



Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

February 15, 2007

RECEIVED

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PUBLIC SERVICE
COMMISSION

E.ON U.S. LLC

State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
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Rick E. Lovekamp
Manager - Regulatory Affairs
T 502-627-3780
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rick.lovekamp@eon-us.com

RE: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of Their Proposed Green Energy Riders
Case No. 2007-00067

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and ten (10) copies of Louisville Gas and Electric Company and Kentucky Utilities Company's executed copy of their contract with 3 Phases Climate Solutions, Inc. as stated in the letter dated February 9, 2007.

Should you have any questions concerning the enclosed, please do not hesitate to contact me.

Sincerely,

Rick E. Lovekamp

cc: Hon. Elizabeth E. Blackford
Hon. Michael L. Kurtz

AGREEMENT FOR RENEWABLE ENERGY CERTIFICATES AND CONSULTING SERVICES

This Agreement for Renewable Energy Certificates and Consulting Services (this "Agreement") is entered into on February 13, 2007, by and between Louisville Gas & Electric Company and Kentucky Utilities Company (THE COMPANIES), Kentucky corporations with a corporate headquarters address of 220 West Main Street, Louisville, KY 40202, and 3 PHASES CLIMATE SOLUTIONS, INC., a California corporation, with main offices at Presidio of San Francisco 6 Funston Avenue, Suite A, San Francisco, CA 94129 ("3 PHASES"), (the foregoing are referred to individually as a "Party" and collectively as the "Parties"), with reference to the following:

RECITALS:

WHEREAS, THE COMPANIES desire to engage 3 PHASES as an independent contractor to provide THE COMPANIES with Renewable Energy Certificates and perform certain consulting services (collectively, the "Services") in support of THE COMPANIES' ' voluntary renewable energy programs (collectively, the "Program");

WHEREAS, 3 Phases desires to perform such Services for THE COMPANIES;

NOW, THEREFORE, in consideration of the foregoing, and the covenants, terms, conditions and provisions of this Agreement, the Parties, intending to be legally bound, hereby agree as follows:

DEFINITIONS:

"Agreement" means this Agreement and all Exhibits, which by this reference are incorporated herein. This Agreement, and all incorporated documents, are meant to be complimentary and read as a whole. All provisions and terms herein are binding unless specifically stated to the contrary, notwithstanding their location in this Agreement. In the event of a conflict, the more specific, detailed, and descriptive terms or provisions shall take precedence.

"Effective Date" shall have the meaning set forth in Section 1.

"Green-e Standard" means the Green-e Renewable Electricity Certification Program, National Standard Version 1.3, dated December 11, 2006 and attached as Exhibit B. In the event of a conflict with other terms of the Agreement, the provisions of this Agreement and Exhibit A shall govern.

"Non-Power Attributes" means the environmental, power source, and emission characteristics, credits, allowances, reductions, offsets, and benefits associated with the generation of power from a New Renewable Energy Resource. Unless otherwise excluded either below or pursuant to any other applicable law or regulation, Non-Power Attributes include, to the extent applicable and without limitation, any avoided emissions of substances to air, soil, or water, including, without limitation, nitrogen oxides (NOx), carbon monoxide (CO), carbon dioxide (CO2), methane (CH4), and other greenhouse

gases (GHGs) designated as such by the United Nations Intergovernmental Panel on Climate Change, and avoided emissions of any other pollutant that is now or may in the future be regulated under any local, state or federal pollution control laws, whether or not any such legislation, regulation or trading program is ever enacted, implemented or promulgated. Non-Power Attributes do not include (i) mercury (Hg) and sulfur dioxides (SOx), (ii) the energy, capacity, reliability, or power quality attributes of the electricity, and (iii) production tax credits, investment tax credits and any other tax credits or financial incentives of any kind associated with the New Renewable Energy Resource. Non-Power Attributes are expressed in MWh, and are not a calculation of the quantity of avoided emissions.

"THE COMPANIES' Service Territory" means the areas where THE COMPANIES provide retail electricity service.

"THE COMPANIES' Program Manager" shall have the meaning set forth in Section 3.1.

"Program" means THE COMPANIES' voluntary renewable energy programs, or similar programs, wherein THE COMPANIES contract with a company to provide Renewable Energy Certificates to satisfy renewable energy requirements of Program Participants, along with associated consulting services to support the Program.

"Program Participants" means enrolled accounts in THE COMPANIES' Program.

"Renewable Energy Certificate" or "REC" means: (i) the Non-Power Attributes associated with a New Renewable Energy Resource or the generation of power therefrom and (ii) the Renewable Energy Certificate Reporting Rights arising therefrom or connected therewith. One Renewable Energy Certificate represents the Non-Power Attributes and Renewable Energy Certificate Reporting Rights associated with 1 MWh generated by the New Renewable Energy Resource. All Renewable Energy Certificates must be fully transferable to THE COMPANIES, free from any rights of others.

"Renewable Energy Certificate Reporting Right" means the exclusive right of THE COMPANIES to report ownership of a Renewable Energy Certificate to any person, agency, authority or other entity, including without limitation under Section 1605(b) of the Energy Policy Act of 1992, or under any present or future domestic, international or foreign emissions trading program.

"Renewable Resource" as used in this Agreement means a Green-e Standard-eligible renewable resource generation facility producing electric power from: a) sun; b) wind; c) geothermal; d) hydropower from new generation capacity on a non-impoundment or new generation capacity on an existing impoundment that meets one or more of the following conditions: i) hydropower facilities certified by the Low Impact Hydropower Institute ("LIHI")¹; ii) run-of-the-river hydropower facilities equal to or less than 5 MW nameplate capacity; iii) hydropower facilities that consist of a turbine in a pipeline or a turbine in an irrigation canal; and excludes generation from new impoundments of

¹ The facility is certified by the Low Impact Hydropower Institute (LIHI), located at 34 Providence Street, Portland, Maine 04103, phone 207-773-8190, fax 206-984-3086.

water; e) fuel cells powered by Renewable Resources, as defined herein; f) ocean-based resources; g) biodiesel used to generate electricity², and h) biomass, including solid, liquid and gaseous forms of biomass from the following fuels: untreated and uncoated woody waste (black liquor from pulp and paper processing, mill residues, industrial waste wood, waste wood from woodworking or wood processing), all agricultural crops or waste, all animal and other organic waste, all energy crops, landfill gas, wastewater treatment methane, municipal solid waste if first converted to a clean burning fuel used to generate electricity³⁴, and co-firing of solid, liquid, and gaseous forms of biomass with fossil fuels either conveyed directly to a fossil fuel facility or co-mingled when the solid, liquid, and gaseous form(s) of eligible biomass are separately metered and contracts are in place to verify that the solid, liquid, and gaseous form(s) of eligible biomass were converted to electricity. Additional resources deemed to be Green-e Certified in the future by the Center for Resource Solution's Green-e Standard shall also be included.

"Services" means the Renewable Energy Certificate supply and marketing services described in Exhibit A.

"Term" shall have the meaning set forth in Section 1.

"3 Phases Project Manager" shall have the meaning set forth in Section 2.1.

SECTION 1 – EFFECTIVE DATE AND TERM

This Agreement shall become effective on the date of signature by both Parties (the "Effective Date") and shall terminate thirty-six (36 months) following the launch of the Program, unless terminated earlier pursuant to Section 9 or extended by mutual agreement in writing.

SECTION 2 – REPRESENTATIONS AND WARRANTIES OF 3 PHASES

² Biodiesel blended with petroleum diesel is permitted if: i) the biodiesel is separately measured and verified from the petroleum diesel, and ii) contracts are in place that verify the biodiesel was converted to electricity.

