

**PURCHASED POWER AGREEMENT**

**between**

**DUKE ENERGY CAROLINAS, LLC**

**and**

**TOWN OF CHAPEL HILL**

**"Fire Station #1 Photovoltaic Installation"**

**Contract Number:** 2007-6

**Contract Date:** August 8, 2007

**Initial Delivery Date:** \_\_\_\_\_



1 At the metering location of the photovoltaic system located at 405 Martin Luther King  
2 Boulevard where the wires of the Company connect with the wires of the Supplier.

3  
4 1.4 (a) The Nameplate Capacity of the Supplier's generating facilities, as defined in the attached  
5 Schedule PP-N(NC) is 3.8 kilowatts, consisting of a 4.68 kilowatt solar photovoltaic array  
6 and a 3.8 kilowatt SMA Sunnyboy 3800U inverter.

7  
8 (b) The Supplier shall deliver to the Company throughout the term of the Agreement  
9 approximately 3.8 kilowatts during On-Peak Periods as its "Capacity Commitment" as  
10 defined in Paragraph 1.4(c) below.

11  
12 (c) The "Capacity Commitment" shall be the average capacity in kilowatts the Supplier  
13 commits to deliver to the Company during On-Peak Periods through the term of the  
14 Agreement taking into account scheduled and forced outages, fuel availability, steam  
15 requirements and any other conditions which might impact the average capacity during On-  
16 Peak Hours.

17  
18 (d) The maximum amount of electric power to be delivered by Supplier to the Company  
19 under this Agreement shall be 3.8 kilowatts.

20  
21 1.5 The Company will install and own such meter(s) as shall be necessary to measure and record  
22 the electrical energy and demand(s) delivered and received in accordance with the terms and  
23 conditions of this Agreement, such meter(s) to be located at the delivery point.

24  
25 1.6 Supplier shall provide to the Company, on a monthly basis within ten (10) days of the meter  
26 reading date and in form to be mutually agreed upon by the Parties, information on the  
27 Facility's fuel costs (coal, oil natural gas, supplemental firing, etc.), if any, for the power  
28 delivered to the Company during the preceding month's billing period.

29  
30 1.7 Supplier shall notify the Company's System Operating Center ("SOC") according to a  
31 procedure mutually agreed upon by the Parties (e.g., on a weekly basis by 4 p.m. on each  
32 Friday, on a daily basis by 4 p.m. on the day prior, by 7 a.m. on each day, etc.), and by means  
33 of communication (e.g., phone, facsimile, e-mail, etc.) to be mutually agreed upon by the  
34 Parties, of the estimated kW that the Facility will generate on a net basis each hour over the  
35 agreed upon period; provided, however, that Supplier shall also notify the Company's SOC  
36 promptly, and in advance when possible, of any changes in the Facility's output from the  
37 previous estimate (e.g., unit shut-down, start-up, de-rating, maintenance outage or reduction,  
38 forced outage or reduction, etc.). If Supplier fails to provide notifications in a timely manner  
39 in accordance with the agreed upon procedure, the Company shall have the right to  
40 discontinue service and suspend purchases until Supplier is in compliance.

41  
42 1.8 Supplier shall operate its Facility in compliance with all applicable operating guidelines  
43 established by the North American Electric Reliability Council ("NERC") and the  
44 Southeastern Electric Reliability Council ("SERC") or any successor thereto.

