

COMBUSTION
TURBINE PROJECT
NO. 1

ORD. NO. 1329
ADOPTED

Ordinance No. 1329 - Entitled "An Ordinance of the City Council of the City of Lodi, California, approving the terms and conditions of an Agreement among NCPA and certain project participants and authorizing the executing of and delivery of said Agreement by Officers of the City of Lodi", having been introduced at a regular meeting of the Lodi City Council held July 18, 1984 was brought up for passage on motion of Council Member Reid, Olson second. Second reading of the Ordinance was omitted after reading by title, and the Ordinance was then adopted and ordered to print by the following vote:

Ayes: Council Members - Olson, Reid, and Hinchman
Noes: Council Members - Pinkerton
Absent: Council Members - Snider (Mayor)

ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LODI,
CALIFORNIA, APPROVING THE TERMS AND CONDITIONS OF
AN AGREEMENT AMONG NORTHERN CALIFORNIA POWER AGENCY
AND CERTAIN PROJECT PARTICIPANTS AND APPROVING THE
EXECUTION OF AND DELIVERY OF SAID AGREEMENT BY
OFFICERS OF THE CITY OF LODI, CALIFORNIA

WHEREAS, pursuant to the provisions relating to joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as amended (the "Joint Powers Act"), the City of Lodi, California (the "City") and certain other public agencies created pursuant to the laws of the State of California (collectively, the "Members"), have entered into a Joint Powers Agreement (the "Agreement") creating Northern California Power Agency (the "Agency"), a public entity separate and apart from the Members; and

WHEREAS, in accordance with the Agreement and the Joint Powers Act the Agency proposes to acquire and construct or cause to be acquired and constructed and to operate or cause to be operated a project (the "Project") consisting of not more than seven 24-megawatt combustion turbine generating units or such lesser number of units, but not less than three, as will be determined in accordance with the terms and conditions of the Third Phase Agreement (as hereinafter defined), and related facilities, including electric facilities necessary for the Project to interconnect with the adjacent electric system, and all rights, properties and improvements necessary therefor, including fuel and water facilities and resources, and capital improvements that may be constructed from time to time.

WHEREAS, the City has need for an economical and reliable source of electric power and energy to meet the demands of the customers of its electric system; and

WHEREAS, this City Council finds and determines that it is in the best interests of the customers of the electric system of the City for the City to enter into the Agreement for Construction, Operation and Financing of Combustion Turbine Project Number One (the

"Third Phase Agreement") in substantially the form submitted to this City Council and dated for convenience as of July 1, 1984; and

WHEREAS, this City Council finds and determines that the purchase of electric capacity and energy of the Project from the Agency on the terms and conditions set forth in the Third Phase Agreement is necessary to supply the customers of the electric system of the City with electricity; and

WHEREAS, payments by the City pursuant to the Third Phase Agreement will be used in part by the Agency for payment of principal of and interest on its bonds, notes or other evidences of indebtedness issued in connection with the construction, operation and financing of the Project;

NOW, THEREFORE, the City Council of the City of Lodi, California does ordain as follows:

1. The City Council hereby approves the act of entering into the Third Phase Agreement and the terms and conditions of the Third Phase Agreement (including the Project Entitlement Percentage of the City set forth in each of Appendices A-1 through A-5 thereto) in substantially the form submitted to this City Council be, and the same are hereby, approved.

2. The Project Entitlement Percentage of the City as set forth in each of Appendices A-1 through A-5 to said Third Phase Agreement may be increased to such percentage, not to exceed and increase of 0.0 percent (0.0%) of the largest Project Entitlement Percentage indicated for the City in any of Appendices A-1 through A-5 of the Third Phase Agreement, as shall be determined by the City Council of the City. In addition to any changes authorized by the immediately preceding sentence, the City hereby authorizes and approves any other amendment to any or all of Appendices A-1 through A-5 of the Third Phase Agreement as to Project Participants (as defined in the Third Phase Agreement) other than the City necessary so that the Project Entitlement Percentages of all the Project Participants shall equal one hundred percent (100%).

3. The City is hereby authorized to enter into the Third Phase Agreement and the Mayor and the City Clerk are hereby authorized

to execute and deliver the Third Phase Agreement by and on behalf of the City with such changes, insertions and omissions as may be approved by the City Council, said execution being conclusive evidence of such approval.

4. Pursuant to Section 54241 of the Government Code of the State of California, this Ordinance is subject to the provisions for referendum applicable to the City.

5. The City Clerk shall certify to the enactment of this Ordinance and shall cause this Ordinance to be published in accordance with Section 54242 of the Government Code of the State of California.

6. Thirty (30) days from and after its enactment, this Ordinance shall take effect and be in full force, in the manner provided by law.

ADOPTED by the City Council and signed by the Mayor and attested by the City Clerk this 1st day of August, 1984.

Mayor

Attest:

Alice M. Reimche
City Clerk

State of California
County of San Joaquin, ss.

I, Alice M. Reimche, City Clerk of the City of Lodi, do hereby certify that Ordinance No. 1329 was introduced at a regular meeting of the City Council of the City of Lodi held July 18, 1984 and was thereafter passed, adopted and ordered to print at a regular meeting of said Council held August 1, 1984 by the following vote:

Ayes: Council Members - Hinchman, Olson, and Reid

Noes: Council Members - Pinkerton

Absent: Council Members - Snider

Abstain: Council Members - None

I further certify that Ordinance No. 1329 was approved and signed by the Mayor on the date of its passage and the same has been published pursuant to law.

Alice M. Reimche
City Clerk

FORM OF OPINION OF COUNSEL

Northern California Power Agency
8421 Auburn Boulevard
Suite 160
Citrus Heights, California 95610

Dear Sirs:

I am acting as counsel to the _____ (the "Project Participant") under the Agreement for Construction, Operation and Financing of Combustion Turbine Project Number One, dated as of July 1, 1984 (the "Agreement") among the Project Participant, Northern California Power Agency (the "Agency") and certain other entities (the "Project Participants"), and I have acted as counsel to the Project Participant in connection with the matters referred to herein. As such counsel I have examined and am familiar with (i) those documents relating to the existence, organization and operation of the Project Participant, (ii) all necessary documentation of the Project Participant relating to the authorization, execution and delivery of the Agreement and (iii) an executed counterpart of the Agreement.

Based upon the foregoing and an examination of law and such other information, papers and documents as I deem necessary or advisable to enable me to render this opinion, including the Constitution and laws of the State of California together with the charter, other governing instruments, ordinances and public proceedings of the Project Participant, I am of the opinion that:

1. The Project Participant is [state form of organization] _____, duly created, organized and existing under the laws of the State of California and duly qualified to furnish electric service within the State of California.

2. The Project Participant has full legal right, power and authority to enter into the Agreement and to carry out and consummate all transactions contemplated thereby, and the Project Participant has complied with the provisions of applicable law in all matters relating to such transactions.

3. The Agreement has been duly authorized, executed and delivered by the Project Participant, is in full force and effect as to the Project Participant in accordance with its terms and, assuming that the Agency has all the requisite power and authority, and has taken all necessary action, to execute and deliver such Agreement, constitutes the legal, valid and binding obligation of the Project Participant enforceable in accordance with its terms.

4. Payments by the Project Participant under the Agreement will constitute an operating expense of the Project Participant and are to be made solely from the Revenue of its Electric System as provided in Section 5(c) of the Agreement.

5. No approval, consent or authorization of any governmental or public agency, authority or person is required for the execution and delivery by the Project Participant of the Agreement, or the performance by the Project Participant of its obligations thereunder.

6. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Project Participant, or any commitment, agreement or other instrument to which the Project Participant is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the Project Participant (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Project Participant or its affairs.

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to my knowledge, threatened against or affecting the Project Participant or any entity affiliated with the Project Participant or any of its officers in their respective capacities as such (nor to the best of my knowledge is there any basis therefor), which questions the powers of the Project Participant referred to in paragraph 2 above or the validity of the proceedings taken by the Project Participant in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would

adversely affect the validity or enforceability of the Agreement.

The opinion expressed in paragraph 3 above is qualified to the extent that the enforceability of the Agreement may be limited by any applicable bankruptcy, insolvency, debt adjustment, moratorium, reorganization, or other similar laws affecting creditors' rights generally or as to the availability of any particular remedy.

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed only to the Agency. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

[Note: Where it shall be necessary for the Project Participant to obtain the authorization or approval of a Federal, state or local regulatory authority relating to such Project Participant's performance under the Agreement, the form of opinions set forth in paragraphs 2, 3 and 5 hereof may be appropriately adjusted to reflect the necessity for such authorization or approval and paragraph 5 hereof shall be adjusted to include therein an exception thereto specifically describing the requisite authorization or approval and stating that it has been duly given or obtained and is in full force and effect.]

Very truly yours,

NOTICE OF ORDINANCE SUBJECT TO REFERENDUM
CITY OF _____
ORDINANCE NO. _____
ADOPTED BY THE CITY COUNCIL OF THE CITY OF _____
ON _____, 1984

Notice is hereby given that at a regular meeting of the City Council of the City of _____ (the "City Council"), held on _____, 1984, Ordinance No. _____ (the "Ordinance") was adopted. The title and a summary of the Ordinance are set forth below. The Ordinance is subject to referendum, as discussed below.

Title

ORDINANCE OF THE CITY COUNCIL OF THE CITY OF _____
AUTHORIZING THE ISSUANCE OF NOTES BY NORTHERN CALIFORNIA POWER AGENCY
(COMBUSTION TURBINE PROJECT NUMBER ONE).

Summary

Pursuant to the Ordinance, the City Council has authorized the issuance and sale by Northern California Power Agency (the "Agency") of its notes and other evidences of indebtedness (including renewal notes) ("Notes"), to be issued, from time to time, in one or more installments, in an estimated aggregate principal amount outstanding at any one time in accordance with their terms of \$130,000,000. The actual interest rates on each installment of such Notes or the method of determining such rates will be determined by the Commission of the Agency in accordance with law at the time of issuance of such installment. Notwithstanding such maximum aggregate principal amount of Notes, the Agency is authorized, pursuant to the Ordinance, to issue additional principal amounts of its Notes if and to the extent required to complete the financing of studies, the acquisition of options, permits and other preliminary costs to be incurred prior to the undertaking of the construction or acquisition of the Project or to complete the temporary financing of costs of acquisition and construction of the Project discussed below.

The Agency was created pursuant to a Joint Powers Agreement, as amended (the "Agreement"), heretofore entered into between the City of _____ and certain other public agencies created pursuant to the laws of the State of California (collectively, the "Members") pursuant to the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as amended (the "Joint Powers Act"). The Agency is a public entity separate and apart from the Members. The Agency, in accordance with the Joint Powers Act and the Agreement, has entered or will enter into agreements to acquire and construct (or to cause to be acquired and constructed) a project for the generation and transmission of electric energy consisting of not more than seven 24-megawatt combustion turbine generating units or such lesser number of units, but not less than three, as will be determined in accordance with the terms and conditions of the Third

Phase Agreements (as hereinafter defined) and related facilities, including electric facilities necessary for the Project to interconnect with the adjacent electric system, and all rights, properties and improvements necessary therefor, including fuel and water facilities and resources, and capital improvements that may be constructed from time to time (the "Project"). The Agency has entered or will enter into one or more agreements (the "Third Phase Agreements") with certain entities (including two or more of the Members), pursuant to which the entities entering into such Third Phase Agreements with the Agency (the "Participants") will, in the aggregate, purchase options and/or rights to purchase and/or receive 100% of the capacity and energy of the Project. The City Council heretofore has authorized, by ordinance, the issuance and sale by the Agency of its Acquisition Bonds to provide funds for the financing of the acquisition and construction of the Project. The principal of and interest on the Acquisition Bonds are to be payable from funds held in trust for the benefit of the holders of such Bonds and from revenues of the Agency from the Project, including payments to be made by the Participants under the Third Phase Agreements.