³ The solid waste conversion facility for converting the municipal solid waste to a clean burning fuel must meet the following criteria: i) the facility uses a non-combustion thermal process to convert the municipal solid waste to a clean burning fuel, ii) the technology is designed to produce no discharges of air contaminants or emissions, including green house gases, iii) the technology produces no discharges to surface or ground waters, iv) the technology produces no hazardous wastes, v) the technology removes all recyclable materials, including plastics, and marketable green waste compostable materials from the solid waste stream, to the maximum amount feasible, prior to the conversion process and the owner or operator of the facility certifies that those materials will be recycled or composted, vi) the facility at which the technology is used complies with all applicable laws, regulations, and ordinances, vii) third-party verification has been secured that all criteria have been met.

⁴ Eligible biomass resources exclude those coated with paints, plastics, or formica and wood treated for preservation with materials containing halogens, chlorine, or halide compounds, such as chromated copper arsenate or arsenic. Qualified wood fuels may contain de minimis quantities (less than 1% of total wood fuel) of the above excluded contaminants.

2.1 3 PHASES will assign an individual who will have supervisory responsibility for the performance, progress and execution of the Services ("3 Phases Project Manager"). The 3 Phases Project Manager will be Gabe Petlin, whose phone number is (415) 595-1679 and fax number is (415) 680-1561. If circumstances or conditions subsequent to the execution hereof require the substitution of the 3 Phases Project Manager for any reason, 3 PHASES will appoint a replacement Project Manager. Such substitution shall not excuse 3 PHASES from performing its obligations as set forth herein.

2.2 3 PHASES represents and warrants that it will:

A. Maintain the expertise and professional qualifications to furnish or cause to be furnished the Services.

B. Procure all authority, assets, permits and licenses, pay all charges and fees, and give all notices, which may be necessary or incident to the Services and performance thereof;

C. Maintain the expertise and professional qualifications necessary to furnish or cause to be furnished the Services, including being informed of all existing and future federal, state, and local laws, ordinances, regulations, orders, and decrees that affect the Service, those engaged or employed by 3 PHASES with respect to the provision of the Service, and any assets or materials used in 3 PHASES' performance hereunder;

D. Provide the Services, and conduct itself hereunder, in accordance with, and cause its employees and contractors who are assigned to the performance hereof to observe and comply with, all applicable federal, state and local laws, ordinances, regulations, orders, decrees and tariffs, and not by any act or omission knowingly cause THE COMPANIES to be in breach or default of any law, regulation or tariff, including without limitation all tariffs respecting renewable portfolio options, habitat restoration supply service, renewable blended supply service, and net metering; and

E. Report immediately to THE COMPANIES' Program Manager, in writing, any discrepancy or noncompliance 3 PHASES discovers with respect to the Services or any act of 3 PHASES hereunder.

2.3 Any reports, information, data or other material given to, or prepared or assembled by 3 PHASES or its contractors, if any, in the performance of the Services hereunder will (i) become the property of THE COMPANIES upon termination of this Agreement under Section 9 and (ii) will not be made available to any third party by 3 PHASES or its contractors, if any, without the prior written approval of THE COMPANIES. THE COMPANIES may at its option require any contractor of 3 PHASES to execute confidentiality agreements acceptable to THE COMPANIES.

2.4 3 PHASES will be responsible for employing or engaging all persons necessary to perform the Services. All contractors of 3 PHASES will be deemed to be directly controlled and supervised by 3 PHASES, which will be responsible for their

performance. 3 PHASES may not use any contractors that are not equal opportunity employers.

2.5 THE COMPANIES' logo and other material of THE COMPANIES will be used pursuant, and only pursuant, to THE COMPANIES' corporate graphic standards as now or hereafter provided by THE COMPANIES to 3 PHASES. No right to any brand, logo, or other intellectual property of THE COMPANIES is granted by THE COMPANIES to 3 PHASES.

2.6 3 PHASES will report to THE COMPANIES' Program Manager. THE COMPANIES' Program Manager will generally supervise the performance, progress, and execution by 3 PHASES of the Services.

SECTION 3 – REPRESENTATIONS AND WARRANTIES OF THE COMPANIES

3.1 THE COMPANIES will assign an individual who will have supervisory responsibility for the performance, progress and execution of the Services and THE COMPANIES' 'S duties herein ("THE COMPANIES' Program Manager"). THE COMPANIES' Program Manager will be Christopher Whelan, whose phone number is (502) 627-2422 and fax number is (502) 217-2013. If circumstances or conditions subsequent to the execution hereof require the substitution of THE COMPANIES' Program Manager for any reason, THE COMPANIES will appoint a replacement Program Manager. Such substitution shall not excuse THE COMPANIES from performing its obligations as set forth herein.

3.2 THE COMPANIES will perform the duties and make the payments, as set forth herein and in Exhibit A.

3.3 THE COMPANIES will be responsible for employing or engaging all persons necessary to perform the duties set forth herein. All contractors of THE COMPANIES will be deemed to be directly controlled and supervised by THE COMPANIES, which will be responsible for their performance. THE COMPANIES are responsible to ensure that all its contractors comply with all applicable federal, state and local laws, ordinances, regulations, orders, and decrees in their performance. THE COMPANIES may not use any contractors that are not equal opportunity employers.

3.4 THE COMPANIES shall send 3 PHASES in a monthly report by the tenth (10) working day of each month a report which indicates the total number of Renewable Energy Certificates consumed by Program Participants in the previous calendar month.

3.5 THE COMPANIES represent and warrant that they will report immediately to the 3 Phases Project Manager, in writing, any discrepancy or noncompliance THE COMPANIES discover with respect to THE COMPANIES' obligations hereunder, including, but not limited to, discrepancies between THE COMPANIES' orders for RECs and the payments of THE COMPANIES' participants..

SECTION 4 – COMPENSATION

4.1 In consideration of 3 PHASES' performance of the Services, THE COMPANIES will pay 3 PHASES:

i) \$125, plus direct travel expenses, for each hour of consulting services provided by 3 PHASES to THE COMPANIES in support of the Program. Consulting services shall only be provided with advanced written approval of THE COMPANIES' Program Manager, pursuant to this Section 4.4; AND

ii) \$12.50 for each Renewable Energy Certificate secured by 3 PHASES and transferred to THE COMPANIES for the Program upon 3 PHASES submitting to THE COMPANIES, no more frequently than monthly, title to the associated RECs and all supporting documentation, in form and substance satisfactory to THE COMPANIES (including without limitation Generator and any applicable Wholesale Attestation Forms, as provided in Exhibit C) to demonstrate that the RECs and REC Reporting Rights represent the Non-Power Attributes associated with 1 MWh generated by an eligible Renewable Energy Resource. In addition, by each April 30 all formal attestations covering all purchases executed by 3 PHASES for the prior calendar year shall be provided by 3 PHASES to THE COMPANIES, unless otherwise agreed to by THE COMPANIES.

4.2 In the unlikely event 3 PHASES has not provided full legal title and attestations for any Renewable Energy Certificates for which THE COMPANIES have made payment ("Undelivered Renewable Energy Certificates") and 3 PHASES has not replaced the Undelivered Renewable Energy Certificates with qualified Renewable Energy Certificates by April 30 for the previous calendar year, THE COMPANIES may at its option, for some or all such Renewable Energy Certificates, either require 3 PHASES to refund the overpayment amount or credit amounts owed by THE COMPANIES in subsequent invoices from 3 PHASES to THE COMPANIES until the obligation is satisfied. Upon satisfaction of the obligation, THE COMPANIES shall return all documentation evidencing title to such Renewable Energy Certificates.