45

- 1 1.9 In the event the Company determines, based on calculations, studies, analyses, monitoring,  
2 measurement or observation, that the output of the Facility will cause or is causing the  
3 Company to be unable to provide proper voltage levels to its customers, the Supplier shall be  
4 required to comply with a voltage schedule and/or reactive power output schedule as  
5 prescribed by the Company. In the event such schedules are required by the Company, the  
6 POWER FACTOR CORRECTION paragraph of Schedule [PP-H(NC)][PP-N(NC)] attached  
7 hereto shall not apply to service under this Agreement. If the Supplier fails to comply with  
8 such schedule(s), the Company shall have the right to discontinue service and suspend  
9 purchases until the Supplier is in compliance.  
10
- 11 2. Rate Schedule and Service Regulations. The sale, delivery, and use of electric power  
12 hereunder, and all services of whatever type to be rendered or performed in connection  
13 therewith, shall in all respects be subject to and in accordance with all the terms and  
14 conditions of the Company's **Rate Schedule PP-N, Electricity No. 4, North Carolina Sixth**  
15 **(Corrected) Revised Leaf No. 91, Variable Rate, Option B for Distribution**  
16 **Interconnection** ("Rate Schedule") and its Service Regulations, both of which are now on  
17 file with the North Carolina Utilities Commission ("Commission"), and are hereby  
18 incorporated by reference and made a part hereof as though fully set forth herein. Said Rate  
19 Schedule and Service Regulations are subject to change, revision, alteration or substitution,  
20 either in whole or in part, upon order of said Commission or any other regulatory authority  
21 having jurisdiction, and any such change, revision, alteration or substitution shall immediately  
22 be made a part hereof as though fully written herein, and shall nullify any prior provision in  
23 conflict therewith.  
24
- 25 3. Initial Delivery Date.
- 26
- 27 3.1 The Initial Delivery Date shall be the first date upon which energy is generated by the Facility  
28 and delivered to the Company, and such energy is metered by the Company. The Initial  
29 Delivery Date under this Agreement is the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.  
30
- 31 3.2 Subject to the provisions of Paragraph 3.4 hereof, if the Initial Delivery Date does not occur  
32 within thirty (30) months from the date of execution of this Agreement, then the Company  
33 may at any time thereafter terminate this Agreement immediately upon written notice to  
34 Supplier.  
35
- 36 3.3 The initial delivery of electric power is dependent upon the Company securing from the  
37 manufacturers all necessary apparatus, equipment and material for the delivery of said power,  
38 and the Company shall not be required to receive said power until it shall have secured and  
39 installed such equipment, apparatus and material.  
40
- 41 3.4 If either Party shall be delayed or prevented from delivering or receiving electric power on the  
42 Initial Delivery Date by reason of an event or condition of force majeure as defined in  
43 Paragraph 7 hereof, then the Initial Delivery Date and the beginning of Supplier's obligation  
44 to pay Interconnection Facilities Charges pursuant to Paragraph 5.3 hereof shall be extended  
45 for a period proportionate to such delay or prevention.  
46

1 4. Term. The term of this Agreement shall be five (5) years beginning with the Initial Delivery  
2 Date. The Company shall have the right of termination provided in the attached Rate  
3 Schedule. In the event of early termination of this agreement, the Supplier shall be required to  
4 pay the Company for costs due to such early termination.  
5

6 5. Interconnection Facilities Charge.  
7

8 5.1 (a) In accordance with the provisions of the attached Rate Schedule, the Company will  
9 furnish, install, own and maintain Interconnection Facilities, including protective devices,  
10 metering equipment, etc. to permit parallel operation of the Supplier's facilities with the  
11 Company's system. The Interconnection Facilities Charge, calculated in accordance with the  
12 Extra Facilities Provisions of the Company's Service Regulations, to be paid by the Supplier  
13 each month shall be \$ 0, which is 1.7% of the installed cost of said Interconnection Facilities,  
14 which amount is \$0.  
15

16 (b) The costs and charges set forth above shall be determined no later than twelve (12)  
17 months prior to the installation of the Interconnection Facilities to reflect then current costs,  
18 conditions, and service requirements.  
19

20 5.2 The monthly charge for the Interconnection Facilities to be provided under this Agreement is  
21 subject to the rates, Service Regulations and conditions of the Company as the same are now  
22 on file with the Commission and may be changed or modified from time to time upon  
23 approval by the Commission. Any such changes or modifications, including those which may  
24 result in increased charges for the Interconnection Facilities to be provided by the Company,  
25 shall be made a part of this Agreement to the same effect as if fully set forth herein.  
26