Neither the payment of principal of the Notes nor any part thereof nor interest thereon will constitute a debt, liability or obligation of the City of _____; nor does the Ordinance commit the City of _____ to take or pay for any capacity or energy of the Project. The City Council has determined that the financing of the acquisition and construction of the Project is appropriate to assist the City in meeting the future power needs of its customers for electric energy.

The Notes will mature within seven years from the date of issuance thereof and will bear interest at the probable or anticipated rate of 11% per annum.

THE AGENCY PROPOSES TO ISSUE, IN ACCORDANCE WITH THE AGREEMENT AND THE JOINT POWERS ACT, ITS NOTES (INCLUDING RENEWAL NOTES) FOR THE PURPOSE OF FINANCING STUDIES, THE ACQUISITION OF OPTIONS, PERMITS, AND OTHER PRELIMINARY COSTS TO BE INCURRED PRIOR TO THE UNDERTAKING OF THE CONSTRUCTION OR ACQUISITION OF THE PROJECT AND FOR THE PURPOSE OF PROVIDING TEMPORARY FINANCING OF COSTS OF ACQUISITION AND CONSTRUCTION OF THE PROJECT. THE PRINCIPAL OF AND INTEREST ON THE NOTES ARE TO BE PAYABLE FROM THE PROCEEDS OF RENEWAL NOTES AND FROM THE PROCEEDS OF THE PUBLIC POWER REVENUE BONDS AND, TO THE EXTENT NOT SO PAID, MAY BE PAYABLE FROM REVENUES OF THE AGENCY FROM THE PROJECT, INCLUDING PAYMENTS TO BE MADE BY THE PARTICIPANTS UNDER THE THIRD PHASE AGREEMENTS.

THE ORDINANCE AUTHORIZING THE ISSUANCE OF THE NOTES IS SUBJECT TO REFERENDUM. UPON PRESENTATION (WITHIN THE TIME PERIOD SPECIFIED BY LAW) OF A PETITION (BEARING SIGNATURES, IN AT LEAST THE NUMBER REQUIRED BY THE LAW) PROTESTING AGAINST THE ADOPTION OF THE ORDINANCE, THE CITY COUNCIL IS REQUIRED TO RECONSIDER THE ORDINANCE. THEREUPON, IF THE CITY COUNCIL DOES NOT ENTIRELY REPEAL THE ORDINANCE, THE ORDINANCE SHALL BE SUBMITTED (UNDER BALLOT WORDING PRESCRIBED BY LAW) TO THE VOTERS AT A REGULAR OR SPECIAL ELECTION AND THE ORDINANCE SHALL NOT BECOME EFFECTIVE UNTIL A MAJORITY OF THE VOTERS VOTING ON THE ORDINANCE VOTE IN FAVOR OF IT. THE FOREGOING DESCRIPTION OF THE PROCEDURES FOR REFERENDUM IS BASED UPON THE APPLICABLE REFERENDUM PROVISIONS OF THE CALIFORNIA ELECTIONS CODE AND THE CALIFORNIA GOVERNMENT CODE. REFERENCE IS MADE TO THE CALIFORNIA ELECTIONS CODE AND THE CALIFORNIA GOVERNMENT CODE FOR A COMPLETE STATEMENT OF SUCH PROVISIONS.

ORDINANCE NO. _____

ORDINANCE OF THE CITY COUNCIL OF THE CITY OF _____, CALIFORNIA, APPROVING THE TERMS AND CONDITIONS OF AN AGREEMENT AMONG NORTHERN CALIFORNIA POWER AGENCY AND CERTAIN PROJECT PARTICIPANTS AND APPROVING THE EXECUTION OF AND DELIVERY OF SAID AGREEMENT BY OFFICERS OF THE CITY OF _____.

WHEREAS, pursuant to the provisions relating to joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as amended (the "Joint Powers Act"), the City of _____ (the "City") and certain other public agencies created pursuant to the laws of the State of California (collectively, the "Members"), have entered into a Joint Powers Agreement (the "Agreement") creating Northern California Power Agency (the "Agency"), a public entity separate and apart from the Members; and

WHEREAS, in accordance with the Agreement and the Joint Powers Act the Agency proposes to acquire and construct or cause to be acquired and constructed and to operate or cause to be operated a project (the "Project") consisting of not more than seven 24-megawatt combustion turbine generating units or such lesser number of units, but not less than three, as will be determined in accordance with the terms and conditions of the Third Phase Agreement (as hereinafter defined), and related facilities, including electric facilities necessary for the Project to interconnect with the adjacent electric system, and all rights, properties and improvements necessary therefor, including fuel and water facilities and resources, and capital improvements that may be constructed from time to time.

WHEREAS, the City has need for an economical and reliable source of electric power and energy to meet the demands of the customers of its electric system; and

WHEREAS, this City Council finds and determines that it is in the best interests of the customers of the electric system of the City for the City to enter into the Agreement for Construction, Operation and Financing of Combustion Turbine Project Number One (the "Third Phase Agreement") in substantially the form submitted to this City Council and dated for convenience as of July 1, 1984; and

WHEREAS, this City Council finds and determines that the purchase of electric capacity and energy of the Project from the Agency on the terms and conditions set forth in the Third Phase Agreement is necessary to supply the customers of the electric system of the City with electricity; and

WHEREAS, payments by the City pursuant to the Third Phase Agreement will be used in part by the Agency for payment of principal

of and interest on its bonds, notes or other evidences of indebtedness issued in connection with the construction, operation and financing of the Project;

NOW, THEREFORE, the City Council of the City of _____ does ordain as follows:

1. The City Council hereby approves the act of entering into the Third Phase Agreement and the terms and conditions of the Third Phase Agreement (including the Project Entitlement Percentage of the City set forth in each of Appendices A-1 through A-5 thereto) in substantially the form submitted to this City Council be, and the same are hereby, approved.

2. The Project Entitlement Percentage of the City as set forth in each of Appendices A-1 through A-5 to said Third Phase Agreement may be increased to such percentage, not to exceed an increase of _____ percent (____%) of the largest Project Entitlement Percentage indicated for the City in any of Appendices A-1 through A-5 of the Third Phase Agreement, as shall be determined by the _____ of the City. In addition to any changes authorized by the immediately preceding sentence, the City hereby authorizes and approves any other amendment to any or all of Appendices A-1 through A-5 of the Third Phase Agreement as to Project Participants (as defined in the Third Phase Agreement) other than the City necessary so that the Project Entitlement Percentages of all the Project Participants shall equal one hundred percent (100%).

3. The City is hereby authorized to enter into the Third Phase Agreement and the _____ and the _____ are hereby authorized to execute and deliver the Third Phase Agreement by and on behalf of the City with such changes, insertions and omissions as may be approved by the _____, said execution being conclusive evidence of such approval.

4. Pursuant to Section 54241 of the Government Code of the State of California, this Ordinance is subject to the provisions for referendum applicable to the City.

5. The City Clerk shall certify to the enactment of this Ordinance and shall cause this Ordinance to be published in accordance with Section 54242 of the Government Code of the State of California.

6. Thirty (30) days from and after its enactment, this Ordinance shall take effect and be in full force, in the manner provided by law.

ADOPTED by the City Council and signed by the
_____ and attested by the _____ this _____ day
of _____, 1984.

Attest:

(SEAL)

[Note: This Ordinance to be adopted before Notes Ordinance.]

ORDINANCE NO. _____

ORDINANCE OF THE CITY COUNCIL OF THE CITY OF _____ AUTHORIZING THE ISSUANCE OF PUBLIC POWER REVENUE BONDS BY NORTHERN CALIFORNIA POWER AGENCY (COMBUSTION TURBINE PROJECT NUMBER ONE).

WHEREAS, pursuant to the provisions relating to joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as amended (the "Joint Powers Act"), the City of _____ and certain other public agencies created pursuant to the laws of the State of California (collectively, the "Members"), have entered into a Joint Powers Agreement, as amended (the "Agreement"), creating Northern California Power Agency (the "Agency"), a public entity separate and apart from the Members; and

WHEREAS, in accordance with the Agreement and the Joint Powers Act, the Agency has entered or will enter into agreements to acquire and construct (or to cause to be acquired and constructed) a project for the generation and transmission of electric energy consisting of not more than seven 24-megawatt combustion turbine generating units or such lesser number of units, but not less than three, as will be determined in accordance with the terms and conditions of the Third Phase Agreement (as hereinafter defined) and related facilities, including electric facilities necessary for the Project to interconnect with the adjacent electric system, and all rights, properties and improvements necessary therefor, including fuel and water facilities and resources, and capital improvements that may be constructed from time to time (the "Project"); and

WHEREAS, the Agency proposes to issue, in accordance with the Agreement and the Joint Powers Act, from time to time, in one or more installments, its revenue bonds and other evidences of indebtedness ("Acquisition Bonds") to be outstanding at any one time in accordance with their terms in the estimated maximum aggregate principal amount of \$130,000,000 for the purpose of providing funds for the financing of the acquisition and construction of the Project; and

WHEREAS, the Agency also proposes to issue its notes and other evidences of indebtedness (including renewal notes) ("Notes") for the purpose of financing studies, the acquisition of options, permits, and other preliminary costs to be incurred prior to the undertaking of the construction or acquisition of the Project and for the purpose of providing temporary financing of costs of acquisition and construction of the Project; and

WHEREAS, from time to time, conditions in the tax-exempt bond market may become favorable for refunding outstanding bonds with

a resulting savings in debt service costs or other benefits for the Agency; and

WHEREAS, pursuant to Section 6576 of the Joint Powers Act, the Agency may issue from time to time in one or more installments its refunding bonds ("Refunding Bonds" and together with the Acquisition Bonds, the "Public Power Revenue Bonds") for the purpose of redeeming or retiring Acquisition Bonds or Refunding Bonds theretofore issued, or other indebtedness theretofore issued for the Project; and

WHEREAS, the financing of the acquisition and construction of the Project includes the issuance of Refunding Bonds; and

WHEREAS, notwithstanding the aforesaid estimated maximum aggregate principal amount of Public Power Revenue Bonds proposed to be issued by the Agency for the Project and to be outstanding at any one time in accordance with their terms, additional Public Power Revenue Bonds may be required to complete the financing of the acquisition and construction of the Project; and

WHEREAS, the Agency has entered or will enter into one or more agreements (the "Third Phase Agreements") with certain entities (including two or more of the Members), pursuant to which the entities entering into such Third Phase Agreements with the Agency (the "Participants") will, in the aggregate, purchase options and/or rights to purchase and/or receive 100% of the capacity and energy of the Project; and

WHEREAS, the principal of and interest on the Public Power Revenue Bonds are to be payable from funds held in trust for the benefit of the holders of such Bonds and from revenues of the Agency from the Project, including payments to be made by the Participants under the Third Phase Agreements; and

WHEREAS, the principal of and interest on the Notes are to be payable from proceeds of renewal Notes and the proceeds of the Public Power Revenue Bonds and, to the extent not so paid, may be payable from revenues of the Agency from the Project, including payments to be made by the Participants under the Third Phase Agreements; and

WHEREAS, in accordance with the Section 6547 of the Joint Powers Act, the exercise by the Agency of its power to issue the Public Power Revenue Bonds is subject to the authorization of such issuance by the Participants pursuant to ordinance; and

WHEREAS, neither the payment of principal of the Public Power Revenue Bonds nor any part thereof nor interest thereon shall constitute a debt, liability or obligation of the City of _____;

nor does this Ordinance commit the City of _____ to take or pay for any capacity or energy of the Project.