4.3 Notwithstanding the foregoing, to the extent THE COMPANIES over-report Program Participants' consumption to 3 PHASES by no more than 2% annually, 3 PHASES shall have no obligation to repurchase such excess Renewable Energy Certificates. In the event THE COMPANIES finds it has under-reported Program Participants' electricity consumption in previous months or years, 3 PHASES will use best efforts to deliver the additional Renewable Energy Certificates required to meet Program requirements, according to the terms of this Section 4.1.

4.4 In the event that the Program launch date extends beyond September 31, 2007, 3 PHASES shall have the right to renegotiate the price for the Services, subject to acceptance by THE COMPANIES. The launch date shall be defined as the date when THE COMPANIES first accept enrollments in the Program.

4.5 Prior to 3 PHASES performance of any services additional and not incident to the Services ("Additional Services") or consulting services pursuant to the Services ("Consulting Services"), the Parties will agree upon a maximum annual cost of \$40,000

for such Additional Services or Consulting Services, unless revised by THE COMPANIES in writing. All requests for Additional Services or Consulting Services shall be approved by THE COMPANIES' Program Manager and the Project Manager for the Additional Services, if different from the COMPANIES' Program Manager, or their designees in writing prior to performing such Additional Services or work. The full payment of charges for Services, Consulting Services and Additional Services will be made as agreed, provided such request for payment is initiated by 3 PHASES and authorized, in writing, by the Program Manager, or their designees, and will be made within thirty (30) days of submission by 3 PHASES of its itemized billings and costs covering such Services, Consulting Services, or Additional Services.

SECTION 5 – INDEMNITY

Subject to Section 6.3 hereof, each Party will indemnify and hold harmless the other Party from claims or liability of any nature, including death or injury to any person, caused by or arising out of willful malfeasance by the Party or an authorized employee of the Party. The indemnification obligations hereunder shall survive termination of this Agreement.

SECTION 6 – WAIVERS

6.1 The waiver by either Party of any breach or violation of any covenant, term, condition or provision hereof, or of the provisions of any ordinance or law, will not be deemed to be a waiver of any other term, covenant, condition, provisions, ordinance or law, or of any subsequent breach or violation of the same or of any other term, covenant, condition, provision, ordinance or law. The subsequent acceptance by either Party of any fee or other money, which may become due hereunder will not be deemed to be a waiver of any preceding breach or violation by the other Party of any term, covenant, condition or provision hereof or of any applicable law or ordinance.

6.2 No payment, partial payment, acceptance, or partial acceptance by either Party will operate as a waiver on the part of either Party of any of its rights hereunder.

6.3 NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH HEREIN, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR SPECIAL, CONSEQUENTIAL, EXEMPLARY OR PUNITIVE DAMAGES FOR A BREACH OF THIS AGREEMENT, REGARDLESS OF WHETHER SUCH DAMAGES ARE CLAIMED UNDER CONTRACT, WARRANTY, INDEMNITY, TORT OR ANY OTHER THEORY AT LAW OR IN EQUITY.

SECTION 7 – INSURANCE

7.1 3 PHASES, at its sole cost and expense, will obtain and maintain, in full force and effect during the Term hereof, all normal risk coverage for a firm of its nature covering not only 3 PHASES and its contractors, if any, but also, with the exception of workers' compensation, employer's liability and professional liability insurance, naming THE COMPANIES as an additional insured or loss payee, as appropriate, concerning 3 PHASES' performance hereunder.

THE COMPANIES 7.2 The procuring of such required policy or policies of insurance will not be construed to limit 3 PHASES' liability hereunder nor to fulfill the indemnification provisions hereof.

SECTION 8 – WORKERS' COMPENSATION

8.1 3 PHASES certifies that it is aware of the provisions of the Labor Code of the State of Kentucky, which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that Code, and certifies that it will comply with such provisions, as applicable, before commencing the performance of the Services.

SECTION 9 – TERMINATION OR SUSPENSION OF AGREEMENT

9.1 Termination for Cause of 3 PHASES: THE COMPANIES' Program Manager may suspend the performance of the Services, in whole or in part, or terminate this Agreement, by giving 30 days' prior written notice thereof to 3 PHASES in the event of (i) a breach of a material term hereof and (ii) failure to cure within a 15 day cure period by 3 PHASES following written notice of such alleged breach from THE COMPANIES' Program Manager; provided, however, that a reasonable delay in providing any Service under this Agreement shall not constitute a breach. Upon receipt of a notice of suspension or termination, 3 PHASES will immediately discontinue its performance of the Services.

9.2 Termination for Cause of THE COMPANIES: 3 PHASES may terminate this Agreement or suspend its performance of the Services by giving 30 days' prior written notice thereof to THE COMPANIES, but only in the event of (i) THE COMPANIES' failure to pay amounts due, or perform its duties in Section 3 and in Exhibit A herein, for more than 15 days after written notice of such failure, or (ii) in the event THE COMPANIES indefinitely withhold or withdraw its request for the initiation or continuation of the Services to be performed. In the event of such termination by 3 PHASES for cause, THE COMPANIES shall compensate 3 PHASES for its costs incurred as of the effective date of such termination, in the following amounts:

(a) Payment for MWh Sold: THE COMPANIES shall pay any compensation due to 3 PHASES pursuant to Section 4 of this Agreement based on the total amount of MWh sold to Program Participants through the effective date of such termination.

(b) Unsold Renewable Energy Certificate Inventory: 3 PHASES shall have the right, but not the obligation, to have THE COMPANIES purchase from 3 PHASES all of 3 PHASES' unsold Renewable Energy Certificates that remain under contract or in inventory purchased by 3 PHASES for THE COMPANIES' program, and which meet the specifications of Section 1 of Exhibit A, Scope of Services. Such reimbursement shall be made at cost, plus applicable brokerage costs, if any.

(c) In the event of termination, payment under this Section 9.2 (a, b) shall fulfill THE COMPANIES' obligations under this Agreement, and 3 PHASES shall have no right or entitlement to any further compensation or consideration in such event. The Parties agree that the payment is reasonable in light of the anticipated harm to 3 PHASES arising from termination by THE COMPANIES. Each Party hereby waives the right to contest such payments as an unreasonable penalty or otherwise.

(d) The Parties shall be under an obligation to mitigate any damages or expenses incurred pursuant to this Agreement, expressly including any cost or expenses included under Sections 9.2 (a, b) above.

9.3 Termination for Regulatory Change or Convenience: This Agreement shall terminate automatically on the date of any judicial, regulatory or legislative action or change, including any law or utility commission order, rule or regulation, which renders performance of this Agreement impossible or illegal. In addition, THE COMPANIES shall have the right to terminate this Agreement for Convenience by giving 30 days' prior written notice thereof to 3 PHASES. In the event of either termination for regulatory change or termination for convenience, THE COMPANIES shall compensate 3 PHASES according to Section 9.2 (a, b) above. Such payment shall fulfill THE COMPANIES' obligations under this Agreement, and 3 PHASES shall have no right or entitlement to any further compensation or consideration under such event.

9.4 Upon any such suspension or termination by THE COMPANIES, 3 PHASES will be paid for the Services actually rendered to THE COMPANIES up to and including the effective date of suspension or termination.

9.5 Upon termination of this Agreement, 3 PHASES will deliver to THE COMPANIES' Program Manager immediately any and all copies of studies, sketches, drawings, computations and other data, whether or not completed, prepared by 3 PHASES or its contractors, if any, or given to 3 PHASES or its contractors, if any, in connection herewith. Such materials will become the property of THE COMPANIES.