27 5.3 The Company shall furnish and install the Interconnection Facilities no later than the date  
28 requested by Supplier for such installation. Supplier's obligation to pay the Interconnection  
29 Facilities charges shall begin on the date that such Interconnection Facilities become  
30 operational, except as provided in Paragraph 3.4 hereof, and such charges shall apply at all  
31 times thereafter during the term of this Agreement, whether or not Supplier is actually  
32 supplying electric power to the Company.  
33

34 5.4 The Interconnection Facilities under this agreement are only applicable for systems that  
35 comply with the North Carolina *Standard for Interconnecting Small Generation 100 kW or*  
36 *Less with Electric Power Systems (EPS)* (Interconnection Standard), which include  
37 requirements for compliance with the following:  
38

39 1. The Institute of Electrical and Electronics Engineers (IEEE) P929 – "Recommended  
40 Practice for Utility Interface of Photovoltaic Systems" (latest edition); and  
41

42 2. Underwriters Laboratories (UL) 1741 – "Standard for Static Inverters and Charge  
43 Controllers for use in Photovoltaic Power Systems." (latest edition)  
44

45 3. NFPA70 – National Electrical Code (NEC), and all applicable local codes (latest  
46 editions) In order to ensure protection of the Company's system, the Company reserves

1 the right, at its discretion, to inspect the Customer's photovoltaic system at any time upon  
2 reasonable notice to the Customer in an effort to ensure compliance with the  
3 Interconnection Standard. The Company reserves the right to disconnect electric service  
4 to any premises if the Company determines that the photovoltaic system is not in  
5 compliance with the Interconnection Standard and is being operated in parallel with the  
6 Company's system.

7  
8 The Customer must submit an *Application to Interconnect Small Generation 100 kW OR*  
9 *LESS (NC)* which must be accepted by the Company. The Customer shall be responsible for  
10 providing suitable control and protective devices on its equipment to assure no disturbance  
11 to other customers of the Company or to the Company itself, and to protect the Customer's  
12 facilities and the Company's facilities from all loss or damage which could result from  
13 operation in parallel with the Company's system. The Customer shall be responsible for  
14 any costs incurred by the Company pursuant to the Interconnection Standard. The Company  
15 reserves the right to require additional interconnection facilities, furnished, installed, owned  
16 and maintained by the Company, at the Customer's expense, if the Customer's photovoltaic  
17 system, despite compliance with the Interconnection Standard, causes safety, reliability or  
18 power quality problems.

19  
20 The Customer shall obtain and retain, for as long as its photovoltaic system is  
21 interconnected with the Company's system, comprehensive general liability insurance  
22 coverage in the amount of at least \$300,000 per occurrence which protects the Customer  
23 from claims for bodily injury and / or property damage. This insurance shall be primary for  
24 all purposes. The Customer shall provide certificates evidencing this coverage as required  
25 by the Company. The Company reserves the right to refuse to establish, or continue the  
26 interconnection of the Customer's photovoltaic system with the Company's system, if such  
27 insurance is not in effect.

28  
29 6. Service Interruptions. The Parties do not guarantee continuous service. They shall use  
30 reasonable diligence at all times to provide satisfactory service, and to remove the cause or  
31 causes in the event of failure, interruption, reduction or suspension of service, but neither  
32 Party shall be liable for any loss or damage resulting from such failure, interruption, reduction  
33 or suspension of service, nor shall same be a default hereunder, when due to any of the  
34 following:

35  
36 (a) An emergency action due to an adverse condition or disturbance on the system of the  
37 Company, or on any other system directly or indirectly interconnected with it, which requires  
38 automatic or manual interruption of the supply of electricity to some customers or areas in  
39 order to limit the extent or damage of the adverse condition or disturbance, or to prevent  
40 damage to generating or transmission facilities, or to expedite restoration of service, or to  
41 effect a reduction in service to compensate for an emergency condition on an interconnected  
42 system.