WHEREAS, this City Council has determined that the financing of the acquisition and construction of the Project by the Agency is appropriate to assist the City in meeting the future power needs of its customers for electric energy; and

WHEREAS, this City Council has determined that the issuance by the Agency of Refunding Bonds is appropriate to reduce debt service cost related to the Project and reduce the costs of financing the acquisition and construction of the Project payable by the City under the Third Phase Agreements or to realize other benefits relating to the Project; and

WHEREAS, this City Council proposes to authorize by ordinance the issuance and sale by the Agency of its Notes, which are payable from proceeds of the Acquisition Bonds authorized by this Ordinance and, to the extent not so paid, may be payable from revenues of the Agency from the Project, including payments received by the Agency from the Participants under the Third Phase Agreements.

NOW, THEREFORE, the City Council of the City of _____ does ordain as follows:

1. The issuance and sale by the Agency, from time to time, in one or more installments, of its Acquisition Bonds for the financing of the acquisition and construction of the Project outstanding at any one time in accordance with their terms in a maximum aggregate principal amount of \$130,000,000 is hereby authorized. Notwithstanding such maximum aggregate principal amount, the Agency is hereby authorized to issue additional principal amounts of its Acquisition Bonds if and to the extent required to complete the financing of the acquisition and construction of the Project. The proceeds from the sale of the Acquisition Bonds hereby authorized are to be used for the financing of the acquisition and construction of the Project, including interest on such Bonds and deposits to reserves, and to pay when due the principal, premium, if any, and interest on the Notes of the Agency issued for the purpose of financing studies, the acquisition of options, permits, and other preliminary costs to be incurred prior to the undertaking of the construction or acquisition of the Project and for the purpose of providing temporary financing of the costs of acquisition and construction of the Project. The Acquisition Bonds hereby authorized, and premium and interest thereon, are to be payable from, and secured by, funds held in trust for the benefit of the holders of Acquisition Bonds and from revenues of the Agency from the Project,

including payments received by the Agency from the Participants under the Third Phase Agreements.

2. The issuance and sale by the Agency, from time to time, in one or more installments, of its Refunding Bonds is hereby authorized. The estimated maximum aggregate principal amount of such Refunding Bonds outstanding at any one time in accordance with their terms shall be an amount equal to the sum of (i) \$130,000,000, being the estimated maximum aggregate principal amount of Acquisition Bonds issued and to be issued for the financing of the acquisition and construction of the Project, plus (ii) the principal amount of any additional Acquisition Bonds issued to complete the financing of the acquisition and construction of the Project, plus (iii) such additional amounts, if any, required to purchase federal securities to implement such refunding as provided in Sections 53580 to 53585, inclusive, of the Government Code of the State of California, plus (iv) such additional amounts, if any, necessary to provide funds sufficient for the payment of principal, interest, premium and expenses as provided in Section 6577 of the Government Code of the State of California. Notwithstanding such estimated maximum aggregate principal amount, the Agency is hereby authorized to issue additional principal amounts of its Refunding Bonds if and to the extent required to complete the financing of the acquisition and construction of the Project. The proceeds from the sale of the Refunding Bonds hereby authorized are to be used for the purpose of redeeming or retiring the Acquisition Bonds, Refunding Bonds or other indebtedness to be refunded as aforesaid. The Refunding Bonds hereby authorized, and premium and interest thereon, are to be payable from, and secured by, funds held in trust for the benefit of the holders of the Refunding Bonds and from the revenues of the Agency with respect to the Project, including payments received by the Agency from the Participants under the Third Phase Agreements.

3. The authorization provided to the Agency by Section 2 above shall not apply to any installment of Refunding Bonds unless the Agency shall determine that a present value savings of debt service will result from the issuance of such Refunding Bonds or that other benefits relating to the acquisition and construction of the Project will be realized therefrom.

4. Pursuant to Section 6547 of the Joint Powers Act, this Ordinance is subject to the provisions for referendum prescribed by Section 3751.7 of the Elections Code of the State of California.

5. The City Clerk shall certify to the enactment of this Ordinance and shall cause notice of the same to be published in accordance with Section 6040.1 of the Government Code of the State of California.

6. Sixty (60) days from and after its enactment, this Ordinance shall take effect and be in full force, in the manner provided by law.

THE FOREGOING ORDINANCE is approved, enacted and adopted by the City Council of the City of _____, this _____ day of _____, 1984.

ATTEST:

[Note: Ordinance to be adopted after Bonds Ordinance.]

ORDINANCE NO. _____

ORDINANCE OF THE CITY COUNCIL OF THE CITY OF
_____ AUTHORIZING THE ISSUANCE OF NOTES BY
NORTHERN CALIFORNIA POWER AGENCY (COMBUSTION
TURBINE PROJECT NUMBER ONE).

WHEREAS, pursuant to the provisions relating to joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as amended (the "Joint Powers Act"), the City of _____ and certain other public agencies created pursuant to the laws of the State of California (collectively, the "Members"), have entered into a Joint Powers Agreement, as amended (the "Agreement"), creating Northern California Power Agency (the "Agency"), a public entity separate and apart from the Members; and

WHEREAS, in accordance with the Agreement and the Joint Powers Act, the Agency has entered or will enter into agreements to acquire and construct (or to cause to be acquired and constructed) a project for the generation and transmission of electric energy consisting of not more than seven 24-megawatt combustion turbine generating units or such lesser number of units, but not less than three, as will be determined in accordance with the terms and conditions of the Third Phase Agreement (as hereinafter defined) and related facilities, including electric facilities necessary for the Project to interconnect with the adjacent electric system, and all rights, properties and improvements necessary therefor, including fuel and water facilities and resources, and capital improvements that may be constructed from time to time (the "Project"); and

WHEREAS, the Agency proposes to issue, in accordance with the Agreement and the Joint Powers Act, from time to time, in one or more installments, its notes and other evidences of indebtedness (including renewal notes) ("Notes") to be outstanding at any one time in accordance with their terms in the estimated maximum aggregate principal amount of \$130,000,000; for the purpose of financing studies, the acquisition of options, permits, and other preliminary costs to be incurred prior to the undertaking of the construction or acquisition of the Project and for the purpose of providing temporary financing of costs of acquisition and construction of the Project; and

WHEREAS, the Agency proposes to issue its revenue bonds and other evidences of indebtedness ("Acquisition Bonds") for the purpose of providing funds for the financing of the acquisition and construction of the Project; and

WHEREAS, notwithstanding the aforesaid estimated maximum aggregate principal amount of Notes proposed to be issued by the Agency for the Project and to be outstanding at any one time in accordance with their terms, additional Notes may be required to complete the financing of studies, the acquisition of options, permits and other preliminary costs to be incurred prior to the undertaking of the construction or acquisition of the Project or to complete the temporary financing of costs of acquisition and construction of the Project; and

WHEREAS, the Agency has entered or will enter into one or more agreements (the "Third Phase Agreements") with certain entities (including two or more of the Members), pursuant to which the entities entering into such Third Phase Agreements with the Agency (the "Participants") will, in the aggregate, purchase options and/or rights to purchase and/or receive 100% of the capacity and energy of the Project; and

WHEREAS, the Notes are to be renewable from time to time and the principal of and interest on the Notes are payable from proceeds of renewal Notes and the proceeds of the Acquisition Bonds and, to the extent not so paid, may be payable from revenues of the Agency from the Project, including payments to be made by the Participants under the Third Phase Agreements; and

WHEREAS, in accordance with Section 6547 of the Joint Powers Act, the exercise by the Agency of its power to issue the Notes is subject to the authorization of such issuance by the Participants pursuant to ordinance; and

WHEREAS, neither the payment of principal of the Notes nor any part thereof nor interest thereon shall constitute a debt, liability or obligation of the City of _____; nor does this Ordinance commit the City of _____ to take or pay for any capacity or energy of the Project; and

WHEREAS, this City Council has determined that the financing of the acquisition and construction of the Project by the Agency is appropriate to assist the City in meeting the future power needs of its customers for electric energy; and

WHEREAS, this City Council has authorized by Ordinance the issuance and sale by the Agency of its Acquisition Bonds, the proceeds from the sale of which are to be used for the financing of the acquisition and construction of the Project, including interest on such Acquisition Bonds and deposits to reserves, and to pay the principal, premium, if any, and interest on the Notes authorized by this Ordinance when due.

NOW, THEREFORE, the City Council of the City of _____ does ordain as follows:

1. The issuance and sale by the Agency from time to time, in one or more installments, of its Notes (including renewal Notes) for the purpose of financing studies, the acquisition of options, permits and other preliminary costs to be incurred prior to the undertaking of the construction or acquisition of the Project and for the purpose of providing temporary financing of costs of acquisition and construction of the Project, outstanding at any one time in accordance with their terms in a maximum aggregate principal amount of \$130,000,000 is hereby authorized. Notwithstanding such maximum aggregate principal amount, the Agency is hereby authorized to issue additional principal amounts of Notes if and to the extent required to complete the financing of studies, the acquisition of options, permits and other preliminary costs to be incurred prior to the undertaking of the construction or acquisition of the Project or to complete the temporary financing of costs of acquisition and construction of the Project. The proceeds from the sale of the Notes hereby authorized are to be used for the purpose of financing financial feasibility studies, environmental impact studies and other studies relating to the Project, the acquisition of options, permits and other preliminary costs to be incurred prior to the undertaking of the construction or acquisition of the Project and for the purpose of providing temporary financing of costs of acquisition and construction of the Project, including interest on the Notes. The Notes hereby authorized are to be renewable from time to time and the principal of such Notes, and premium, if any, and interest thereon, are to be payable from proceeds of renewal Notes and the proceeds of Acquisition Bonds of the Agency and, to the extent not so paid, may be payable from revenues of the Agency from the Project, including payments received by the Agency from the Participants under the Third Phase Agreements.

2. Pursuant to Section 6547 of the Joint Powers Act, this Ordinance is subject to the provisions for referendum prescribed by Section 3751.7 of the Elections Code of the State of California.

3. The City Clerk shall certify to the enactment of this Ordinance and shall cause notice of the same to be published in accordance with Section 6040.1 of the Government Code of the State of California.

4. Sixty (60) days from and after its enactment, this Ordinance shall take effect and be in full force, in the manner provided by law.

THE FOREGOING ORDINANCE is approved, enacted and adopted by
the City Council of the City of _____, this _____ day
of _____, 1984.

ATTEST:

MEMORANDUM

FOR Project Participants

July 12, 1984

NORTHERN CALIFORNIA POWER AGENCY
Ordinances Approving Participation in
Combustion Turbine Project Number One

✓
The Project Participants in Northern California Power Agency's Combustion Turbine Project Number One must approve their participation in the Project through the enactment of an ordinance approving the Combustion Turbine Member Agreement (the "Agreement Ordinance"), an ordinance approving the issuance of bonds by NCPA (the "Bond Ordinance") and an ordinance approving the issuance of notes by NCPA (the "Note Ordinance"). These ordinances are subject to publication requirements which differ from the standard requirements applicable to ordinances normally approved by the Project Participants. The publication requirements applicable to these ordinances are as follows:

I. Publication Requirements for the Agreement Ordinance

The form of the Agreement Ordinance is enclosed herein, and is captioned as follows:

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF _____,
CALIFORNIA, APPROVING THE TERMS AND CONDITIONS OF AN
AGREEMENT AMONG NORTHERN CALIFORNIA POWER AGENCY AND
CERTAIN PROJECT PARTICIPANTS AND APPROVING THE EXECUTION OF
AND DELIVERY OF SAID AGREEMENT BY OFFICERS OF THE CITY OF
_____.