SECTION 10 – ASSIGNMENT

10.1 This Agreement is for the services of 3 PHASES, therefore, 3 PHASES will not assign, transfer, convey, or otherwise dispose of this Agreement or any right, title or interest therein without the prior written consent of THE COMPANIES, which THE COMPANIES may grant or withhold in its sole and absolute discretion. Consent to one assignment will not be deemed to be consent to any subsequent assignment. Any assignment made without the approval of THE COMPANIES will be void and, at the option of THE COMPANIES, THE COMPANIES may thereupon terminate this Agreement. This Agreement will not be assignable by 3 PHASES by operation of law without THE COMPANIES' prior written consent. Notwithstanding the foregoing, in the event 3 PHASES desires to assign this Agreement to a purchaser of all or substantially all of the assets of 3 PHASES, the consent of THE COMPANIES shall not be unreasonably withheld if such purchaser has a credit rating of investment grade (e.g., BBB- from S&P or BBB3 from Moody's) or higher.

SECTION 11 – NOTICES

11.1 All notices hereunder will be given in writing and mailed, postage prepaid, by certified mail, addressed as follows:

THE COMPANIES: Christopher Whelan
LG&E and KU
220 West Main Street
Louisville, KY 40202

with a copy of any notice alleging a breach or default by either Party to:

Office of the General Counsel
LG&E and KU
220 West Main Street
Louisville, KY 40202

To 3 PHASES: 3 Phases Energy Climate Solutions, Inc.
Attn: Contract Administration
Presidio of San Francisco
6 Funston Avenue, Suite A
San Francisco, CA 94129

with a copy to: Stoel Rives, LLP
900 SW Fifth Avenue, Suite 2600
Portland, OR 97204
Attn: Stephen Hall

SECTION 12 – CONFLICT OF INTEREST

12.1 In accepting this Agreement, 3 PHASES covenants that it presently has no interest, and will not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of the Services.

12.2 3 PHASES further covenants that, in the performance hereof, it will not employ any contractor or person having such an interest. 3 PHASES certifies that no person who has or will have any financial interest hereunder is an officer or employee of THE COMPANIES.

12.3 3 PHASES is a vendor and contractor for THE COMPANIES' voluntary renewable option in THE COMPANIES' Service Territory. Accordingly, unless otherwise directed by THE COMANIES, 3 PHASES will make the following efforts to avoid direct competition with THE COMPANIES' Program: a) 3 PHASES will not actively approach existing Program Participants to solicit their business as a Renewable Energy Certificate supplier; b) 3 PHASES will make best efforts to not approach THE COMPANIES

customers to solicit their business as a Renewable Energy Certificate supplier. The following will be exceptions to 12.3 (a, b): i) organizations participating in the World Resources Institute Green Power Marketing Development Group or other similar organizations; ii) multi-site organizations evaluating national or regional contracts; iii) organizations that issue a formal RFP or solicit pricing and quotations directly from 3 PHASES; and iv) any Additional Services required by THE COMPANIES where THE COMPANIES contract with 3 PHASES for 3 PHASES to conduct direct outreach to THE COMPANIES' customers; in such cases, 3 PHASES shall recommend the entity(ies) source, at a minimum, a portion of its renewable energy from THE COMPANIES.

12.4 THE COMPANIES may commence and operate a new competitive program that markets or sells renewable energy, Renewable Energy Certificates, or carbon offsets on a voluntary opt-in basis in THE COMPANIES' Service Territory. In the event of such occurrence, i) THE COMPANIES shall give 3 PHASES written notification of its intentions 365 days prior to commencement of any such program and ii) THE COMPANIES shall enter into good faith negotiations with 3 PHASES to contract with 3 PHASES to supply renewable energy, Renewable Energy Certificates or carbon offsets, as applicable, to the new competitive program.

SECTION 13 – AUDIT RIGHTS; PRODUCT SUBSTANTIATION

13.1 3 PHASES shall keep complete, accurate, and verifiable records showing its performance of the Services and its purchases of Renewable Energy Certificates, as well as copies of any and all materials related to the Renewable Energy Certificates or submitted to the U.S. Department of Energy or other program administrator under Section 1605(b) of the Energy Policy Act of 1992. THE COMPANIES, or its duly authorized representatives, shall have the right, upon reasonable advance notice and during 3 PHASES' normal business hours, to inspect at their usual locations such records in order to verify with 3 PHASES performance and other terms set forth herein.

13.2 3 PHASES shall deliver to THE COMPANIES from each third party generator or supplier selling Renewable Energy Certificates to 3 PHASES attestations in form and substance acceptable to THE COMPANIES, as such form may be changed from time-to-time to meet the regulatory requirements, as applicable to the particular transactions covered thereby. 3 PHASES shall cause each such attestation to be duly executed by an authorized representative of such third party generator or supplier, and shall deliver each such attestation to THE COMPANIES. 3 PHASES will replace promptly any Renewable Energy Certificates that do not meet the product substantiation requirements required herein. This obligation will survive any termination or expiration of the Agreement for one (1) year.

13.3 In connection with entering into any agreement or other arrangement to acquire Renewable Energy Certificates, 3 PHASES shall obtain such written attestations of each entity in the chain of title to permit 3 PHASES to perform its obligations hereunder, including without limitation those set forth in Section 13.2 above.

13.4 Nothing herein shall limit the obligation of 3 PHASES to reasonably demonstrate compliance with regulatory requirements with respect to the Renewable Energy Certificates, including the verification of New Renewable Energy Resources.

13.5 3 PHASES shall maintain all records relating to its performance of the Services, and the Renewable Energy Certificates, for a period of three (3) years from the end of the Term, or such later period as may be required by regulatory bodies.

SECTION 14 – MUTUAL REPRESENTATIONS AND WARRANTIES

14.1 Each Party represents and warrants to the other that: (a) it has the right to enter into this Agreement; (b) the person signing below has the authority to execute this Agreement; (c) it has the authority to perform its obligations under this Agreement and such performance does not conflict with any other agreement to which such Party is subject or is bound; and (d) any and all necessary actions, corporate or otherwise, have been taken to authorize the execution and delivery of this Agreement, which constitutes a valid and binding obligation of the Party enforceable against the Party in accordance with the terms hereof, except as may be limited by applicable bankruptcy law or equitable principles generally.

SECTION 15 – MISCELLANEOUS PROVISIONS

15.1 This Agreement is made under and shall be governed by and constructed in accordance with the laws of the State of Kentucky, exclusive of any choice of laws provisions of the State of Kentucky that would apply the laws of another jurisdiction.

15.2 This Agreement is not intended to create a partnership or any other co-owned enterprise. Except as specifically provided herein, each Party shall continue to have the right to contract independent of the other Party with individuals and entities. Each Party shall be responsible for its own operating expenses and personnel expenses.

15.3 To the fullest extent permitted by law, each of the parties hereto waives any right it may have to a trial by jury in respect of litigation directly or indirectly arising out of, under or in connection with this agreement. Each party further waives any right to consolidate any action in which a jury trial has been waived with any other in which a jury trial cannot be or has not been waived.

15.5 The prevailing Party in any action brought to enforce the provisions hereof may recover its reasonable costs and attorneys' fees expended in connection with that action.

15.6 This Agreement, and the Confidentiality Agreement between the Parties dated January , 2007, incorporated herein by this reference, represents the entire and integrated contract between the Parties and supersedes all prior negotiations, representations, and contracts, either written or oral. This Agreement may be amended only by a written instrument, which is signed by the Parties.