43  
44 (b) An event or condition of force majeure as defined in Paragraph 7 hereof  
45

1 (c) Making necessary adjustments to, changes in, or repairs on Company lines, substations,  
2 and facilities, and in cases where, in its opinion, the continuance of service from Supplier's  
3 premises would endanger persons or property.

4  
5 7. Force Majeure.  
6

7 (a) Circumstances beyond the reasonable control of a Party which solely cause that Party to  
8 experience delay or failure in delivering or receiving electricity or in providing continuous  
9 service hereunder, including: acts of God; unusually severe weather conditions; earthquake;  
10 strikes or other labor difficulties; war; riots; fire; requirements, actions or failures to act on the  
11 part of governmental authorities (including the adoption or change in any rule or regulation or  
12 environmental constraints lawfully imposed by federal, state or local government bodies), but  
13 only if such requirements, actions or failures to act prevent or delay performance; or  
14 transportation delays or accidents shall be deemed to be "events or conditions of force  
15 majeure". Events or conditions of force majeure do not include such circumstances which  
16 merely affect the cost of operating the Facility.  
17

18 (b) Neither Party shall be responsible or liable for any delay or failure in its performance  
19 hereunder due solely to events or conditions of force majeure, provided that:  
20

21 (i) The affected Party gives the other Party written notice describing the particulars of  
22 the event or condition of force majeure, such notice to be provided within forty-eight (48)  
23 hours of the determination by the affected Party that an event or condition of force  
24 majeure has occurred, but in no event later than thirty (30) days from the date of the  
25 occurrence of the event or condition of force majeure;  
26

27 (ii) The delay or failure of performance is of no longer duration and of no greater scope  
28 than is required by the event or condition of force majeure, provided that in no event shall  
29 such delay or failure of performance extend beyond a period of twelve (12) months;  
30

31 (iii) The affected Party uses its best efforts to remedy its inability to perform;  
32

33 (iv) When the affected Party is able to resume performance of its obligations under this  
34 Agreement, that Party shall give the other Party prompt written notice to that effect; and,  
35

36 (v) The event or condition of force majeure was not caused by or connected with any  
37 negligent or intentional acts, errors, or omissions, or failure to comply with any law, rule,  
38 regulation, order or ordinance, or any breach or default of this Agreement.  
39

40 8. Offset For Charges Due to Company. The Company reserves the right to set off against any  
41 amounts due from the Company to Supplier, any amounts which are due from Supplier to the  
42 Company, including, but not limited to, unpaid charges for Interconnection Facilities or past  
43 due balances on any accounts Supplier has with the Company for other services.  
44

45 9. Records. In addition to the regular meter readings to be taken once each month for billing  
46 purposes, the Company may require additional meter readings, records, transfer of

1 information, etc. as may be agreed upon by the Parties. The Company reserves the right to  
2 provide to the Commission or the FERC or any other regulatory body, upon request,  
3 information pertaining to this Agreement, including but not limited to: records of the  
4 Facility's generation output and the Company's purchases thereof (including copies of  
5 monthly statements of power purchases and data from load recorders and telemetering  
6 installed at the Facility); copies of this Agreement; and information regarding the  
7 Interconnection Facilities, as set forth in Paragraph 5 hereof. The Company will not provide  
8 any information developed solely by Supplier and designated by Supplier in writing to be  
9 "proprietary" unless required to do so by order of the Commission or the FERC or any other  
10 regulatory body or court, in which event, the Company will notify Supplier prior to supplying  
11 the proprietary information.  
12

13 10. Waiver. The failure of either Party to enforce or insist upon compliance with any of the terms  
14 or conditions of this Agreement shall not constitute a waiver or relinquishment of any such  
15 terms or conditions, but the same shall be and remain at all times in full force and effect.  
16

17 11. Assignment. The rights and obligations accruing to the Supplier under this Agreement may  
18 be assigned to another person, partnership, or corporation, subject to the Company's prior  
19 approval of the assignment of said person, firm, or corporation, which approval shall not be  
20 unreasonably or arbitrarily withheld. However, before such rights and obligations are  
21 assigned, the assignee must first obtain necessary approval from all regulatory bodies  
22 including, but not limited to, the Commission.