The Agreement Ordinance should be published in the same manner as all other ordinances of the Project Participant are published.

Where the city charter, if any, of a Project Participant does not require publication after adoption or where the Project Participant has no procedure for the publication of ordinances, then a special procedure under Section 54242 of the California Government Code must be followed. Under the special procedure, the Agreement Ordinance must be published once in a newspaper of general circulation in the city within 15 days after its adoption. Further, under the special procedure, all publications of the Agreement Ordinance must be set in type not smaller than nonpareil type and must be preceded by a notice of adoption worded in blackface, nonpareil type as follows:

NOTICE OF ADOPTION OF AN ORDINANCE APPROVING THE EXECUTION
AND DELIVERY OF THE COMBUSTION TURBINE MEMBER AGREEMENT
WHEREBY THE CITY ENTERS INTO A FORMAL LEASEBACK AGREEMENT
WITH NORTHERN CALIFORNIA POWER AGENCY.

II. Publication Requirements for the Bond Ordinance

The form of the Bond Ordinance is enclosed herein and is captioned as follows:

ORDINANCE OF THE CITY COUNCIL OF THE CITY OF _____
AUTHORIZING THE ISSUANCE OF PUBLIC POWER REVENUE BONDS BY
NORTHERN CALIFORNIA POWER AGENCY (COMBUSTION TURBINE
PROJECT NUMBER ONE).

The Bond Ordinance should be published in the same manner as all other ordinances of the Project Participants.

In addition, the Notice of Ordinance Subject to Referendum relating to the Bond Ordinance (the "Bond Notice") which is enclosed herein must be published within 15 days after adoption of the Bond Ordinance in the following manner:

1. The Bond Notice must appear for five consecutive days in at least one daily newspaper of general circulation. A "daily newspaper" is a newspaper of general circulation that is published on five or more days in a calendar week.

If no such daily newspaper exists, the Bond Notice must be published at least twice in the weekly newspapers of the area. A "weekly newspaper" is one that is a newspaper of general circulation that is published on at least one, but less than five, days in a calendar week.

If there is no such weekly newspaper, then the Bond Notice must be posted for not less than two weeks in at least 15 public places.

2. The Bond Notice must be published in at least 10-point type.

III. Publication Requirements for the Note Ordinance

The form of the Note Ordinance is enclosed herein and captioned as follows:

ORDINANCE OF THE CITY COUNCIL OF THE CITY OF _____
AUTHORIZING THE ISSUANCE OF NOTES BY NORTHERN CALIFORNIA
POWER AGENCY (COMBUSTION TURBINE PROJECT NUMBER ONE).

The Note Ordinance should be published in the same manner as all other ordinances of the Project Participants.

In addition, the Notice of Ordinance Subject to Referendum relating to the Note Ordinance (the "Note Notice") which is enclosed herein must be published within 15 days after adoption of the Note Ordinance in the following manner:

1. The Note Notice must appear for five consecutive days in at least one daily newspaper of general circulation. A "daily newspaper" is a newspaper of general circulation that is published on five or more days in a calendar week.

If no such daily newspaper exists, the Note Notice must be published at least twice in the weekly newspapers of the area. A "weekly newspaper" is one that is a newspaper of general circulation that is published on at least one, but less than five, days in a calendar week.

If no such daily newspaper exists, the Note Notice must be published at least twice in the weekly newspapers of the area. A "weekly newspaper" is one that is a newspaper of general circulation that is published on at least one, but less than five, days in a calendar week.

If there is no such weekly newspaper, then the Note Notice must be posted for not less than two weeks in at least 15 public places.

2. The Note Notice must be published in at least 10-point type.

Any questions concerning the publication requirements for the Agreement Ordinance, the Bond Ordinance or the Note Ordinance should be directed to John Kelly (212-510-7332) or Jim Anderson (213-613-1112).

**AGREEMENT FOR CONSTRUCTION, OPERATION AND FINANCING
OF COMBUSTION TURBINE PROJECT NUMBER ONE**

Dated as of July 1, 1984

By and Among

NORTHERN CALIFORNIA POWER AGENCY

and

**CITY OF ALAMEDA
CITY OF HEALDSBURG
CITY OF LODI
CITY OF LOMPOC
CITY OF ROSEVILLE
CITY OF SANTA CLARA
CITY OF UKIAH
PLUMAS-SIERRA RURAL ELECTRIC COOPERATIVE
TURLOCK IRRIGATION DISTRICT**

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**AGREEMENT FOR CONSTRUCTION, OPERATION AND FINANCING
OF COMBUSTION TURBINE PROJECT NUMBER ONE**

This Agreement, dated as of July 1, 1984, by and among Northern California Power Agency, a joint powers agency of the State of California (hereinafter called "NCPA") and the other entities executing this Agreement,

WITNESSETH:

WHEREAS, NCPA proposes to acquire and construct or cause to be acquired and constructed and to operate or cause to be operated the Project (either by the construction of facilities by NCPA or jointly with others, or by the purchase of an ownership interest or capacity right in such facilities constructed by others, or both) described herein; and

WHEREAS, NCPA and certain of its members entered into an "Agreement for Financing of Planning and Development Activities for Construction of Combustion Turbine Generating Facilities" dated as of August 1, 1983, providing for the financing of certain planning and development activities in connection with the Project (said Agreement, as it may be amended and supplemented from time to time, being hereinafter called the "Second Phase Agreement"); and

WHEREAS, this Agreement is the "Third Phase Agreement" contemplated in the Second Phase Agreement; and

WHEREAS, NCPA and its members have entered into one of three Member Service Agreements, effective February 12, 1981 (said Agreements, as they may be amended and supplemented from time to time, being hereinafter called the "Member Service Agreement"), which provide for services which NCPA shall perform for its members, among other things, and for the provisions to be contained in second and third phase agreements, such as the Second Phase Agreement, and this Agreement; and

WHEREAS, NCPA and the Project Participants (as hereinafter defined) now wish to enter into this Agreement to provide further for the construction, operation and financing of the Project, the sale by NCPA of capacity and energy of the Project to the Project Participants, and the security for the Bonds to be issued to finance the Project;

NOW THEREFORE, the parties hereto do agree as follows:

1. Definitions. The following terms shall, for all purposes of this Agreement, have the following meanings:

(a) "Bond Resolution" means an instrument providing for the issuance of Bonds and the terms thereof and may be a resolution, indenture of trust, order, agreement or other instrument.

(b) "Bonds" means bonds, notes or other evidences of indebtedness of NCPA (or of a nonprofit corporation on behalf of NCPA) issued to finance or refinance the Project and to finance or refinance any contributions-in-aid-of-construction for construction necessary for the adjacent electric system to interconnect with the Project and includes additional bonds to complete the Project.

(c) "Electric System" means all properties and assets, real and personal, tangible and intangible, of the Project Participant now or hereafter existing, used or pertaining to the generation, transmission, transformation, distribution and sale of electric capacity and energy, including all additions, extensions, expansions, improvements and betterments thereto and equipments thereof; provided, however, that to the extent the Project Participant is not the sole owner of an asset or property or to the extent that an asset or property is used in part for the above described electric purposes, only the Project Participant's ownership interest in such asset or property or only the part of the asset or property so used for electric purposes shall be considered to be part of its Electric System.

(d) "Full Operation Date" means the first date when the first unit of the Project is capable of producing and delivering capacity and energy in commercial operation, as shall be determined by the Commission of NCPA in accordance with prudent utility practices.

(e) "Project" means a project consisting of (A) (i) three 24-megawatt combustion turbine generating units, located one unit each in the Cities of Alameda, Lodi and Roseville, or (ii) if the City of Santa Clara executes this Agreement on or before September 15, 1984, four 24-megawatt combustion turbine generating units, located one unit each in the Cities of Lodi and Roseville and two units located in the City of Alameda, or (iii) if the City of Santa Clara executes this Agreement on or before September 15, 1984 and if NCPA shall, before the first issuance of Bonds for the Project, approve a fifth combustion turbine generating unit, five 24-megawatt combustion turbine generating units, four units to be located as described in (A) (ii) above and the fifth unit to be located at a site to be determined by NCPA or (iv) if both the City of Santa Clara and Turlock Irrigation District execute this Agreement on or before September 15, 1984 and if NCPA shall, before the first issuance of Bonds for the Project approve a fifth and sixth combustion turbine generating unit, six 24-megawatt combustion turbine generating units, four units to be located as described in (A) (ii) above and the fifth and sixth units to be located at sites to be determined by NCPA or (v) if both the City of Santa Clara and Turlock Irrigation District execute this Agreement on or before September 15, 1984 and

if NCPA shall, before the first issuance of Bonds for the Project, approve a fifth, sixth and seventh combustion turbine generating unit, seven 24-megawatt combustion turbine generating units, four units to be located as described in (A)(ii) above and the fifth, sixth and seventh units to be located at sites to be determined by NCPA and (B) related facilities, including electric facilities necessary for the Project to interconnect with the adjacent electric system, and all rights, properties and improvements necessary therefor, including fuel and water facilities and resources, and capital improvements that may be constructed from time to time.

(f) "Project Entitlement Percentage" means, with respect to each Project Participant, the percentage of the total capacity and energy of the Project to which such Project Participant is entitled pursuant to the terms of this Agreement. The Project Entitlement Percentage for each Project Participant shall be the percentage set forth opposite the name of such Project Participant in the appropriate Appendix A hereto determined by the number of combustion turbine units comprising the Project at the time of the first issuance of Bonds, as such Appendix A shall be amended from time to time in accordance with this Agreement.

(g) "Project Participants" means those entities executing this Agreement, together in each case with their respective successors or assigns.

(h) "Revenues" means all income, rents, rates, fees, charges, and other moneys derived by the Project Participant from the ownership or operation of its Electric System, including, without limiting the generality of the foregoing, (i) all income, rents, rates, fees, charges or other moneys derived from the sale, furnishing, and supplying of the electric capacity and energy and other services, facilities, and commodities sold, furnished, or supplied through the facilities of its Electric System, (ii) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or pursuant to law to its Electric System and (iii) the proceeds derived by the Project Participant directly or indirectly from the sale, lease or other disposition of all or a part of the Electric System as permitted hereby, but the term "Revenues" shall not include (y) customers' deposits or any other deposits subject to refund until such deposits have become the property of the Project Participant, or (z) contributions from customers for the payment of costs of construction of facilities to serve them.

(i) "Trustee" means the entity or entities designated by NCPA pursuant to any Bond Resolution, to administer any funds or accounts required by such Bond Resolution or otherwise.

2. Purpose. The purpose of this Agreement is to sell capacity and energy of the Project to the Project Participants, to provide the terms and conditions of such sale and to provide for the financing of the Project.

3. Construction and Operation of Project; Assignment of Agreement. NCPA will use its best efforts to cause or accomplish the construction, operation and financing of the Project, the obtaining of all necessary authority and rights, and the performance of all things necessary and convenient therefor. Each Project Participant will cooperate with NCPA to that end, and will give any and all clarifying assurances by supplemental agreements that may be requested by NCPA's legal counsel to make the obligations herein more specific and to satisfy legal requirements and provide security for the Bonds.