15.7 All provisions hereof, whether covenants or conditions, will be deemed to be both covenants and conditions.

15.8 The covenants, terms, conditions and provisions hereof will apply to, and will bind, the permitted heirs, successors, executors, administrators, assignees, and contractors, as the case may be, of the Parties.

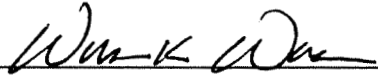
15.9 Rules of Construction. "Or" is not necessarily exclusive. "Hereof," "herein," "hereunder," and similar words refer to this Agreement in its entirety. "Sections" and "Exhibits" refer to Sections and Exhibits of this Agreement unless otherwise stated or indicated. "Including" is not limiting. All accounting terms and computations are construed in accordance with generally accepted accounting principles consistently applied.


15.10 This Agreement may be executed in any number of counterparts, each of which will be an original, but all of which together will constitute one and the same instrument. Facsimile signatures shall have the same effect as original signatures.

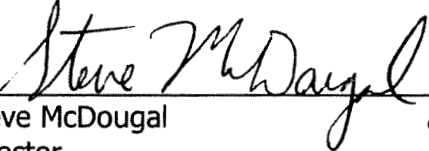
15.11 Termination of this Agreement: (i) shall not affect the Parties' obligations with respect to confidentiality; (ii) shall not relieve the Parties of any obligation under this Agreement which expressly or by implication survives termination of this Agreement, (iii) except as otherwise provided in any provision of this Agreement expressly limiting the liability of either Party, shall not relieve either Party of any obligations or liabilities for loss or damage to the other Party arising out of or caused by acts or omissions of such Party prior to the effectiveness of such termination or arising out of such termination, and (iv) shall not relieve either Party of its obligations as to Services already performed or of obligations assumed by either Party prior to the date of termination, except as otherwise agreed by the other Party in writing.

IN WITNESS WHEREOF, the Parties hereto have by their duly authorized representatives executed this Agreement on the date first above written.

LOUISVILLE GAS AND ELECTRIC
COMPANY, AND
KENTUCKY UTILITIES COMPANY


By: William K Woodard
Its: Manager, Corporate Purchasing

SOLUTIONS (2/14/07)
3 PHASES CLIMATE SERVICES, INC.
a California Corporation

Dan Kalafatas
Director 2/14/07


Steve McDougal
Director 2/14/07

Attachments:

- EXHIBIT A: SCOPE OF SERVICES
- EXHIBIT B: GREEN-E STANDARD
- EXHIBIT C: ATTESTATION FROM PROVIDER OF RENEWABLE ENERGY CERTIFICATES

Exhibit A

Scope of Services

1. Renewable Energy Certificates

1.1 Product Content:

- 1.1.1 All of the Renewable Energy Certificates provided by 3 PHASES shall be derived from eligible Renewable Energy Resources in accordance with the Green-e Standard.
- 1.1.2 All Renewable Energy Certificates shall originate from eligible Renewable Energy Resources within the geographical region comprising the state of Kentucky and all contiguous states including, Indiana, Ohio, Illinois, West Virginia, Virginia, Missouri, and Tennessee.
- 1.1.3 Pursuant to current Green-e Standard, 3 PHASES shall provide Renewable Energy Certificates to meet sales for a given calendar year that are generated (a) in the calendar year in which the product is sold, (b) the first three months of the following calendar year, or (c) the last six months of the prior calendar year.
- 1.1.4 In the event of a change in applicable Green-e standards or governing state laws or regulations, 3 PHASES reserves the right to change either the product content mix or the pricing of the Renewable Energy Certificates to conform to new standards. Pricing shall not increase by more than 5% in any given calendar year from the previous price.
- 1.1.5 3 PHASES may reference LG&E Company and Kentucky Utilities Company (THE COMPANIES) in its marketing and may utilize THE COMPANIES' logos in conjunction with such marketing.
- 1.1.6 Prior to each quarter, 3 PHASES will prepare a report of new facilities being explored by or in contract with 3 PHASES for supply of Renewable Energy Certificates under the Program.

Exhibit B
Green-e Standard



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I. INTRODUCTION

This is the Green-e Standard for Renewable Energy Products in all regions of the United States. The following criteria apply to all Green-e certified products (Renewable Energy Certificates, utility green pricing programs, and competitive market electricity products).

This is considered a dynamic document and may change over time to accommodate changes in the renewable energy marketplace, policy changes that affect renewable energy, and/or innovations in renewable energy technology. For any substantial changes to the Green-e certification criteria document, the Green-e Program commits that:

1. Stakeholders will be solicited in advance of Green-e Governance Board meetings for input on substantive policy change issues; and
2. At least one year of notice (following the date of announcement of Board approval) will be granted to utilities, green power marketers and other stakeholders before the substantive changes go into effect, unless a more timely change is necessary to respond to a significant and imminent problem threatening the integrity of green power markets.

Marketers of Green-e certified products may petition Green-e for an exemption from specific changes in the criteria if they can document current contracts or other conditions that prevent them from meeting the change.

Changes that are not limiting to marketers of Green-e certified products (i.e. will impose no burden on currently certified products) or need to be implemented in the short term to accommodate external policy changes may take effect immediately upon Board approval.

Additional details about the Green-e certification criteria, the application process, verification protocol, marketing compliance review, etc. can be found in the Green-e Code of Conduct and Customer Disclosure Requirements, available on our website www.green-e.org. The criteria presented below will go into effect on January 1, 2007.

II. ELIGIBLE SOURCES OF SUPPLY

A. Definition of Eligible Renewables

The following types of renewable energy are eligible to supply Green-e certified products:

- 1) Solar Electric;
- 2) Wind;
- 3) Geothermal;
- 4) Hydropower from new generation capacity on a non-impoundment or new generation capacity on an existing impoundment that meets one or more of the following conditions:
 - a) The hydropower facility is certified by the Low Impact Hydropower Institute;

- b) The facility is a run-of-the-river hydropower facility with a total rated nameplate capacity equal to or less than 5 MW. Multiple turbines will not be counted separately and cannot add up to more than a 5 MW nameplate capacity; and/or
- c) The hydropower facility consists of a turbine in a pipeline or a turbine in an irrigation canal.

The Board will consider on a case-by-case basis new incremental capacity on an existing dam, where the "new" output is equal to or less than 5 megawatts.

Green-e will not certify renewables from new impoundments of water.

Green-e will consider adopting ocean-based resources and will review these technologies as they mature and as practical application reaches near term.

5) Solid, liquid, and gaseous forms of Biomass from the following fuels:

- a) All woody waste;¹
- b) All agricultural crops or waste;
- c) All animal and other organic waste;
- d) All energy crops;
- e) Landfill gas and wastewater methane; and
- f) Municipal Solid Waste is eligible if it is first converted to a clean burning fuel that is then used to generate electricity. The solid waste conversion facility for converting the municipal solid waste to a clean burning fuel must meet the following criteria²:
 - i. The facility uses a non-combustion thermal process to convert the municipal solid waste to a clean burning fuel.
 - ii. The technology is designed to produce no discharges of air contaminants or emissions, including greenhouse gases.
 - iii. The technology produces no discharges to surface or groundwaters.
 - iv. The technology produces no hazardous wastes.
 - v. To the maximum extent feasible, the technology removes all recyclable materials, including plastics, and marketable green waste compostable materials from the solid waste stream prior to the conversion process and the owner or operator of the facility certifies that those materials will be recycled or composted.
 - vi. The facility complies with all applicable laws, regulations, and ordinances.

