating Generator no longer owns nor has contractual entitlement.

**4.2 Agreement Subject to ISO Tariff.** The Parties will comply with all applicable provisions of the ISO Tariff, including Sections 2.3.2, 2.5.3.4 and 5, except as expressly provided in Sections 4.2.1 through 4.2.5 of this Agreement.

**4.2.1 Net Generation Metering.** Notwithstanding Sections 2.2.4.3 and 2.3.5 of the ISO Metering Protocol, the Participating Generator may net the value for the Generation produced by each Net Scheduled QF listed in Schedule 1 and the value for the Demand of the Self-provided Load that is (i) served by the Net Scheduled QF and (ii) electrically located on the same side of the Point of Demarcation.

**4.2.2 Meter and Telemetry Location.** The Participating Generator may satisfy the provisions of the ISO Tariff and Metering Protocol for the installation of meters and telemetry by installing at the Point of Demarcation meters and telemetry for the purpose of recording the net impact of the Net Scheduled QF upon the ISO Controlled Grid; provided that the installed meters and telemetry satisfy the technical functional and performance requirements for meters and telemetry set forth in the ISO Tariff and Metering Protocol.

**4.2.3 Scheduling, Billing and Settlement.** For scheduling, billing, and settlement purposes regarding Net Scheduled QF Self-provided Load, measurements shall be made at the Point of Demarcation.

**4.2.4 Operating Limitations.** Net Scheduled QF operating limitations shall be set forth in Schedule 1 of this Agreement, the resource data template used for transmittal of Participating Generator technical data to the ISO pursuant to the ISO Tariff, or as otherwise mutually agreed to by the Parties.

**4.2.5 Limitations on ISO Operating Orders.** The ISO will not knowingly issue an operating order that: (1) requires the Participating Generator to reduce its Generation below the delineated minimum operating limit, other than in a System Emergency; (2) conflicts with operating instructions provided by the Participating Generator; or (3) results in damage to the Participating Generator's equipment, provided that any such equipment limitation has been provided to the ISO and

incorporated in the Participating Generator's operating instructions to the ISO. If the Participating Generator: (1) receives a Final Schedule which requires operation below the minimum operating limit, and (2) deviates from that Final Schedule to continue to operate at the minimum operating limit, it will not be subject to any penalties or sanctions as a result of operating at the minimum operating limit. The Participating Generator's consequences for deviating from Final Schedules in real-time will be governed by the ISO Tariff.

### 4.3 Obligations Relating to Ancillary Services

**4.3.1 Submission of Bids.** When the Scheduling Coordinator on behalf of the Participating Generator submits a bid for Ancillary Services, the Participating Generator will, by the operation of this Section 4.3.1, warrant to the ISO that it has the capability to provide that service in accordance with the ISO Tariff and that it will comply with ISO Dispatch instructions for the provision of the service in accordance with the ISO Tariff.

**4.3.2 Certification.** The Participating Generator shall not use a Scheduling Coordinator to submit a bid for the provision of an Ancillary Service or submit a schedule for the self provision of an Ancillary Service unless the Scheduling Coordinator serving that Participating Generator is in possession of a current certificate pursuant to Sections 2.5.6 and 2.5.24 of the ISO Tariff.

### 4.4 Obligations relating to Major Incidents

**4.4.1 Major Incident Reports.** The Participating Generator shall promptly provide such information as the ISO may reasonably request in relation to major incidents, in accordance with Section 5.8.3 of the ISO Tariff.

**4.5 Dispatch and Curtailment.** The ISO shall only dispatch or curtail a Net Scheduled QF of the Participating Generator: (a) to the extent the Participating Generator bids Energy or Ancillary Services from the Net Scheduled QF into the ISO's markets or the Energy is otherwise available to the ISO under Section 5.11.4 of the ISO Tariff; or (b) if the ISO must dispatch or curtail the Net Scheduled QF in order to respond to an existing or imminent System Emergency or condition that would compromise ISO Control Area integrity or reliability as provided in Sections 2.3, 5.1.3, and 11.2.4.2.1 of the ISO Tariff.

**4.6 Information to Be Provided by Participating Generator.** The Participating Generator shall provide to the ISO (a) a copy of the FERC order providing Qualifying Facility status to the Net Scheduled QF listed in Schedule 1, (b) a copy of any existing power purchase agreement with a UDC for the Net Scheduled QF listed in Schedule 1, and (c) a copy or a summary of the primary terms of any agreement for standby service with a UDC or MSS Operator. The Participating Generator shall notify the ISO promptly of any change in the status of any of the foregoing.

## ARTICLE V PENALTIES AND SANCTIONS

- 5.1 Penalties.** If the Participating Generator fails to comply with any provisions of this Agreement, the ISO shall be entitled to impose penalties and sanctions on the Participating Generator. No penalties or sanctions may be imposed under this Agreement unless a Schedule providing for such penalties or sanctions has first been filed with and made effective by FERC. Nothing in the Agreement, with the exception of the provisions relating to ADR, shall be construed as waiving the rights of the Participating Generator to oppose or protest any penalty proposed by the ISO to the FERC or the specific imposition by the ISO of any FERC-approved penalty on the Participating Generator.
- 5.2 Corrective Measures.** If the Participating Generator fails to meet or maintain the requirements set forth in this Agreement and/or in the ISO Tariff as limited by the provisions of this Agreement, the ISO shall be permitted to take any of the measures, contained or referenced in the ISO Tariff, which the ISO deems to be necessary to correct the situation.