NCPA may pledge and assign to the Trustee for any Bonds, this Agreement and all of its right, title and interest in, to and under this Agreement, including NCPA's rights to receive all or any portion of the payments hereunder from Project Participants. Upon notice from NCPA each Project Participant shall make payments due by it hereunder directly to any Trustee for any Bonds specified in such notice. Such pledge and assignment by NCPA shall be made effective for such time as NCPA shall determine and provide.

4. Obligation to Make Project Capacity and Energy Available. (a) Pursuant to the terms of this Agreement, NCPA shall make available or cause to be made available and each Project Participant shall be entitled to receive such Project Participant's Project Entitlement Percentage of capacity and energy of the Project in accordance with the operating principles listed in Appendix B hereto (as the same may be amended and supplemented as in this Agreement provided).

(b) NCPA will remain available to do all things necessary and possible to deliver or cause to be delivered to or for the Project Participants, in accordance with their respective Project Entitlement Percentages, the capacity and energy of the Project. Such delivery shall be at points mutually agreed upon by NCPA and each Project Participant. Such agreement shall not be unreasonably withheld by either NCPA or a Project Participant. NCPA will remain available to make or cause to be made all necessary and possible arrangements for transmission of such capacity and energy to such points over the lines of NCPA or others, and for additional capacity and energy required from others as reserves against planned or emergency service interruptions with respect to the Project. Wheeling or delivery services by NCPA with related energy sales to the Project Participants shall be as provided in service schedules as provided in Article III of the Member Service Agreement for Project Participants who are members of NCPA and in separate agreements for Project Participants who are not members of NCPA.

5. Rates and Charges. (a) Commencing on the Full Operation Date, NCPA shall fix charges to the Project Participants under this Agreement in accordance with this Section to produce revenues to NCPA for capacity and energy of the Project equal to the amounts needed by NCPA to meet the total costs of NCPA to provide capacity and energy from the Project, including but not limited to: (i) debt service on the Bonds, reserves for the payment of debt service on the Bonds and other payments required under the Bond Resolution other than the payments described in (ii) and (iii) below; (ii) any other operation, maintenance and replacement costs of the Project, including the cost of fuel, a reasonable reserve for contingencies, and all other Project costs not described in (i) above or (iii) below; and (iii) the costs and expenses of NCPA for delivering Project capacity and energy pursuant to Section 4(b) hereof. NCPA shall fix charges to the Project Participants to produce revenues to NCPA from the Project to meet the costs described in (i) above based on Project Entitlement Percentages applied to such costs of the Project. The costs described in (ii) above will be divided between capacity charges and energy charges as provided in Appendix B hereto (as the same may be amended and supplemented as in this Agreement provided). Capacity charges for the costs described in (ii) above shall be based on Project Entitlement Percentages applied to such costs. Energy charges for the costs described in (ii) above shall be based on actual energy sales of the Project. If NCPA delivers Project capacity and energy to or for any Project Participant pursuant to Section 4(b) hereof, NCPA shall fix charges to each such Project Participant so that such Project Participant shall pay only the costs described in (iii) above which are attributable to such Project Participant.

(b) To the extent that the funds provided under Section 5(a) of this Agreement are at any time not sufficient for such purposes, each Project Participant shall pay to NCPA an amount equal to such Project Participant's Project Entitlement Percentage of the total cost to pay all amounts of principal and interest on the Bonds, reserves for the payment of debt service and other payments required under all Bond Resolutions. The obligation of this Section 5(b) is incurred by each Project Participant for the benefit of future holders of Bonds, and shall commence and continue to exist and be honored by the Project Participants whether or not capacity and energy from the Project is made available or furnished to them at all times or at all (which provision may be characterized as an obligation to pay all such costs on a take-or-pay basis whether or not capacity and energy from the Project is made available or delivered or provided).

(c) Notwithstanding that NCPA may utilize services under the PG and E Interconnection Agreement among Pacific Gas and Electric Company, NCPA and certain of the Project Participants (the "PG and E Interconnection Agreement") in complying with Section 4(b) hereof,

any payments required to be made by, or costs incurred by NCPA or the Project Participants pursuant to Section 9.5 of the Interconnection Agreement shall not be made under this Agreement.

(d) Each Project Participant shall make payments under this Agreement solely from the Revenues of, and as an operating expense of, its Electric System. Nothing herein shall be construed as prohibiting any Project Participant from using any other funds and revenues for purposes of satisfying any provisions of this Agreement.

(e) Each Project Participant shall make payments under this Agreement whether or not the Project or any part thereof is completed, operable, operating or retired and notwithstanding the suspension, interruption, interference, reduction or curtailment of Project output or the capacity and energy contracted for in whole or in part for any reason whatsoever. Such payments are not subject to any reduction, whether by offset or otherwise, and are not conditioned upon performance by NCPA or any other Project Participant under this Agreement or any other agreement.

(f) No Project Participant shall be liable under this Agreement for the obligations of any other Project Participant. Each Project Participant shall be solely responsible and liable for performance of its obligations under this Agreement and for the maintenance and operation of its respective properties not included as part of the Project. The obligation of each Project Participant to make payments under this Agreement is a several obligation and not a joint obligation with those of the other Project Participants.

(g) Each Project Participant covenants and agrees to establish and collect fees and charges for electric capacity and energy furnished through facilities of its Electric System sufficient to provide Revenues adequate to meet its obligations under this Agreement and to pay any and all other amounts payable from or constituting a charge and lien upon any or all such Revenues; provided that the obligation of the Project Participant to make payments under this Section 5 shall not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the Project Participant or upon any of its income, receipts or revenues, except the Revenues of its Electric System; and further provided that neither the Project Participant nor the State of California or any agency or political subdivision thereof shall ever be obligated or compelled to levy ad valorem taxes to make the payments provided for in this Section 5.

(h) Each Project Participant covenants and agrees that it shall, at all times, operate the properties of its Electric System and the business in connection therewith in an efficient manner and

at reasonable cost and shall maintain its Electric System in good repair, working order and condition.

6. Annual Budget and Billing Statement. Prior to the beginning of each NCPA fiscal year, the Commission of NCPA will adopt an annual budget for such fiscal year for costs and expenses relating to the Project and shall promptly give notice to each Project Participant of its projected share of such costs and expenses.

A billing statement prepared by NCPA will be sent to each Project Participant not later than the fifteenth (15th) day of each calendar month showing the amount payable by such Project Participant of costs payable under Section 5(a) of this Agreement for the preceding calendar month, any amount payable by such Project Participant as its Project Entitlement Percentage of costs payable under Section 5(b) of this Agreement, and the amount of any credits or debits as a result of any appropriate adjustments. Amounts shown on the billing statement are due and payable thirty (30) days after the date of the billing statement. Any amount due and not paid by the Project Participant within thirty (30) days after the date of the billing statement shall bear interest from the due date until paid at an annual rate to be established by the Commission of NCPA at the time of adoption of the then most recent annual budget.

On or before the first day of the fifth calendar month after the end of each NCPA fiscal year, NCPA shall submit to each Project Participant a statement of the aggregate monthly costs incurred by NCPA in providing capacity and energy of the Project, including all costs specified herein for such fiscal year. If a Project Participant's share of such actual aggregate monthly costs, determined as provided in this Agreement, and any other amounts payable for such fiscal year, exceed the billings to the Project Participant, the deficiency shall be added to the Project Participant's billing statements for such period (not to exceed the immediately succeeding six months) and in such amounts as shall be determined by NCPA. If a Project Participant's share of such actual aggregate monthly costs and any other amounts payable for such fiscal year are less than the billings to the Project Participant, such excess shall be credited to the Project Participant's billing statements for such period (not to exceed the immediately succeeding six months) and in such amounts as shall be determined by NCPA.

If a Project Participant questions or disputes the correctness of any billing statement by NCPA, it shall pay NCPA the amount claimed when due and shall within thirty (30) days of the receipt of such billing statement request an explanation from NCPA. If the bill is determined to be incorrect, NCPA will issue a corrected bill and refund any amount which may be due the Project Participant which refund shall bear interest from the date NCPA received payment until

the date of the refund at an annual rate to be established by the Commission of NCPA at the time of adoption of the then most recent annual budget. If NCPA and the Project Participant fail to agree on the correctness of a bill within thirty (30) days after the Project Participant has requested an explanation, the parties shall promptly submit the dispute to arbitration under section 1280 et seq. of the Code of Civil Procedure of California.

7. **Obligation in the Event of Default.** (a) Upon failure of any Project Participant to make any payment in full when due under this Agreement, NCPA shall make written demand upon such Project Participant, and if said failure is not remedied within thirty (30) days from the date of such demand, such failure shall constitute a default at the expiration of such period. Notice of such demand shall be provided to each other Project Participant by NCPA.

(b) Upon the failure of any Project Participant to make any payment which failure constitutes a default under this Agreement, NCPA shall use its best efforts to sell and transfer for the defaulting Project Participant's account all or a portion of such Project Participant's Project Entitlement Percentage of capacity and/or energy of the Project for all or a portion of the remainder of the term of this Agreement. Other Project Participants shall have a right of first refusal in proportion to their respective Project Entitlement Percentages, and other NCPA members shall have the second right, to purchase all or a portion of a defaulting Project Participant's Project Entitlement Percentage of capacity and/or energy of the Project for all or a portion of the remainder of the term of this Agreement. NCPA shall not sell such capacity and/or energy, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in any of the Bonds being treated as an obligation not described in Section 103(a) of the Internal Revenue Code of 1954, as amended, by reason of classification of such Bond as an "industrial development bond" within the meaning of Section 103(b) of said Code. Notwithstanding that all or any portion of the Project Participant's Project Entitlement Percentage of capacity and/or energy of the Project is so sold or transferred, the Project Participant shall remain liable to NCPA to pay the full amount of its share of monthly Project costs, determined as provided in this Agreement as if such sale or transfer had not been made, except that such liability shall be reduced to the extent that NCPA shall receive payment from the purchaser or transferee thereof.

(c) Upon the failure of any Project Participant to make any payment which failure constitutes a default under this Agreement and causes NCPA to be in default under any Bond Resolution, NCPA may (in addition to the remedy provided by subsection (b) of this Section 7)

terminate the provisions of this Agreement insofar as the same entitle the defaulting Project Participant to its Project Entitlement Percentage of capacity and energy of the Project. Irrespective of such termination, the obligations of the Project Participant under this Agreement shall continue in full force and effect.

(d) Upon the failure of any Project Participant to make any payment which failure constitutes a default under this Agreement, and except as sales or transfers are made pursuant to subsection (b) of this Section 7, (i) the Project Entitlement Percentage of each nondefaulting Project Participant shall be automatically increased for the remaining term of this Agreement pro rata with those of the other nondefaulting Project Participants and (ii) the defaulting Project Participant's Project Entitlement Percentage shall (but only for purposes of computing the respective Project Entitlement Percentage of the nondefaulting Project Participants) be reduced correspondingly; provided, however, that the sum of such increases for any nondefaulting Project Participant shall not exceed, without written consent of such nondefaulting Project Participant, an accumulated maximum of 25% of the nondefaulting Project Participant's original Project Entitlement Percentage, as initially set forth in the appropriate Appendix A hereto.