Third-party verification that an MSW facility has met these criteria is required in order for the electricity or RECs from a facility to be used in a Green-e certified product. The California Energy Commission can provide this verification in California and TerraChoice, an environmental consulting firm, which provides facility verification services (www.terrachoice.com), may be able to provide this service in other regions. Facilities may also petition Green-e to allow an alternative third-party to perform this verification if that party meets appropriate standards.

¹ Includes "black liquor" from pulp and paper processing, mill residues, industrial waste wood, and waste wood from woodworking or wood processing, so long as the wood is not chemically treated or coated.

² Criteria adapted from the California's "Renewables Portfolio Standard Eligibility Guidebook, August 2004. This guidebook can be downloaded at: http://www.energy.ca.gov/portfolio/documents/guidebooks/2004-08-20_500-04-002F1.PDF.

Biomass resources excluded from eligibility include:

- a) Wood that has been coated with paints, plastics, or formica; and
- b) Wood that has been treated for preservation with materials containing halogens, chlorine or halide compounds like CCA-treated materials, or arsenic. (CCA = chromated copper arsenate)

Qualified wood fuels may contain de minimis quantities (less than 1% of total wood fuel) of the above excluded contaminants.

6) Biodiesel (B100) that is used to generate electricity is eligible for Green-e. Biodiesel blended with petroleum diesel is permitted if the following conditions are met:

- a) The biodiesel is separately measured (and verified) from the petroleum diesel; and
- b) Contracts are in place to allow CRS to verify that the biodiesel was converted to electricity.

Only the amount of electricity generated from the biodiesel may be counted as part of a Green-e certified product.

7) Fuel cells are eligible only if powered by hydrogen derived from any of the above eligible renewable resources.

B. Co-firing of Biomass with Non-Renewables

Co-firing of eligible forms of biomass with non-renewables is permitted if at least one of the following conditions is met:

1) The facility is located in an electric system control area that makes use of a generation tracking system (e.g., NEGIS, PJM-GATS, WREGIS) that is fully capable of accurately measuring and reporting the differentiated (biomass-fired and non-biomass-fired) electrical output from the facility; or,

2) The biomass is in a gaseous or liquid state, is separately metered and there are contracts in place to verify that the biomass portion was converted to electricity; or

3) Facilities that do not meet either of the criteria above may be eligible subject to a case-by-case review by the Green-e Governance Board. The methodology presented to Green-e must demonstrate that the Btu value of the electrical output from the facility is attributed to the eligible biomass fuel. Some of the criteria that the Board will consider in making a decision are:

- a) Whether the facility was modified to accept biomass fuel;
- b) Whether there is an independent entity involved in verifying or determining the appropriate measurement; and
- c) Whether there is a way to determine and ensure the net electricity increment being sold as "renewable" can be attributed to eligible biomass fuel. The Board would prefer a verification methodology that is brought forth by the PMAC and UGPAC that could be applied universally.

Only the amount of electricity generated from the eligible biomass may count towards the Green-e criteria.

C. Emissions Limits on Biomass

All facilities must be in compliance with all state and/or federal laws/rules regarding emissions. For facilities subject to New Source Review (NSR), the facility must be compliant with all applicable regional and state standards pertaining to NSR.

(Please note: For other facilities, the Green-e Board intends to adopt a comparable standard for biomass generators that are not subject to NSR. Stakeholders and generators are invited to provide CRS with emissions and sustainability criteria they feel are appropriate, which will be shared with the Green-e Board.)

D. Emissions Criteria for the Non-Renewable Portion of a Green-e Product

Some renewable energy products do not meet 100% of a customer's electricity load and/or will contain non-renewable energy. The emission rates per kWh for SO₂, NO_x, and CO₂ from the non-renewable portion of the eligible product may not exceed customer's average utility, state or regional power emissions rates. Rates are calculated from the latest available EPA EGRID data, unless the regional system administrator, PUC or other authority makes more up to date information available. The product may not include any specific purchases of nuclear power in the non-renewable portion of the product other than what is contained in any system power purchase (i.e. the product may not include differentiated nuclear power). A utility's or power pool's system mix may be used to satisfy the non-renewable portion of a Green-e certified product.

E. New Renewables

Only new renewables are eligible to meet Green-e standards. The term "new" is defined to include any eligible renewable facility beginning operation or repowered after January 1, 1997. Facilities placed online prior to 1997 that have been used to supply a Green-e certified product prior to 2006 will be allowed to continue in the program on a limited basis; details are provided in Appendix A.

An eligible new renewable generation facility must meet at least one of the following conditions:

- 1) Placed in operation (generating electricity) on or after January 1, 1997;
- 2) Repowered on or after January 1, 1997 such that at 80% of the fair market value of the project derives from new generation equipment installed as part of the repowering;
- 3) A separable improvement to or enhancement of an existing operating facility that was first placed in operation prior to January 1, 1997, such that the proposed incremental generation is contractually available for sale and metered separate from the existing generation at the facility;
- 4) A biomass co-firing facility that meets all requirements for biomass co-firing outlined in section III.B. above and began co-firing non-eligible fuels with eligible biomass as defined in III.A. above on or after January 1, 1997;

- 5) A 100 percent switch from a non-eligible fuel to an eligible fuel after on or after January 1, 1997;
- 6) A separately metered landfill gas resource that was not being used to generate electricity prior to January 1, 1997; and/or
- 7) A fuel cell that began generating electricity on or after January 1, 1997. The hydrogen powering the fuel cell must be derived from a facility that meets the resource eligibility requirements described in section II.A. above. The renewable resource facility does not need to meet the new date criteria.

Any enhancement of fuel source that increases generation at an existing facility, without the construction of a new or repowered, separately metered generating unit, is not eligible to participate, with the exception of new landfill gas resources identified in (5) above. An eligible "new renewable" must qualify as an "eligible renewable resource" as described herein.

Please Note: Green-e plans to consider in 2006 adopting a policy articulating the number of years a facility will be treated as "new". We will solicit stakeholder feedback on this issue.

F. Energy Storage

Energy storage systems or plants, including pumped hydroelectric storage, battery storage, compressed air energy storage, superconducting magnetic energy storage, flywheels, and super capacitors, are not energy resources. While each of these storage technologies may play an important future role in managing the delivery of non-dispatchable renewable energy, they are not in themselves a renewable energy resource. Therefore, these storage technologies themselves are not qualifying sources of renewable generation.

G. Parasitic Load

Renewable energy consumed as parasitic load of an eligible facility is not eligible for use in a Green-e certified product. Parasitic load is a load that contributes to the process of electricity generation.

III. PRODUCT SPECIFICATIONS

A. Minimum Purchase Quantity

Green-e certified products sold to residential customers must contain at least the minimum amounts of Green-e eligible renewable energy described below.

- 1) Percentage-of-Use Products: Percentage-of-Use Products: Retail electricity offerings must offset at least 25% of a residential customer's electricity usage above and beyond any state mandated Renewable Portfolio Standard (RPS) renewable amount with new renewables. If a marketer or utility offers the option to offset less than 50% of a residential customer's electricity use, they must also offer a 100% option to residential customers.
- 2) Block Products: Electricity products sold as block products must be 100% Green-e eligible renewables in a minimum size of 100 kWh/month.

Green-e certified products sold to non-residential customers have no minimum purchase quantity requirement. However, commercial purchasers interested in using the Green-e logo to promote their purchase must meet the requirements outlined in the Green-e Customer Logo Use Agreement (http://www.green-e.org/pdf/Customer_Logo_Use_Pack.pdf).