## ARTICLE VI COSTS

- 6.1 Operating and Maintenance Costs.** The Participating Generator shall be responsible for all its costs incurred in connection with operating and maintaining the Net Scheduled QF identified in Schedule 1 for the purpose of meeting its obligations under this Agreement.

## ARTICLE VII DISPUTE RESOLUTION

- 7.1 Dispute Resolution.** The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, the Parties shall adhere to the ISO ADR Procedures set forth in Section 13 of the ISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the ISO Tariff to Market Participants shall be read as a reference to the Participating Generator and references to the ISO Tariff shall be read as references to this Agreement.

## ARTICLE VIII REPRESENTATIONS AND WARRANTIES

- 8.1 Representation and Warranties.** Each Party represents and warrants that the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate and/or governmental actions, to the extent authorized by law.
- 8.2 Necessary Approvals.** The Participating Generator represents that all necessary leases, approvals, permits, licenses, easements, rights of way or access to install, own and/or operate its Net Scheduled QF have been or will be obtained by the Participating Generator prior to the effective date of this Agreement.
- 8.3 Specific Warranty.** The Participating Generator represents and warrants that: (1) the Net Scheduled QF listed in Schedule 1 is a Qualifying Facility or is operated as an integral part of a Qualifying Facility and (2) the Self-provided Load of the Participating Generator that is served by the Net Scheduling QF either has contracted for and continues through the term of this Agreement to have secured standby service from a UDC or MSS Operator under terms approved by the local regulatory authority or the Federal Energy Regulatory Commission, as applicable, or that the Self-provided Load shall be curtailed concurrently with any outage of the generation serving that Self-provided Load in an amount sufficient to cover that outage.

## ARTICLE IX LIABILITY

- 9.1 Liability.** The provisions of Section 14 of the ISO Tariff will apply to liability arising under this Agreement, except that all references in Section 14 of the ISO Tariff to Market Participants shall be read as references to the Participating Generator and references to the ISO Tariff shall be read as references to this Agreement.

## ARTICLE X UNCONTROLLABLE FORCES

- 10.1 Uncontrollable Forces Tariff Provisions.** Section 15 of the ISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 15 of the ISO Tariff to Market Participants shall be read as a reference to the Participating Generator and references to the ISO Tariff shall be read as references to this Agreement.

## ARTICLE XI MISCELLANEOUS

- 11.1 Assignments.** Either Party may assign or transfer any or all of its rights and/or obligations under this Agreement with the other Party's prior written consent in accordance with Section 17 of the ISO Tariff. Such consent shall not be unreasonably withheld. Any such transfer or assignment shall be conditioned upon the successor in interest accepting the rights and/or obligations under this Agreement as if said successor in interest was an original Party to this Agreement.
- 11.2 Notices.** Any notice, demand or request which may be given to or made upon either Party regarding this Agreement shall be made in accordance with Section 20.1 of the ISO Tariff. A Party must update the information in Schedule 3 of this Agreement as information changes. Such changes shall not constitute an amendment to this Agreement.
- 11.3 Waivers.** Any waivers at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.
- 11.4 Governing Law and Forum.** This Agreement shall be deemed to be a contract made under, and for all purposes shall be governed by and construed in accordance with, the laws of the State of California, except its conflict of law provisions. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement to which the ISO ADR Procedures do not apply, shall be brought in any of the following forums, as appropriate: any court of the State of California, any federal court of the United States of America located in the State of California, or, where subject to its jurisdiction, before the Federal Energy Regulatory Commission.
- 11.5 Consistency with Federal Laws and Regulations.** This Agreement shall incorporate by reference Section 20.8 of the ISO Tariff as if the references to the ISO Tariff were referring to this Agreement.
- 11.6 Merger.** This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereto and supersedes all prior agreements, whether written or oral, with respect to such subject matter.
- 11.7 Severability.** If any term, covenant, or condition of this Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Agreement and their

application shall not be affected thereby, but shall remain in force and effect and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.

- 11.8 Section Headings.** Section headings provided in this Agreement are for ease of reading and are not meant to interpret the text in each Section.
- 11.9 Amendments.** This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for information.
- 11.10 Counterparts.** This Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Agreement.
- 11.11 Rights Reserved.** Execution of this Agreement does not deprive the Participating Generator of any unexpressed legal right, either under law or under an existing power purchase agreement.

**IN WITNESS WHEREOF**, the Parties hereto have caused this Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date hereinabove written.

**California Independent System Operator Corporation**

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**[NAME OF PARTICIPATING GENERATOR]**

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**[The following page is a placeholder for Schedule 1, Section 1.]**

**SCHEDULE 2**

**ISO IMPOSED PENALTIES AND SANCTIONS  
[Section 5.1]**

**[TO BE INSERTED UPON FERC APPROVAL]**

**SCHEDULE 3**

**NOTICES  
(Section 11.2)**

**Participating Generator**

Name of Primary

Representative:

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Title:

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Address:

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City/State/Zip Code:

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Email Address:

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Phone:

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Fax No:

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Name of Alternative

Representative:

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Title:

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Address:

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City/State/Zip Code:

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Email Address:

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Phone:

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Fax No:

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**ISO**

Name of Primary

Representative:

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Title:

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Address:

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City/State/Zip Code:

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Email Address:

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Phone:

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Fax No:

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Name of Alternative

Representative:

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Title:

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Address:

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City/State/Zip Code:

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Email Address:

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Phone:

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