(e) If a Project Participant shall fail or refuse to pay any amounts due to NCPA, the fact that other Project Participants have increased their obligation to NCPA pursuant to this Section 7 shall not relieve the defaulting Project Participant of its liability under this Agreement, and any Project Participant increasing such obligation shall have a right of recovery from the defaulting Project Participant to the extent of such respective increase in obligation caused by the defaulting Project Participant.

(f) In addition to any rights which a Trustee may have as an assignee pursuant to Section 3 hereof, each Trustee shall be a third party beneficiary hereof and shall have the right as a third party beneficiary to initiate and maintain suit to enforce this Agreement to the extent provided in the related Bond Resolution.

8. Transfers, Sales and Assignments. Each Project Participant has full and unfettered rights to make transfers, sales, assignments and exchanges (collectively "transfers") of such Project Participant's Project Entitlement Percentage of Project capacity, energy and rights thereto except as expressly provided otherwise in this Agreement; provided that such transfers shall not affect any of the obligations of the Project Participant under this Agreement.

(b) No Project Participant shall transfer ownership of all or substantially all of its Electric System to another entity until it has first complied with the provisions of this subsection (b). A

consolidation with another governmental entity or change in governmental form is not deemed a transfer of ownership.

(1) Such disposition or transfer shall be under terms and conditions that provide assurance that the obligations of the transferring Project Participant under this Agreement, and that NCPA's obligations under this Agreement, each Bond Resolution, and any other agreements made or to be made by NCPA to carry out the Project, will be promptly and adequately met. NCPA may require that sufficient moneys to discharge such obligations of the transferring Project Participant be irrevocably set aside and maintained in a trust account, as a condition to the transfer of the Electric System, if no other adequate assurance is available.

(2) The transferring Project Participant shall give ninety (90) days advance written notice to NCPA of any proposed transfer pursuant to this subsection (b). The appropriate Appendix A to this Agreement shall be amended as appropriate to reflect any transaction pursuant to this subsection (b).

(c) Notwithstanding any other provision of this Agreement, no Project Participant shall transfer, assign, sell or exchange any portion of its Project Entitlement Percentage, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in any of the Bonds being treated as an obligation not described in Section 103(a) of the Internal Revenue Code of 1954, as amended, by reason of classification of such Bond as an "industrial development bond" within the meaning of Section 103(b) of said Code.

9. **Surplus Capacity and Energy.** To the extent the terms of Appendix B hereto (as the same may be amended and supplemented as in this Agreement provided) do not provide for such sales, when a Project Participant has surplus capacity and/or energy from the Project, NCPA shall, unless otherwise requested by such Project Participant, use its best efforts to sell such surplus capacity and/or energy on behalf of such Project Participant in the following manner:

(a) NCPA shall use its best efforts to sell such surplus capacity or capacity and energy at a price at least equal to the Project Participant's cost therefor, except as provided in (c) below. NCPA shall not sell capacity and energy or energy only at less than the Project Participant's marginal cost of producing such energy.

(b) Other Project Participants shall have a right of first refusal in proportion to their respective Project Entitlement Percentages, and other NCPA members shall have the second right, at the sales prices set forth in subsections (c) and (d) of this Section 9.

(c) If NCPA can purchase equivalent capacity or capacity and energy from other sources for less than the Project Participant's cost for capacity or capacity and energy from the Project, the sales price of such capacity or capacity and energy to another Project Participant or NCPA member shall be equal to the cost of purchasing the capacity or capacity and energy from such other source.

(d) If the alternative cost of purchasing capacity and/or energy for other Project Participants or members of NCPA is more than the Project Participant's cost of capacity and/or energy from the Project, then the sales price shall be the Project Participant's cost of capacity and/or energy from the Project plus one-half the difference between the Project Participant's cost of capacity and/or energy from the Project and the cost of capacity and/or energy from an alternative source.

(e) Notwithstanding the sale by NCPA of all or a portion of a Project Participant's surplus Project Entitlement Percentage of capacity and/or energy, the Project Participant shall remain liable to NCPA to pay the full amount of its share of monthly Project costs, determined as provided in this Agreement, as if such sale had not been made, except that such liability shall be reduced to the extent that NCPA shall receive payment from the purchaser thereof.

(f) NCPA shall not sell such capacity and/or energy, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in any of the Bonds being treated as an obligation not described in Section 103(a) of the Internal Revenue Code of 1954, as amended, by reason of classification of such Bond as an "industrial development bond" within the meaning of Section 103(b) of said Code.

10. Insurance and Indemnification. NCPA shall obtain or cause to be obtained insurance for the Project covering such risks (including earthquakes), in such amounts and with such deductibles as shall be determined by NCPA. NCPA shall indemnify and hold harmless each Project Participant from any liability for personal injury or property damage resulting from any accident or occurrence arising out of or in any way related to the construction or operation of the Project; provided, however, that such indemnification by NCPA shall be limited to the extent the proceeds of insurance and other moneys available to NCPA hereunder are available therefor.

11. Project Participant Direction and Review. (a) All actions to be taken by NCPA and its Commission shall be taken at the direction of the Project Participants and NCPA shall comply with all lawful directions of the Project Participants with respect to this Agreement, while not stayed or nullified, to the fullest extent authorized by law and to the extent such directions are not inconsistent with and do not impair NCPA's ability to perform its obligations under any Bond Resolution. Actions by the Project Participants pursuant to this Agreement, including giving above directions to NCPA, will be taken only at meetings of the authorized representatives of the Project Participants (including the representatives of the Project Participants on the NCPA Commission and their designated alternates while acting as such alternates) duly called and held pursuant to the Ralph M. Brown Act or other laws applicable to such meetings, in effect from time to time. Each of the rules set forth in subsection (b) of this Section 11 shall apply to any meeting held by the Project Participants pursuant to this subsection (a) and to any action taken at such meeting. Any references in subsection (b) of this Section 11 to "Commission" or "Commissioner" shall be deemed, for purposes of applying the rules set forth in said subsection (b) to any meeting held by the Project Participants pursuant to this subsection (a) and to any action taken at such meeting, to be references to "Project Participants" and "representatives of the Project Participants" respectively.

Notice of any meeting of the Project Participants held in accordance with this subsection (a) shall be given to each Project Participant in the same manner that notice of any special meeting of the Commission of NCPA is given to the Commissioners.

(b) The following shall apply to NCPA and its Commission for purposes of acting upon matters relating to the Project:

(i) A quorum of the Commission of NCPA for purposes of acting upon matters related to the Project shall consist of those Commissioners (including for all purposes of this Section 11, their designated alternates), representing a numerical majority of the Project Participants, or, in the absence of such, representing Project Participants having a combined Project Entitlement Percentage of at least a majority in interest at such time.

(ii) Special meetings of the Commission to act only on matters relating to the Project may be called by a majority of the Commissioners of Project Participants upon notice as required by the Ralph M. Brown Act or other laws applicable to such meetings, in effect from time to time.

(iii) At regular or special meetings of the Commission, voting on matters relating to the Project shall be by Project

Entitlement Percentage, and the affirmative vote of a majority in interest at such time shall be required to take action, unless the Project Participants agree at such meetings that voting will be on a one member one vote basis, with a majority vote of those present required for action.

(iv) Notwithstanding clause (iii) of this subsection (b), upon demand of any Commissioner of any Project Participant, at any meeting of the Commission other than a special meeting referred to in clause (ii) of this subsection (b), the vote on any issue relating to the Project shall be by Project Entitlement Percentage at such time and 65% or greater affirmative vote shall be required to take action.

(v) Any Project Participant may veto a discretionary action of the Project Participants relating to the Project that was not taken by a 65% or greater Project Entitlement Percentage vote within 10 days following mailing of notice of such Commissioners' action, by giving written notice of veto to NCPA, unless at a meeting of Commissioners or alternates of Project Participants called for the purpose of considering the veto and held within 30 days after such veto notice, the holders at such time of 65% or greater of the Project Entitlement Percentage shall vote to override the veto.

(vi) The 65% of the Project Entitlement Percentage specified in this subsection (b) shall be reduced by the amount that the Project Entitlement Percentage of any Project Participant shall exceed 35% at such time, but such 65% shall not be reduced below a majority in interest.

(vii) Notwithstanding anything in this subsection (b) to the contrary, NCPA and its Commission shall be bound by any directions given to it by the Project Participants pursuant to subsection (a) or this Section 11 when determining any matters relating to the Project.

12. Term. (a) This Agreement shall not take effect until it has been duly executed and delivered to NCPA by Project Participants the Project Entitlement Percentages of which, in the aggregate, equal 100%, all in accordance with Section 2(c) of the Second Phase Agreement. Each Project Participant shall, if requested by NCPA in connection with the issuance of any Bonds, cause an opinion or opinions in substantially the form attached hereto as Appendix C to be delivered by an attorney or firm of attorneys acting as counsel for such Project Participant.

(b) Notwithstanding the delay in effective date of this Agreement until this Agreement has been duly executed and delivered to NCPA by Project Participants the Project Entitlement Percentages

of which, in the aggregate, equal 100%, it is agreed by all signatories hereto that in consideration for NCPA's signature hereto, and for its commitment to use its best efforts to obtain the commitment for Project Entitlement Percentages in the aggregate equal to 100%, each Project Participant upon its execution and delivery of this Agreement to NCPA shall be immediately bound not to withdraw its respective offer herein made to enter into this Agreement as executed, together with any amendments to the appropriate Appendix A which do not affect such Project Participant's Project Entitlement Percentage, or to decrease or terminate its Project Entitlement Percentage before January 1, 1985. Such a decrease or termination by a Project Participant may be made only if this Agreement has not taken effect before January 1, 1985 and only by giving written notice thereof to NCPA between January 1, 1985 and January 15, 1985.

(c) Notwithstanding the foregoing, each Project Participant shall be entitled to decrease or terminate its Project Entitlement Percentage upon giving written notice thereof to NCPA within fifteen (15) days after January 1, 1986, if by January 1, 1986 NCPA shall not have issued any Bonds the payment of which is secured by payments to be made by the Project Participants under this Agreement.

(d) The term of this Agreement shall continue until the later of (i) the expiration of the useful life of the Project, or (ii) the date on which all Bonds issued have been retired, or full provisions made for their retirement, including interest until their retirement date in accordance with the applicable Bond Resolution; provided, however, that in no event shall the term of this Agreement with NCPA as a party extend beyond the date of termination of NCPA. In the event of the termination of the existence of NCPA it is the intent of the Project Participants that this Agreement be construed as an agreement among the Project Participants.

(e) Upon the termination of this Agreement and at the request of any Project Participant, all Project Participants desiring to partake shall be entitled to an equitable distribution of, or an equitable ownership interest in, the Project upon the payment to NCPA of the sum of one dollar.

13. Termination and Amendments. This Agreement shall not be subject to termination by any party under any circumstances, whether based upon the default of any other party under this Agreement, or any other instrument, or otherwise, except as specifically provided herein.

If at the time of the first issuance of Bonds the Project consists of less than seven combustion turbine generating units, this Agreement shall be terminated as to any Project Participant with a

Project Entitlement Percentage of 0.0% and this Agreement may be amended to reflect such termination.

Except as otherwise provided in this Agreement, so long as any Bonds are outstanding and unpaid and funds are not set aside for the payment or retirement thereof in accordance with the applicable Bond Resolution, this Agreement shall not be amended, modified or otherwise changed or rescinded by agreement of the parties without the consent of each Trustee for Bonds whose consent is required under the applicable Bond Resolution. Notwithstanding the requirements of Section 11 hereof, any amendment or supplement to Appendix B hereto shall require the affirmative vote of all Project Participants to become effective. Any such amendment or supplement to Appendix B hereto shall not require the consent of any Trustee to become effective.