B. Vintage of Eligible Renewables

A Green-e certified product may include only renewables that are generated in the calendar year in which the product is sold, the first three months of the following calendar year, or the last six months of the prior calendar year.

C. Fully Aggregated Renewables

Green-e only certifies renewable energy products that are fully aggregated to the extent possible under law.

Green-e certified MWhs (electricity or REC) must contain all the greenhouse gas emission reduction benefits, including carbon dioxide (CO₂) reduction benefits, associated with the MWh of renewable electricity when it was generated.³

Emission reductions of capped and traded pollutants where allowances are not routinely assigned to renewable electricity generators, which include sulfur dioxide (SO₂) nationally, mercury (Hg) nationally, and the oxides of nitrogen (NO_x) regionally, are not required to be included in Green-e Certified renewable electricity or RECs.

D. Renewable Portfolio Standard (RPS) Renewables, Other Mandated Renewables, and Financial Incentives

Green-e certified products must be comprised of eligible renewable generation over and above anything required by state or federal RPS requirements. If a utility or electricity marketer is subject to an RPS, that utility must comply with its RPS. If a utility is determined to be out of compliance with its state's RPS, that may be grounds for decertification from Green-e.

Renewable energy or RECs may NOT be used in a Green-e certified product under the following circumstances:

- 1) The REC or the electricity from which the RECs are derived is being used simultaneously to meet a local, state, or federal energy mandate or other legal requirement; or
- 2) The RECs are derived from a renewable facility that has been mandated by a local, state, or federal government agency or was required under any legal requirement.

³ RECs that do not contain these attributes cannot be Green-e certified. Therefore, generation is not eligible if the GHG reduction benefits of it are claimed by other parties under a voluntary or mandatory cap and trade or other GHG regulatory scheme. This includes a case in which the utility covering the service territory where the renewable facility is located or the utility covering the service territory where the renewable electricity is delivered, claims that average system power emissions are reduced due to the operation of that renewable facility. If these claims are made, the RECs generated by the facility are not eligible for Green-e certification because another party has made a claim to the GHG reduction benefit of these RECs.

The sole exception to (1) and (2) is a facility that is generating renewable energy in excess of the government mandate or other legal contract, in which case that excess (either renewable electricity or the RECs associated with the renewable electricity) may be used in a Green-e certified product.

If the product meets 100% of a customer's electricity use with eligible renewables, Green-e allows a percentage of a product's content to be satisfied by renewable portfolio standard (RPS) state-mandated renewables up to the percentage RPS requirement. For example, if the RPS is set at 5% (either company based or product based), up to 5% of the Green-e product can be satisfied with renewable power purchased to meet a mandated RPS requirement. This applies only to products that meet 100% of a customer's electricity use with Green-e eligible renewables.

RECs or renewable energy from renewable generating facilities that obtain tax or financial incentive payments are eligible under Green-e (to the extent allowed by law, regulation, and contract language governing the tax or financial incentives program).

E. Double Counting and Use of Utility Resources

Eligible RECs or renewable energy can be used once and only once; making a claim⁴ (e.g. "we're buying wind power") is one example of a 'use' that results in retirement. Renewable energy or RECs (or the renewable or environmental attributes incorporated in that REC) that can be legitimately claimed by another party may NOT be used in Green-e REC products. Examples of prohibited double uses include, but are not limited to:

- 1) Where another party has a conflicting contract for the RECs or the renewable electricity;
- 2) Use of the renewable electricity from which the renewable energy or RECs were derived is being used in calculating another entity's product or portfolio resource mix for the purposes of marketing or disclosure;
- 3) Use of the renewable energy or REC to satisfy a government renewable energy mandate, such as an RPS; or
- 4) Use of one or more attributes of the renewable energy or REC by another party (See Section III.C. "Fully Aggregated RECs" for details).

When a utility is involved in a REC transaction, either as a generator, a purchaser of RECs, or a purchaser of the commodity electricity from which the RECs have been derived, the local utility commissions in the states where the electricity was generated and where the electricity is sold must be notified of the transactions and, in some cases, of the money received by the utility.

F. Customer-Sited facilities

On-grid customer sited (behind the meter) facilities that meet the eligible renewables definition are eligible sources for Green-e. Customer sited off-grid renewables are not eligible. Any generation unit less than or equal to 10 kW may use a conservative engineering estimate of output. CRS must pre-approve the estimation methodology. Systems over 10 kW must be metered.

⁴ Green-e plans to provide more detailed guidance in the future about claims that can be made regarding PURPA facilities, rate-based facilities, facilities that have sold their RECs, the booking of carbon emissions in registries, and other claims-related issues.

Customer-sited generators (such as net-metered solar) cannot claim to be selling/supplying renewable electricity if they sell the RECs (in part or in whole) separately. CRS will provide guidelines on how to disclose claims related to customer-sited renewable energy sources.

G. Canadian-Sited Facilities and RECs sold into Canada

RECs or electricity from Canadian-sited facilities that meet the eligible renewable definition are eligible if they are generated at facilities certified by the EcoLogo^M program, the Canadian government's environmental certification program (<http://www.environmentalchoice.com/>).

Green-e will certify RECs or electricity generated at facilities located in the U.S. to be sold into Canada *provided that they meet the eligible renewable definition and the facility is certified by the EcoLogo^M program.* De minimis amounts of sales to Canadian customers from facilities that are not EcoLogo participants will be tolerated.

IV. ADDITIONAL CRITERIA FOR COMPETITIVE ELECTRICITY AND UTILITY GREEN PRICING PRODUCTS

A. Geographic Eligibility for Electricity Products

For electricity products (i.e. products used to meet a customer's electricity needs), provider can source from one or more of the following geographic boundaries:

- a) The state where the customer is located; and/or
- b) The North American Electric Reliability Council (NERC) region, Independent System Operator (ISO), Regional Transmission Organization (RTO) or Balancing Authority Area of the customer being served; and/or
- c) An adjacent NERC, ISO, RTO or Balancing Authority Area region where the electricity, bundled with a REC, is wheeled into the respective region of the customer being served.

B. Use of Renewable Energy Certificates in an Electricity Product

Renewable Energy Certificates (RECs) can be combined with nonrenewable power to serve green electricity customers under the following conditions:

- a) The Renewable Energy Certificates must come from the defined geographic boundary of the customer being served as noted above if they are to be marketed as an "electricity" product; and,
- b) The emission rates per kWh for SO₂, NO_x, and CO₂ for the underlying electricity must be at or below the customer's average utility, state or regional power emissions rates.

If the RECs are sourced from outside the defined geographic boundary defined in Section IV.A. (Geographic Eligibility for Electricity Products), the product will need to be marketed as a REC product and contain the appropriate disclosure language (see Green-e Customer Disclosure Requirements).

V. ADDITIONAL CRITERIA FOR UTILITY GREEN PRICING PRODUCTS

A. Product Pricing

In no case should the above market costs of the energy used directly for a certified utility green pricing program be allocated to customers who are non-participants in the program. If such costs are related to public policy initiatives deemed acceptable by their regulators, a utility may appeal to the Green-e Board for approval.

B. Marketing and Performance Targets

If local stakeholders believe a certified program is not receiving sufficient marketing support, the stakeholders can petition CRS to require that the utility offering the program provide additional information, such as overall marketing expenditures for the certified program. All information provided by participating utilities to fulfill this criterion will be treated as confidential by the Center for Resource Solutions. The Board reserves the right to make case-by-case determinations on the adequacy of individual marketing efforts made by participating utilities.

