



Empire Electric Association, Inc.

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LIABILITY INSURANCE REQUIREMENTS

In accordance with the Colorado Public Utilities Commission Rules Implementing Sections 201 and 210, PURPA, Small Power Production and Cogeneration Facilities, a Qualifying Facility (QF) operating in parallel with a utility in Colorado must maintain in effect at all times comprehensive bodily injury and property damage insurance coverage. This insurance is to protect the public and Empire Electric Association, Inc. (EEA) from damage attributable to a QF.

For systems of 10 kW or less, the small power producer, at its own expense, shall secure and maintain in effect while interconnected liability insurance with a combined single limit for bodily injury and property damage of not less than \$300,000 for each occurrence. For systems above 10 kW and up to 2 MW, the small power producer, at its own expense, shall secure and maintain in effect during the term of the Agreement liability insurance with a combined single limit for bodily injury and property damage of not less than \$2,000,000 for each occurrence. Insurance coverage for systems greater than 2 MW shall be determined on a case-by-case basis by EEA and shall reflect the size of the installation and the potential for system damage.

Except for QF's installed on a residential premise which have a design capacity of 10 kW or less, EEA shall be named as an additional insured by endorsement to the insurance policy and the policy shall provide written notice be given to EEA at least thirty (30) days prior to any cancellation or reduction of any coverage. Such liability insurance shall provide, by endorsement to the policy, that EEA shall not by reason of its inclusion as an additional insured incur liability to the insurance carrier for the payment of premium of such insurance. For all QFs, the liability insurance shall not exclude coverage for any incident related to the subject generator or its operation.

Certificates of Insurance evidencing the requisite coverage and provision(s) shall be furnished to EEA prior to the Date of Interconnection of the Generation System. EEA shall be permitted to periodically obtain proof of current insurance coverage from the generating customer in order to verify proper liability insurance coverage. The QF will not be allowed to commence or continue interconnected operations unless evidence is provided that satisfactory insurance coverage is in effect at all times.

The cost of the required insurance may be a factor in a QF's decision to become a power producer and, if so, whether to sell its power to EEA or produce solely for its own use. EEA recommends that the QF consult its insurance agent at an early state in its planning so that this cost may be properly incorporated into that planning.

No Warranty

Any inspections, reviews of plans, specifications and/or sites and any approvals, written or oral, are conducted or provided solely for the use and purposes of EEA; EEA makes no warranty, direct or indirect, and provides no assurances, direct or indirect, as to the adequacy or safety of any plans, specifications, sites, installations or other characteristics of the QF. The owners of QF are solely responsible for determining and ensuring the adequacy and safety of all plans, specifications, sites, installations and other characteristics of the QF.