14. **Member Service Agreement.** This Agreement is a service schedule and a third phase agreement attached to and incorporated into the Member Service Agreement. This Agreement shall be construed as the more specific terms governing the general relationship between the NCPA and its members set out in the Member Service Agreement in connection with the Project.

15. **Second Phase Agreement.** The Second Phase Agreement is superseded by this Agreement, except that, notwithstanding section 5 of the Second Phase Agreement, sections 4 and 6 of the Second Phase Agreement shall remain in effect unless changed by formal action of all of the Project Participants. Said section 4 is as follows:

"Section 4. **Conditional Repayment to Members.** All payments and advances made heretofore, and those hereafter made pursuant to Section 1, excluding interest paid on delinquent payments, shall be repaid to each of the entities making such payments and advances pursuant to this Agreement out of the proceeds of the first issuance of the Project bonds or as and when there are sufficient funds available from partial sale of bonds. Such reimbursements shall be made within 60 days following the sale of any Project bonds and shall include interest computed monthly at a rate equivalent to the end of the month prime rate of the Bank of America NT&SA. Any interest due under the third paragraph of Section 1 of this Agreement and unpaid shall be deducted from the repayment. If NCPA determines to construct combustion turbine facilities, but is not successful in obtaining all necessary approvals and financing therefor, there shall be no reimbursement except out of unused Project funds including those then in the Working Capital and Contingency Fund account, along with all other

receipts to which NCPA is entitled in connection with the Project."

Said section 6 is as follows:

"Section 6. Financial Commitments. Each Project Member agrees to a total financial commitment for its respective percentage participation of a total of \$550,000 principal amount plus interest thereon, if any, including payments and advances heretofore made, as authorized and approved by Project Members.

From time to time as needs arise, representatives of Project Members may, by a favorable vote as provided in Section 3, authorize an increase in NCPA's financial commitment which can be shown to support the completion of the Project but only after 30 days' written notice of such proposed increase has been given to all Project Members."

The comparable paragraphs relating to repayment of advances and financial commitment in any agreement entered into between NCPA and each of the City of Santa Clara and Turlock Irrigation District relating to payment of a portion of the development and planning costs of the Project shall also remain in effect unless changed by formal action of all the Project Participants.

16. Miscellaneous. The headings of the sections hereof are inserted for convenience only and shall not be deemed a part of this Agreement.

If any one or more of the covenants or agreements provided in this Agreement to be performed should be determined to be invalid or contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

IN WITNESS WHEREOF each Project Participant has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed and NCPA has executed this Agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA POWER
AGENCY

By _____

And _____

CITY OF ALAMEDA

By _____

And _____

CITY OF HEALDSBURG

By _____

And _____

CITY OF LODI

By _____

And _____

CITY OF LOMPOC

By _____

And _____

CITY OF ROSEVILLE

By _____

And _____

CITY OF SANTA CLARA

By _____

And _____

CITY OF UKIAH

By _____

And _____

PLUMAS-SIERRA RURAL ELECTRIC
COOPERATIVE

By _____

And _____

TURLOCK IRRIGATION DISTRICT

By _____

And _____

APPENDIX A-1

SCHEDULE OF PROJECT ENTITLEMENT PERCENTAGES
Three Units

<u>Project Participant</u>	<u>Project Entitlement Percentage</u>
City of Alameda	21.82%
City of Healdsburg	5.45
City of Lodi	45.45
City of Lompoc	3.64
City of Roseville	12.73
City of Santa Clara	0.00
City of Ukiah	9.09
Plumas-Sierra Rural Electric Cooperative	1.82
Turlock Irrigation District	0.00
	<hr/>
Total	100.00%

SCHEDULE OF PROJECT ENTITLEMENT PERCENTAGES
Four Units

<u>Project Participant</u>	<u>Project Entitlement Percentage</u>
City of Alameda	16.3650%
City of Healdsburg	4.0875
City of Lodi	34.0875
City of Lompoc	2.7300
City of Roseville	9.5475
City of Santa Clara	25.0000
City of Ukiah	6.8175
Plumas-Sierra Rural Electric Cooperative	1.3650
Turlock Irrigation District	<u>0.0000</u>
Total	100.00%

SCHEDULE OF PROJECT ENTITLEMENT PERCENTAGES
Five Units

<u>Project Participant</u>	<u>Project Entitlement Percentage</u>
City of Alameda	13.0928
City of Healdsburg	3.500
City of Lodi	34.780
City of Lompoc	3.500
City of Roseville	13.584
City of Santa Clara	25.000
City of Ukiah	5.454
Plumas-Sierra Rural Electric Cooperative	1.090
Turlock Irrigation District	0.000
Total	100.008

SCHEDULE OF PROJECT ENTITLEMENT PERCENTAGES
Six Units

<u>Project Participant</u>	<u>Project Entitlement Percentage</u>
City of Alameda	10.910%
City of Healdsburg	2.725
City of Lodi	22.725
City of Lompoc	1.820
City of Roseville	6.365
City of Santa Clara	16.667
City of Ukiah	4.545
Plumas-Sierra Rural Electric Cooperative	0.910
Turlock Irrigation District	<u>33.333</u>
Total	100.00%

SCHEDULE OF PROJECT ENTITLEMENT PERCENTAGES
Seven Units

<u>Project Participant</u>	<u>Project Entitlement Percentage</u>
City of Alameda	9.35148
City of Healdsburg	2.5000
City of Lodi	24.8429
City of Lompoc	2.5000
City of Roseville	9.7029
City of Santa Clara	17.8571
City of Ukiah	3.8957
Plumas-Sierra Rural Electric Cooperative	0.7786
Turlock Irrigation District	28.5714
	<hr/>
Total	100.00%

PRINCIPLES OF OPERATION OF
NORTHERN CALIFORNIA POWER AGENCY'S
COMBUSTION TURBINE PROJECT NUMBER ONE

July 1, 1984

Part I. General

1. Unless otherwise defined in this Appendix B, capitalized terms used herein shall have the same meaning given such terms in that certain Agreement for Construction, Operation and Financing of Combustion Turbine Project Number One (the "Agreement") to which this Appendix B is attached.
2. Project Participants operate under different agreements with Pacific Gas and Electric Company with different contractual responsibilities. The Project Participants wish to minimize the cost of electrical service to their ratepayers, without adversely impacting other Project Participants, by operating the Project in accordance with good utility practice.
3. Unless otherwise directed by a Project Participant, NCPA will, dispatch the combustion turbine units included in the Project to most economically meet the Project Participants' composite load after consideration of the Project Participants' other resources. This will result in purchases and sales of the Project capacity and/or energy between Project Participants.
4. Each Project Participant will designate to NCPA the amount of its Project Entitlement Percentage of Project capacity to be used for reserves (reserve capacity) and the amount to be used to serve load (peaking capacity). These amounts may be changed from time to time but unless otherwise agreed, notification to NCPA must be in accordance with the earliest of any notification requirements required of any Project Participant or NCPA in any agreement with Pacific Gas and Electric Company or any other agreement requiring advance notice of resources. In the event such notice is given, NCPA will immediately notify all Project Participants.
5. Each Project Participant agrees to sell on a short-term (one-half hourly) basis to any other Project Participant who requires it any Project capacity and/or energy not scheduled to meet its half-hourly load or otherwise contractually committed, except that reserve capacity not supporting a firm capacity sale will not be sold between separate systems (as defined in Section 1 of Part III below). In addition, no sales will be made which would result in the Project Participant who is

selling Project capacity and/or energy incurring costs above those it would have otherwise incurred. Long-term sales and/or purchases (if any) will be made by separate agreement.

6. Sales and purchases of Project capacity and/or energy pursuant to Section 5 of this Part I will be made pro rata among Project Participants on the basis of such Project Participants' Project Entitlement Percentages.

Part II. Division of Costs

1. For purposes of sales of Project capacity and/or energy among Project Participants, Project costs will be divided on the basis of all fixed costs being assigned to capacity and all variable costs being assigned to energy.
2. For purposes of Section 1 of this Part II, basic operation and maintenance costs will be assigned to capacity costs and other operation and maintenance costs will be assigned to energy costs. Basic operation and maintenance costs are those which would be required if the units included in the Project were used solely as reserve units.
3. An example of the allocation of costs is attached.

Part III. Principles of Sales

1. For purposes of determining whether sales are for capacity and energy or energy only, the Project Participants (other than Santa Clara and Turlock Irrigation District), Santa Clara and Turlock Irrigation District will each be considered a separate system.
2. A separate system purchase from another separate system at the time of the purchaser's monthly peak half-hour will include both capacity and associated energy.
3. A separate system purchase from another separate system not at the time of the purchaser's monthly peak half-hour will be firm energy only and the purchaser will be billed for variable costs only in accordance with Section 1 of Part II above.
4. Sales between Project Participants (other than Santa Clara and Turlock Irrigation District) will be considered as capacity and associated energy sales if occurring at the time of the Project Participants' (other than Santa Clara and Turlock Irrigation District) composite monthly peak load half-hour.

5. Sales between Project Participants (other than Santa Clara and Turlock Irrigation District) will be considered as firm energy only if not occurring at the time of the Project Participants' (other than Santa Clara and Turlock Irrigation District) composite peak load half-hour and the purchaser will be billed for variable costs only in accordance with Section 1 of Part II above.
6. Sales of capacity will include charges for both capacity reserves and spinning reserves unless the purchaser is furnishing either or both of those services from another source.
7. For purposes of accounting for these purchases as described in Section 9 of the Agreement:
 - A. Project costs for sales of capacity and capacity reserves in a month will be at the monthly Project capacity cost; and
 - B. Alternative costs for capacity and capacity reserves will be at a monthly rate unless an equivalent alternative is available at a shorter term rate.

Part IV. Special Condition Prior to Project Completion

1. In recognition of the rights of the Project Participants who are parties to the Second Phase Agreement, the Project Participants agree to allow NCPA to, prior to completion of the Project, reallocate the capacity and energy of the Project to the parties to the Second Phase Agreement so as to preserve the rights of such parties under the Second Phase Agreement.
2. Notwithstanding the requirements of Section 9 of the Agreement, sales made in accordance with Section 1 of this Part IV shall be made at project cost.

EXAMPLE OF ALLOCATION OF COSTS
 Combustion Turbine Cost Allocations At City Load
 5 Units

Classification	Percent Expenses Capacity/ Energy	FY 1986 (\$000)		
		Total	Capacity	Energy
Net Debt Service	100/0	\$7,808	\$7,808	\$ -
Operating Cost				
Fuel	0/100	2,084	-	2,084 ⁶
Operation & Maintenance	1	737	625	112 ⁷
Subtotal		2,821	625	2,196
Support Costs				
Capacity Reserves	100/0	-	-	-
Spinning Reserves	0/100	14	-	14
Emerg. & Maint. ⁵	0/100	-	-	-
Firm Trans. ²	100/0	-	-	-
Subtotal		14	-	14
TOTAL PROJECT COSTS		\$10,643	\$8,433	\$2,210

Billing Units³

1,368 MW-Mo. 22.9 GWH

Billing Rate⁴

\$6.16/KW-Mo. 96.5 Mills/KWH

1. Insurance, taxes, and reserve duty maintenance are fixed costs. All other operation and maintenance costs are considered variable costs.
2. No transmission needed as combustion turbine is internal to city load.
3. Capacity = 114 MW x 12 = 1,368 MW-Mo. Energy = From Ebasco model.
4. Cost for capacity reserves = \$6.16 KW-Mo. Cost for peaking capacity = \$6.16 + (0.311 x \$6.16) = \$8.08 KW-Mo. Assumes capacity reserve supplied by "owned" combustion turbine.
5. Assumes emergency and maintenance supplied by combustion turbines in reserve.
6. Based on 13,000 BTU/KWH heat rate and \$7.00/BTU gas cost.
7. Includes 4 mills/KWH variable maintenance.