In the event that a utility green pricing program becomes fully subscribed, consumers may have to be placed on a waiting list before they can officially subscribe to a green pricing program. If green pricing program providers have a waiting list, the waiting period must not last more than one year from when the customer seeks to join the green pricing program. Should the green pricing program provider accrue a waiting list of interested participants, the provider shall send a stand-alone letter to the waiting list on a semi-annual basis explaining why the list is not being served and what steps the provider plans to take to rectify the supply/demand imbalance. In the event that the program provider holds a waiting list, it shall notify CRS immediately stating the reasons for the insufficient supply and actions planned to remedy the situation. In the event of a semi-annual wait-list notification, the provider shall notify CRS of the event and provide the number of customers on the waiting list. Enrolling but not serving customers for more than one year may be grounds for removing certification.

C. Regulatory Approval

Certification is only available to programs that have been approved by the appropriate regulatory or oversight body with jurisdiction over the program prior to the program's nomination for certification.

D. Programs Serving Multiple Utilities (Hub and Spoke)

Some utilities are offering green pricing to customers in conjunction with other local utilities. In one such model, there is a central body (hub) that develops a renewable energy product that is marketed by more than one utility (spokes). For example, the output of a wind turbine, a landfill gas facility, and a solar array could be bundled into one product and sold by all of the members of a transmission and distribution cooperative. Since there is a single product and a single point of contact (the hub), Green-e is willing to treat this as one certification regardless of the number of vendors selling the product so long as they meet all of the conditions below.

1) In order to qualify for Green-e certification using the hub and spoke model, the product must:

- a) Contain exactly the same mix of resources for each participating vendor. The same facilities must be used and shared equally among customers. In other words, if the customers of one utility in the Midwest are purchasing 50% wind from Minnesota and 50% biomass from Wisconsin, then all participating vendors must sell the same mix of renewables from the same resources. That way Green-e can do a single verification audit. All of the renewable energy supply for the product must be sourced from the hub.
- b) Be sold within the same regional area. To receive hub-and-spoke treatment from Green-e the product resources must be sited in the same area of the country as the customer. The resources do not have to be located all in the same state, but must be in the same region (see section above; Geographic Boundaries for Sourcing Eligible Electricity) as the customers.
- c) Utilize the same marketing materials for each participating vendor. All participating vendors must use the same marketing materials. Individual utility vendors may brand the marketing materials. However, marketing materials must be consistent across the product service territory so Green-e can do a single marketing compliance review. Limited exceptions to this rule will be tolerated so long as Green-e is notified.
- d) Undergo a single verification process audit. Green-e program staff must have a single auditor as point of contact. The auditor must have access to customer records of all participating vendors.

2) What are the Obligations of the Hub and Spoke Facilitator (the Hub)?

- a) Offer the exact same product to all participating vendors.
- b) Provide a single point of contact for Green-e.
- c) Undergo a single annual verification process audit.
- d) Undergo single marketing compliance reviews.
- e) Ensure that all requirements of Green-e certification are met.
- f) Keep Green-e informed at all times regarding which distributors are marketing the product.

3) What are the Obligations of the Hub and Spoke Distributors (the Spokes)?

- a) Offer the auditor access to billing records.
- b) Abide by the Green-e Code of Conduct.
- c) Meet the Green-e Customer Disclosure Requirements, which include sending a system mix disclosure to all customers, regardless of their participation in the green pricing program.

There is a single annual fee assessed per product regardless of the number of participating vendors.

APPENDIX A: TREATMENT OF FACILITIES AND PRODUCTS THAT ARE DEEMED INELIGIBLE BY CHANGES IN CRITERIA

The intent of this new National Criteria document is to clarify existing Green-e policy and make policy changes that go into effect prospectively. Green-e realizes that some products that have been Green-e certified in the past would no longer qualify under these new standards. Therefore, Green-e will allow limited "grandfathering" of renewable energy facilities that have supplied Green-e certified products and meet the following criteria. These criteria go into effect on January 1, 2007, and all products that are granted criteria exemptions will be noted on the Green-e Web site.

1) Facility-Specific Criteria

Renewable energy facilities that do not meet the newly established national Green-e definition of "new" or "eligible" contained in this document, but that have been used to supply a Green-e certified product prior to 2006 will be allowed to continue in the program until their renewable energy contracts with the renewable energy marketer or participating utility expire. For example, a wind power facility that came online in 1996 was included in a Green-e certified product during the 2004 sales year. That facility no longer meets the "new" criteria in 2007, but can continue to supply a Green-e certified product until the renewable energy contract between the wind farm and the marketer expires. The marketer using that supply must provide copies of the contracts (which may be redacted to remove proprietary information) when re-upping their Green-e certification for 2007.

Non-conforming facilities that are owned by the entity that markets the Green-e certified product will be eligible to continue participation in Green-e for no longer than 10 years beyond their entrance into the Green-e program, unless the marketer can provide evidence to the Green-e Board that an extension should be granted.

Products that are supplied by facilities that no longer meet Green-e criteria for eligible sources of supply must disclose this information in the customer Terms and Conditions. If facilities brought online prior to 1997 are used to supply the product, the portion of energy from those facilities must be noted to customers. For example "25% of the renewable energy content of this product is supplied by facilities put online prior to 1997."

2) Product-Specific Criteria

Green-e certified products that no longer meet the Products Specifications requirements, such as electricity products that contain less than 50% renewables, will be allowed to continue in the Green-e program. Since product content disclosure has always been a required element of Green-e certification, we will continue to require that the percent of renewable content and state-specific geographic disclosure be required for these products.

We will not certify any additional products that do not meet the national Green-e criteria.

Exhibit C
ATTESTATION FROM PROVIDER OF RENEWABLE ENERGY CERTIFICATES

GREEN-E ATTESTATION FROM TRC PROVIDER

Reporting Year: _____

I, (print name and title) _____, declare on behalf of (name of TRC provider) _____, that:

- 1) all the TRCs sold through my company's Green-e Certified TRC product(s) were generated by eligible renewable energy generators as defined in the Green-e national standard for Tradable Renewable Certificate products, including any regional exclusions as defined in relevant regional Green-e electricity standards;
- 2) all the renewable attributes, including any emissions offsets or claims, represented by the Green-e certified TRC sales reported in the Green-e Worksheets in the *Green-e Annual Process Audit Protocol* were transferred to customers or retired on their behalf;
- 3) the TRCs claimed for the verified products were sold once by _____ (name of TRC provider) as part of a Green-e certified TRC product;
- 4) For the TRCs claimed by _____ (name of TRC provider), _____ (name of TRC provider), did not:
 - a) sell the electrical energy that was generated with the TRCs claimed separately,
 - b) market or otherwise represent as renewable energy the electrical energy that was generated with the TRCs claimed, and
 - c) use the electrical energy that was generated with the TRCs claimed to meet any federal, state or local renewable energy requirement, renewable energy procurement, renewable portfolio standard, or other renewable energy mandate.

Nor did any other party, to best of my knowledge, do the actions described in a, b, and c above with the electrical energy that was generated with the TRCs claimed by _____ (name of TRC provider).

Name(s) of Green-e certified or verified products:

- _____
- _____
- _____

I further declare that statements contained in Green-e Accountant Worksheets 1-6 for the products listed above are true and correct. As an authorized agent of the aforementioned Company, I have authority to submit this report on the company's behalf.

Signature

Date

Place of Execution

This Form is used by the Center for Resource Solutions to verify the accuracy of claims made by TRC marketers. The information on this form is held strictly confidential and will not be shared with any other party except in aggregate form.