23 12. Notification of Assignment, Transfer or Sale. In the event of an assignment of the rights and  
24 obligations accruing to the Supplier under this Agreement pursuant to Paragraph 11 hereof, or  
25 in the event of any contemplated sale, transfer or assignment of the Facility or the Certificate  
26 of Public Convenience and Necessity, the Supplier shall, in addition to obtaining the  
27 approvals required by Paragraph 13 hereof, advise the Company and the Commission of any  
28 plans for such an assignment, sale or transfer, or of any accompanying significant changes in  
29 the information required by Commission Rule R1-37(b)(1), all as more fully set forth in  
30 Commission Rule R1-37, as amended, which is incorporated by reference herein.  
31

32 13. Regulatory Approval. This entire Agreement is contingent upon the Supplier's obtaining  
33 required approval from all regulatory bodies including, but not limited to, a Certificate of  
34 Public Convenience and Necessity or its equivalent from the Commission. The Parties hereto  
35 agree that performance under this Agreement shall not commence unless and until such  
36 approvals are obtained. If at any time during the term of this Agreement any of such required  
37 approvals expire, are withdrawn, are revoked or for any reason become invalid, the Company  
38 shall allow the Supplier a reasonable period to cure the problem before giving notice of  
39 termination of this Agreement.

(Continued on page 12)



SCHEDULE PP-N (NC)  
 NON-HYDROELECTRIC QUALIFYING FACILITIES  
 PURCHASED POWER

AVAILABILITY (North Carolina only)

Available only to establishments located in the Company's North Carolina service territory which have non-hydroelectric qualifying facilities fueled by trash or methane derived from landfills, hog waste, poultry waste, solar, wind, and non-animal forms of biomass contracting to sell generating capacity and energy not in excess of five (5) megawatts, or other non-hydroelectric generating facilities contracting to sell generating capacity and energy not in excess of three (3) megawatts, which are interconnected directly with the Company's system and which are qualifying facilities as defined by the Federal Energy Regulatory Commission pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978.

The Fixed Long-Term Rates on this Schedule are available only to Customers under contract with the Company on or before November 1, 2008 for delivery of power beginning on or before the earlier of thirty (30) months from the date of execution of the contract or May 1, 2011.

Notwithstanding the above, all qualifying facilities have the option to sell energy to the Company on an "as available" basis and receive energy credits only calculated using the Variable Rates identified in this Schedule for the delivered energy.

This Schedule is not applicable to a qualifying facility owned by a Customer, or affiliate or partner of a Customer, who sells power to the Company from another facility within one-half mile.

Service necessary for the delivery of the Customer's Net Power into the Company's system under this Schedule shall be furnished solely to the individual contracting Customer in a single enterprise, located entirely on a single, contiguous premise. Service hereunder shall be restricted to the Net Capacity of the Customer's generating facilities which may be operated in parallel with the Company's system. Service necessary to supply the Customer's total load requirements other than Auxiliary Load, and service necessary to supply the Customer's Auxiliary Load when the Customer's generating facilities are not operating, shall be billed on the applicable schedule(s) of the Company. Net Power delivered to the Company under this Schedule shall not offset or be substituted for power contracted for or which may be contracted for under any other schedule of the Company, except at the option of the Company under special terms and conditions expressed in writing in the contract with the Customer.

The obligations of the Company in regard to service under this Schedule are dependent upon its securing and retaining all necessary rights-of-way, privileges, franchises and permits for such service and the Company shall not be liable to any customer or applicant for power in the event it is delayed in, or is prevented from purchasing power by its failure to secure and retain such rights-of-way, rights, privileges, franchises and permits.