City Clerk
City of Lodi, California

-2-

July 12, 1984

2. ORDINANCE OF THE CITY COUNCIL OF THE CITY OF _____ AUTHORIZING THE ISSUANCE OF PUBLIC POWER REVENUE BONDS BY NORTHERN CALIFORNIA POWER AGENCY (COMBUSTION TURBINE PROJECT NUMBER ONE).
3. ORDINANCE OF THE CITY COUNCIL OF THE CITY OF _____ AUTHORIZING THE ISSUANCE OF NOTES BY NORTHERN CALIFORNIA POWER AGENCY (COMBUSTION TURBINE PROJECT NUMBER ONE).

Please note that in addition to several blanks where the City name must be filled in, the ordinance approving the Combustion Turbine Member Agreement contains a blank on page 2 in paragraph 2 in which the City Council must indicate the largest percentage increase in the Project Entitlement Percentage which the City Council will approve. In addition, paragraphs 2 and 3 on page 2 contain spaces to indicate who may approve the increase in the Project Entitlement Percentage as well as who shall be authorized to execute, deliver and approve changes in the Combustion Turbine Member Agreement (also referred to as the Third Phase Agreement). This information must be provided by the City Council before the ordinance can be introduced.

Each of the three ordinances are subject to publication requirements which differ from those requirements applicable to most ordinances adopted by the City Council. I have enclosed for your information a memorandum which explains in general terms the publication requirements applicable to the ordinances. Also enclosed are copies of two notices of ordinance subject to referendum which must be published in connection with the ordinance approving the issuance of bonds and the ordinance approving the issuance of notes. The name of the City, the ordinance number and the date of adoption of the ordinance needs to be added to complete each notice.

Please arrange to have the ordinances enacted as quickly as possible as it is extremely urgent for NCPA to finance this Project with the utmost haste.

If you have any questions concerning the application of the publication requirements to the enclosed ordinances or any other questions, please telephone me at (212) 510-7332 or Jim Anderson of our Los Angeles office at (213) 613-1112.

Very truly yours,


John T. Kelly

MUDGE ROSE GUTHRIE ALEXANDER & FERDON

180 MAIDEN LANE
NEW YORK, N. Y. 10038

212-510-7000

2121 K STREET, N.W.
WASHINGTON, D.C. 20037
202-428-9355

12, RUE DE LA PAIX
75002 PARIS, FRANCE
261-57-71

SUITE 2020
333 SOUTH GRAND AVENUE
LOS ANGELES, CALIF. 90071
213-613-1112

CABLE ADDRESS
BALUCHINS - NEW YORK
TELEX: WU 703728
127888

TELECOPIER
212-510-7824

IRMAN ABRAMOWITZ
JIM L. ALTIERI, JR.
GEORGE F. ANCIRESO, JR.
THOMAS BARR IV
JOHN G. BOVE
WALTER E. BREEN
WILLIAM H. CANNON
ROBERT A. CANTOR
NICHOLAS J. CAPOZIO, JR.
ALAN F. CARIDI
JOSEPH J. CARROLL
EUGENE J. CARRON
J. D. CLAYTON
JOSEPH C. DALEY
FREDERICA M. DANZIGER
JOEL DAVIDOW
MICHAEL A. DIANGELO
DENNIS R. DEVENET
MARTIN J. DOCHERTY
THOMAS W. EVANS
RICHARD S. FARRON
ROBERT E. FERDON
JAMES G. FRANGOS
LAWRENCE J. GANNON
GERRIT GILLIS
ROBERT J. GILUSPKE
HOWARD W. GOLDSTEIN
JUDAH GRIBETZ
MICHAEL J. HANNIGAN
MATTHEW G. HEROLD, JR.
JAMES W. HISCOCK
EUCLED A. IRVING
JOHN J. KIRBY, JR.
WILLIAM J. KRAMER

STANFORD G. LADNER
NAROLD G. LEVISON
JOHN C. LILLIE
EDWARD W. LONG
CARL F. LON, JR.
WILLIAM A. MADISON
ARTHUR J. MAHON
FRANCIS E. MALONEY
JAMES R. MARLIN
GEORGE J. MARTIN, JR.
ARTHUR F. McMAHON, JR.
MITCHELL E. MENAKER
J. ROGER MENTZ
RICHARD H. NICHOLLS
DOUGLAS W. PARKER
ROBERT E. PEDUZZI
JED S. RAROFF
THOMAS C. RUSSELL
NORMAN M. SEGAL
LAURENCE V. SENN, JR.
HARRY G. SILLOCK, JR.
LARRY D. SOBEL
ARNOLD H. TRACY
DAVID A. VAUGHAN
WILLIAM N. WALKER
DONALD J. ZOELLER
COUNSEL
JOHN H. ALEXANDER
RANDOLPH H. GUTHRIE
FRANKLIN B. LINCOLN, JR.
MILTON C. ROSE
H. RIDGELY BULLOCK
OTTO G. STOLZ

July 12, 1984

Ms. Alice Reimche
City Clerk
221 West Pine St.
Lodi, California 95240

NORTHERN CALIFORNIA POWER AGENCY
Combustion Turbine Project Number One

Dear Ms. Reimche:

The City of Lodi, California is a member of Northern California Power Agency ("NCPA") and is participating in NCPA's Combustion Turbine Project Number One. On June 28, 1984, the Commission of NCPA approved the Combustion Turbine Member Agreement. A copy of the Combustion Turbine Member Agreement is enclosed.

It is now necessary for the City Council of Lodi to approve the execution of the Combustion Turbine Member Agreement and to approve NCPA's issuance of bonds and notes for the Combustion Turbine Project. Enclosed are copies of the following ordinances constituting such approval by the City Council:

1. ORDINANCE OF THE CITY COUNCIL OF THE CITY OF _____, CALIFORNIA, APPROVING THE TERMS AND CONDITIONS OF AN AGREEMENT AMONG NORTHERN CALIFORNIA POWER AGENCY AND CERTAIN PROJECT PARTICIPANTS AND APPROVING THE EXECUTION OF AND DELIVERY OF SAID AGREEMENT BY OFFICERS OF THE CITY OF _____. (Referred to herein as the "Ordinance Approving the Combustion Turbine Member Agreement.")

II. Publication Requirements for the Bond Ordinance

The form of the Bond Ordinance is enclosed herein and is captioned as follows:

ORDINANCE OF THE CITY COUNCIL OF THE CITY OF _____
AUTHORIZING THE ISSUANCE OF PUBLIC POWER REVENUE BONDS BY
NORTHERN CALIFORNIA POWER AGENCY (COMBUSTION TURBINE
PROJECT NUMBER ONE).

The Bond Ordinance should be published in the same manner as all other ordinances of the Project Participants.

In addition, the Notice of Ordinance Subject to Referendum relating to the Bond Ordinance (the "Bond Notice") which is enclosed herein must be published within 15 days after adoption of the Bond Ordinance in the following manner:

1. The Bond Notice must appear for five consecutive days in at least one daily newspaper of general circulation. A "daily newspaper" is a newspaper of general circulation that is published on five or more days in a calendar week.

If no such daily newspaper exists, the Bond Notice must be published at least twice in the weekly newspapers of the area. A "weekly newspaper" is one that is a newspaper of general circulation that is published on at least one, but less than five, days in a calendar week.

If there is no such weekly newspaper, then the Bond Notice must be posted for not less than two weeks in at least 15 public places.

2. The Bond Notice must be published in at least 10-point type.

III. Publication Requirements for the Note Ordinance

The form of the Note Ordinance is enclosed herein and captioned as follows:

ORDINANCE OF THE CITY COUNCIL OF THE CITY OF _____
AUTHORIZING THE ISSUANCE OF NOTES BY NORTHERN CALIFORNIA
POWER AGENCY (COMBUSTION TURBINE PROJECT NUMBER ONE).

MEMORANDUM

R Project Participants

July 12, 1984

NORTHERN CALIFORNIA POWER AGENCY
Ordinances Approving Participation in
Combustion Turbine Project Number One

The Project Participants in Northern California Power Agency's Combustion Turbine Project Number One must approve their participation in the Project through the enactment of an ordinance approving the Combustion Turbine Member Agreement (the "Agreement Ordinance"), an ordinance approving the issuance of bonds by NCPA (the "Bond Ordinance") and an ordinance approving the issuance of notes by NCPA (the "Note Ordinance"). These ordinances are subject to publication requirements which differ from the standard requirements applicable to ordinances normally approved by the Project Participants. The publication requirements applicable to these ordinances are as follows:

I. Publication Requirements for the Agreement Ordinance

The form of the Agreement Ordinance is enclosed herein, and is captioned as follows:

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF _____,
CALIFORNIA, APPROVING THE TERMS AND CONDITIONS OF AN
AGREEMENT AMONG NORTHERN CALIFORNIA POWER AGENCY AND
CERTAIN PROJECT PARTICIPANTS AND APPROVING THE EXECUTION OF
AND DELIVERY OF SAID AGREEMENT BY OFFICERS OF THE CITY OF
_____.

The Agreement Ordinance should be published in the same manner as all other ordinances of the Project Participant are published.

Where the city charter, if any, of a Project Participant does not require publication after adoption or where the Project Participant has no procedure for the publication of ordinances, then a special procedure under Section 54242 of the California Government Code must be followed. Under the special procedure, the Agreement Ordinance must be published once in a newspaper of general circulation in the city within 15 days after its adoption. Further, under the special procedure, all publications of the Agreement Ordinance must be set in type not smaller than nonpareil type and must be preceded by a notice of adoption worded in blackface, nonpareil type as follows:

NOTICE OF ADOPTION OF AN ORDINANCE APPROVING THE EXECUTION
AND DELIVERY OF THE COMBUSTION TURBINE MEMBER AGREEMENT
WHEREBY THE CITY ENTERS INTO A FORMAL LEASEBACK AGREEMENT
WITH NORTHERN CALIFORNIA POWER AGENCY.

The Note Ordinance should be published in the same manner as all other ordinances of the Project Participants.

In addition, the Notice of Ordinance Subject to Referendum relating to the Note Ordinance (the "Note Notice") which is enclosed herein must be published within 15 days after adoption of the Note Ordinance in the following manner:

1. The Note Notice must appear for five consecutive days in at least one daily newspaper of general circulation. A "daily newspaper" is a newspaper of general circulation that is published on five or more days in a calendar week.

If no such daily newspaper exists, the Note Notice must be published at least twice in the weekly newspapers of the area. A "weekly newspaper" is one that is a newspaper of general circulation that is published on at least one, but less than five, days in a calendar week.

If no such daily newspaper exists, the Note Notice must be published at least twice in the weekly newspapers of the area. A "weekly newspaper" is one that is a newspaper of general circulation that is published on at least one, but less than five, days in a calendar week.

If there is no such weekly newspaper, then the Note Notice must be posted for not less than two weeks in at least 15 public places.

2. The Note Notice must be published in at least 10-point type.

Any questions concerning the publication requirements for the Agreement Ordinance, the Bond Ordinance or the Note Ordinance should be directed to John Kelly (212-510-7332) or Jim Anderson (213-613-1112).