

PREMIER POWER SERVICE
RIDER PPS-7A

AVAILABILITY

This Rider is available on a voluntary basis in conjunction with any of Company's general service schedules when the Customer contracts with Company to furnish certain services related to the supply of on-site generation for the primary purpose of providing an alternate supply of electric service in the event normal electric supply is interrupted. The rate schedule with which this Rider is used is modified only as shown herein.

DEFINITION OF SERVICES

Services provided under the terms of this Rider shall be provided by an on-site generator supplied and owned by Company for the purpose of continuing the supply of electricity to the Customer's site in the event the normal electric supply is interrupted. In cases where Customer's total electric requirement exceeds the generation capability of the on-site generator, Customer shall arrange its electrical requirements to ensure that the electrical requirement to be supplied when normal service is interrupted will not be greater than the on-site generation capacity. The minimum generator capacity supplied by Company under this Rider shall be not less than 50 kW; the maximum generation capacity supplied by Company under this Rider at a single site shall not exceed 8,000 kW.

All equipment installed on the Customer's premises by Company is and will remain the sole property of Company both during, and subsequent to, the Contract Term. Company reserves the right to exchange or upgrade equipment as necessary for the continued supply of these services. All equipment shall be owned, maintained, and operated solely by Company. Company reserves the right to operate the generation at all times it deems appropriate for purposes of, but not limited to, (1) testing of the generation to verify that it will operate within required parameters and (2) dispatching the generation to achieve system benefits, provided such dispatch does not interfere with or reduce the effectiveness of the generation to provide an alternate supply of electricity in the event normal electric supply is interrupted to Customer. The generation and appropriate transfer switching shall be located on Company's side of the billing meter; therefore, billing under the applicable general service schedule shall continue to be based solely upon consumption registered on Company's billing meter.

MONTHLY RATE

The Monthly Rate shall be an amount computed under the applicable general service schedule and other riders, if applicable, for the Billing Demand and kilowatt-hours registered or computed by or from Company's metering facilities during the current month plus the following:

$$\text{Monthly Services Payment} = \text{Capital Cost} + \text{Expenses}$$

where:

Capital Cost equals a carrying cost times the levelized plant investment based upon the estimated installed cost of facilities. The carrying cost includes the cost of capital, reflecting current capital structure and debt and preferred rates and the most recent approved return on common equity; income taxes; property taxes; general plant; administrative and general plant-related expenses; and intangible plant. Any replacement cost expected to be incurred during the Contract Period would also be included. Any special equipment installed by Company and not necessary to support the emergency back-up service shall not be included in the Monthly Services Payment.

Expenses shall be levelized over the Contract Term and shall include: Company operations and maintenance (O&M) expenses times a carrying cost that is inclusive of administrative and general and labor expenses related to O&M and cash working capital; third-party expenses for operations and maintenance, warranties, or insurance; fuel expense, based upon an annual estimate of fuel consumption cost, less a credit based upon the system average cost of energy included in retail tariffs; inventory cost associated with fuel, materials, and supplies times a carrying cost that recovers the cost of capital and income taxes; depreciation expense, adjusted for the estimated salvage value at the end of the Contract Period; deferred income taxes; and customer accounting, customer service and information, program administration, and sales expenses. Any expenses incurred in operating the generation, for other than normal back-up operation and testing, shall not be included in the Monthly Services Payment.

Customer shall be liable to Company for any attorney fees or other costs incurred due to Customer's failure to pay the Monthly Rate due under this Rider. Installation cost will be recovered over the initial Contract Term. Pricing of capital-related costs and expenses shall be based upon no shorter than 10 years from the equipment's original in-service date and the resulting Monthly Rate shall include an upward adjustment for Contract Terms that expire prior to 10 years from this in-service date.

CUSTOMER REQUESTED TEST

Customer may request that Company's on-site generation be operated during specific times requested by Customer. Company will comply with Customer's request provided the additional hours of operation do not adversely impact any permits or other regulatory requirements. Customer shall pay an Administrative Fee of \$50 per occurrence plus the replacement cost of all fuel consumed during the test.

PREMIER POWER SERVICE AGREEMENT

Company and Customer shall execute a Premier Power Service Contract that will further state the amount of the Monthly Services Payment, as established in accordance with the Monthly Rate provision above, and the Contract Term. This Rider, in conjunction with the Premier Power Service Contract, embodies the Agreement between Company and Customer. The parties shall not be bound by or liable for any statement, writing, representation, promise, inducement, or understanding not set forth therein. In the event of any conflict between these writings and the terms of this Agreement, this Agreement shall control. No changes, modifications, or amendments to any terms and conditions in this Contract are valid or binding unless agreed to by the parties in writing by their authorized representatives.

CONTRACT TERM

The Contract Term shall be the period of time specified in the Premier Power Service Contract and shall commence with the first day service is provided under this Rider.