TYPE OF SERVICE

Company will furnish 60 Hertz service through one metering point, at one delivery point, at one of the following approximate voltages, where available, upon mutual agreement:

- Single-phase, 120/240 volts; or
- 3-phase, 3-wire, 240, 480, 4160, 12470, or 24940 volts. or
- 3-phase voltages other than the foregoing, but only at the Company's option, and provided that the size of the Customer's contract warrants a substation solely to serve that Customer, and further provided that the Customer furnish suitable outdoor space on the premises to accommodate a ground-type transformer installation, or substation, or a transformer vault built in accordance with the Company's specifications.

The type of service under this Schedule shall be determined by the Company. Prospective customers shall ascertain the available voltage by written inquiry of the Company before purchasing equipment.

RATE (One of the following two Rate options shall apply):

Option A

Administrative Charge	\$ 8.17
Facilities Charge (if applicable – See Interconnection Facilities Charge Exception)	\$ 8.03

Interconnected to Distribution System:

	<u>Variable Rate</u>	<u>5 Years</u>	<u>Fixed Long-Term Rate (a)</u>	
			<u>10 Years (b)</u>	<u>15 Years (b)</u>
I. Capacity Credit				
a. All On-Peak Energy per On-Peak Month per kWh:	2.396	2.466	2.596	2.706
b. All On-Peak Energy per Off-Peak Month per kWh:	0.476	0.496	0.51¢	0.536
II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	5.346	5.29¢	5.34¢	5.49¢
b. All Off-Peak Energy per Month per kWh:	3.876	3.97¢	3.96¢	4.00¢

Schedule PP-N (NC) continued

RATE ( Option A continued)

Interconnected to Transmission System:

	<u>Variable Rate</u>	<u>5 Years</u>	<u>Fixed Long-Term Rate (a)</u>	
			<u>10 Years (b)</u>	<u>15 Years (b)</u>
I. Capacity Credit				
a. All On-Peak Energy per On-Peak Month per kWh:	2.296	2.366	2.486	2.586
b. All On-Peak Energy per Off-Peak Month per kWh:	0.456	0.476	0.496	0.516
II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	5.126	5.076	5.126	5.266
b. All Off-Peak Energy per Month per kWh:	3.736	3.826	3.816	3.856

Option B

Administrative Charge	\$ 8.17
Facilities Charge (if applicable – See Interconnection Facilities Charge Exception)	\$ 8.03

Interconnected to Distribution System:

	<u>Variable Rate</u>	<u>5 Years</u>	<u>Fixed Long-Term Rate (a)</u>	
			<u>10 Years (b)</u>	<u>15 Years (b)</u>
I. Capacity Credit				
a. All On-Peak Energy per Summer Month per kWh:	8.406	8.676	9.106	9.496
b. All On-Peak Energy per Non-Summer Month per kWh:	1.306	1.346	1.406	1.466
II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	5.646	5.556	5.636	5.76¢
b. All Off-Peak Energy per Month per kWh:	4.286	4.346	4.346	4.41¢

Interconnected to Transmission System:

	<u>Variable Rate</u>	<u>5 Years</u>	<u>Fixed Long-Term Rate (a)</u>	
			<u>10 Years (b)</u>	<u>15 Years (b)</u>
Capacity Credit				
a. All On-Peak Energy per Summer Month per kWh:	8.056	8.316	8.726	9.096
b. All On-Peak Energy per Non-Summer Month per kWh:	1.246	1.286	1.346	1.406
Energy Credit				
a. All On-Peak Energy per Month per kWh:	5.406	5.326	5.396	5.526
b. All Off-Peak Energy per Month per kWh:	4.126	4.186	4.186	4.256

Notes: (a) The 10-Year and 15-Year Fixed Long-Term Rates are applicable only to those qualifying facilities which are non-hydroelectric qualifying facilities fueled by trash or methane derived from landfills, hog waste, or poultry waste contracting to sell capacity and energy not in excess of five (5) megawatts.

(b) Contracts for the 10-Year and 15-Year Fixed Long-Term Rates are subject to a provision making the contract renewable for subsequent term(s) at the option of the Company on substantially the same terms and provisions and at a rate either (1) mutually agreed upon by the parties negotiating in good faith and taking into consideration the Company's then avoided cost rates and other relevant factors, or (2) set by arbitration.

DEFINITIONS

Nameplate Capacity: The term "Nameplate Capacity" shall mean the maximum continuous electrical output capability of the generator(s) at any time at a power factor of ninety percent (90%).

Net Capacity: The term "Net Capacity" shall mean the Nameplate Capacity of the Customer's generating facilities, less the portion of that capacity needed to serve the generating facilities' Auxiliary Load.

Auxiliary Load: The term "Auxiliary Load" shall mean power used to operate auxiliary equipment in the facility necessary for power generation (such as pumps, blowers, fuel preparation machinery, and exciters).

Net Power: The term "Net Power" shall mean the total amount of electric power produced by the Customer's generating facilities less the portion of that power used to supply the generating facilities' Auxiliary Load.

Month: The term "Month" as used in this Schedule means the period intervening between meter readings for the purposes of monthly billing, such readings being taken once per month.

For Option A Rates, the On-Peak Months shall be the billing Months of June through September and December through March. The Off-Peak Months shall be the billing Months of April, May, October and November.

For Option B Rates, the Summer Months are the period from June 1 through September 30. The Non-Summer Months are the period from October 1 through May 31.

Schedule PP-N (NC) continued

DETERMINATION OF ON-PEAK AND OFF-PEAK ENERGY

On-Peak Energy shall be energy, in kilowatt-hours, which is supplied to the Company during On-Peak Period Hours. Off-Peak Energy shall be energy, in kilowatt-hours, which is supplied to the Company during the Off-Peak Period Hours.

For Option A Rates, the On-Peak Period Hours shall be those hours, Monday through Friday, beginning at 7 A.M. and ending at 11 P.M. The Off-Peak Period Hours shall be all other weekday hours and all Saturday and Sunday hours.

For Option B Rates, the On-Peak Period Hours shall be those hours, Monday through Friday, beginning at 1 P.M. and ending at 9 P.M. during Summer Months, and beginning at 6 A.M. and ending at 1 P.M. during Non-Summer Months. The Off-Peak Period Hours shall be all other weekday hours and all Saturday and Sunday hours. All hours for the following holidays shall be considered as Off-Peak: New Year's Day, Memorial Day, Good Friday, Independence Day, Labor Day, Thanksgiving Day, Day after Thanksgiving, and Christmas Day.

INTERCONNECTION FACILITIES CHARGE

The Customer shall be responsible for providing suitable control and protective devices on his equipment to assure no disturbance to other customers of the Company or to the Company itself, and to protect the Customer's facilities from all loss or damage which could result from operation with the Company's system.

The Company will furnish, install, own, and maintain interconnection facilities necessary for service under this Schedule including: suitable control and protective devices installed on Company equipment to allow operation of the Customer's generating facilities; metering facilities equipped to prevent reverse registration for the measurement of service under this Schedule; and any other modifications to its system required to serve the Customer under this Schedule as determined by the Company.

All such facilities shall be subject to a monthly charge under the Extra Facilities provisions of the Company's Service Regulations. The Company reserves the right to install at any time facilities necessary for the appropriate measurement of service under this Schedule and to adjust the Interconnection Facilities Charge accordingly, solely at the option of the Company.

EXCEPTION:

Customers with installed generating systems of 100 kW or less may provide the control and protective devices provided they comply with the North Carolina Standard for Interconnecting Small Generation 100 kW or less with Electric Power Systems (EPS), hereinafter the "Interconnection Standard" as approved by the North Carolina Utilities Commission. The Customer must comply with the liability insurance requirements of the Interconnection Standard.

In order to ensure protection of the Company's system, the Company reserves the right, at its discretion, to inspect the Customer's generation system and equipment at any time upon reasonable notice to the Customer in an effort to ensure compliance with the Interconnection Standard. The Company reserves the right to disconnect electric service to the premises if the Company determines that the Customer's generation system and equipment is not in compliance with the Interconnection Standard and is being operated in parallel with the Company's system.

The Customer must submit an Application to Interconnect Small Generation 100kW or Less (NC) which must be accepted by the Company and pay an application fee in accordance with the Interconnection Standard.

The Customer must enter into a specific contract providing for interconnection to the Company's system whereby the Customer shall be responsible for providing suitable control and protective devices on its equipment to assure no disturbance to other customers of the Company or to the Company itself, and to protect the Customer's facilities, other Customer's facilities, and the Company's facilities from all loss or damage which could result from operation in parallel with the Company's system.

The Customer shall be responsible for any costs incurred by the Company pursuant to the Interconnection Standard. The Company reserves the right to require additional interconnection facilities, furnished, installed, owned and maintained by the Company, at the Customer's expense, if the Customer's system, despite compliance with the Interconnection Standard, causes safety, reliability or power quality problems. These additional facilities will be subject to a monthly facilities charge of 1.7% of the estimated investment in facilities provided by Duke and included in the Interconnection Charge as outlined above. When the installed generating system complies with the Interconnection Standard and no additional interconnection facilities are required, the Facilities Charge shown in the Rate above will be applied to cover the cost of the Company's metering and installation.

DETERMINATION OF CAPACITY CREDITS

Capacity Credits will be based on the energy, in kilowatt-hours, which is supplied to the Company during the On-Peak Period Hours of the Month and will be applied to the Customer's bill in the appropriate Month.

Capacity Credits are available only to qualifying facilities classified as "new capacity" in accordance with the Federal Energy Regulatory Commission's Order No. 69 in Docket No. RM79-55 and in accordance with the North Carolina Utilities Commission's Order dated September 21, 1981 in Docket No. E-100, Sub 41.

POWER FACTOR CORRECTION

When the average Monthly power factor of the power supplied by the Customer to the Company is less than 90 percent or greater than 97 percent, the Company may correct the energy, in kilowatt-hours, as appropriate. The Company reserves the right to install facilities necessary for the measurement of power factor and to adjust the Interconnection Facilities Charge accordingly, solely at the option of the Company.

PAYMENTS

Credit billings to the Customer shall be payable to the Customer within fifteen (15) days of the date of the bill. Bills under this Schedule are due and payable on the date of the bill at the office of the Company. Bills are past due and delinquent on the fifteenth day after the date of the bill. If any bill is not so paid, the Company has the right to suspend service. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one percent (1%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

Each Customer shall enter into a contract which shall specify the amount of capacity committed for delivery throughout the term of the contract and shall specify one of the following as the initial term and associated rate: variable rate for five (5) years or fixed long-term rate for five (5), ten (10) or fifteen (15) years. Following the initial term, the Variable Rate as from time to time amended by the North Carolina Utilities Commission shall apply to all power purchased by the Company until superseded by a new contract.

The Company reserves the right to terminate the Customer's contract under this Schedule at any time upon written notice to the Customer in the event that the Customer violates any of the terms or conditions of this Schedule or operates its generating facilities in a manner which is detrimental to the Company or any of its Customers or fails to deliver energy to the Company for six (6) consecutive Months. In the event of early termination of a contract under this Schedule, the Customer will be required to pay the Company for costs due to such early termination.

IN WITNESS WHEREOF, on the day and year first above written, the Parties hereto have caused their official names to be hereunto subscribed by their respective Presidents, Vice Presidents or Authorized Representatives. Executed in Duplicate.

**DUKE ENERGY CAROLINAS, LLC**

By \_\_\_\_\_  
President

**TOWN OF CHAPEL HILL**

By \_\_\_\_\_

Title \_\_\_\_\_

Tax Id Number \_\_\_\_\_