EARLY TERMINATION OF CONTRACT TERM

The Customer has the right to terminate this Contract before the entire Contract Term has expired. In order to terminate Contract before the end of Contract Term, the Customer must a) notify Company in writing a minimum of 60 days prior to termination of services and b) pay a Termination Fee. The Termination Fee shall be the sum of (1) the removal cost of Company's equipment and related facilities, (2) storage costs, if applicable, (3) the remaining monthly charges until such time as the Company's generator is placed in service at an alternate customer site, and (4) any initial installation cost not already received in prior monthly payments. Alternatively, the Customer may elect to pay a Termination Fee that is independent of the future use of Company's equipment. This alternative Termination Fee will be calculated by taking the sum of the Customer's payments remaining in the Contract Term, adding the removal cost, and subtracting therefrom the difference between the current salvage value and the salvage value used in setting the Monthly Rate. In the event of any termination of the Contract before the end of the Contract Term, Company shall be compensated for all services provided to Customer prior to the effective date of termination. Upon termination, Company shall remove all equipment.

PROVISIONS OF SERVICES AND INSTALLATION SCHEDULE

Company agrees to furnish labor, supervision, equipment, materials and transportation. Company shall be entitled to rely on the accuracy of any information provided by Customer, which is warranted by Customer to be accurate and correct. In the event of any unforeseen difficulties in performance of the services due to conditions at the work site or due to the inaccuracy of any information relied upon by Company, the Monthly Rate, description of services, and Contract Term shall be equitably adjusted to compensate for any additional work. Company shall exercise reasonable efforts to complete the services within any schedule specified in the Premier Power Service Contract. Any schedule that is specified in the Contract is only an estimate of the time it will take to complete the services. In the event of any unforeseen difficulties in performance of the services due to conditions at the work site or due to the inaccuracy of any information relied upon by Company, the Customer shall indemnify Company for any costs or expenses incurred by Company and the compensation payable to Company, the description of services, and the schedule for the subject services shall be equitably adjusted to compensate for any additional work Company may be required to perform.

CUSTOMER'S RESPONSIBILITIES

Customer shall provide a location on premise for installation of Company's facilities and any necessary access to the work site, as well as reasonable lay-down area to perform the services. Any additional services that become necessary because of inadequate access to the work site shall be grounds for an equitable adjustment in the schedule and the Monthly Rate. Company shall have the right to suspend services or adjust the schedule accordingly in the event that there is inadequate access to the work site, or if any required information is not promptly provided, or in the event that the safety of any person or property might be jeopardized by continuing with the services. Customer shall provide, at no cost to Company, any plans, specifications, drawings, or information that may be necessary or useful in the performance of the services. Customer will ensure that all Occupational Safety and Health Act requirements are adhered to for the area where any Company equipment, in support of the services, is to be stored. In the event of damage to Company-owned equipment that is caused by the Customer or Customer's agents, Customer agrees to pay all repair or replacement costs associated with the damage.

PERMITS AND REGULATORY REQUIREMENTS

Company shall be responsible for obtaining any license or permit required of Company in Company's name to enable it to provide the services. Customer assumes the risk and responsibility for such compliance or change, or for securing such permits, licenses, and approvals from the proper authorities, and for paying any associated costs or fees should compliance with any laws, rules, regulations, or ordinances of any federal, state, or local authority, or of any agency thereof (including, but not limited to, certification to do business as a foreign corporation) require any changes in the services; or should any permits, licenses, or approvals of plans and specifications for the services or should any permits, licenses, or approvals for the installation or use thereof be required.

LIMITATION OF LIABILITY

Neither Company nor its employees, its subcontractors, or suppliers shall be liable for any direct, indirect, general, special, incidental, exemplary, or consequential loss or damage of any nature arising out of their performance or non-performance hereunder. This provision shall apply whether such liability arises in contract, tort (including negligence), strict liability, or otherwise.

INSURANCE

Company represents and warrants that it has met all requirements under North Carolina law with regard to workers' compensation and automobile liability coverage. Company is self-insured for workers' compensation, automobile liability, and general liability coverage.

FORCE MAJEURE

In no event shall Company be responsible for any damages arising out of any failure to perform or delay due to any cause beyond Company's reasonable control. In such event, Company shall be entitled to an extension of time as necessary to overcome the cause of the failure to perform or delay.

USE OF SUBCONTRACTORS

Company shall be permitted to use subcontractors to perform the services. Notwithstanding the use of subcontractors, Company shall continue to be responsible for the quality of the services.

NON-WAIVER

The failure of either party to insist upon the performance of any term or condition of this Agreement or to exercise any right hereunder on one or more occasions shall not constitute a waiver or relinquishment of its right to demand future performance of such term or condition, or to exercise such right in the future.

WARRANTY

Company warrants that services shall be performed in accordance with generally accepted industry practices. The Warranty set forth above is exclusive, and no other warranty or remedy of any kind, whether statutory, written, oral, express, or implied, including without limitation warranties of merchantability and fitness for a particular purpose, or warranties arising from course of dealing or usage of trade shall apply. Except as provided in the Use of Subcontractors provision above, Company shall not be responsible for any work done by others or for any loss, damage, cost, or expense arising out of or resulting from such work, unless authorized in advance by Company.

REGULATORY AUTHORITY AND GOVERNING LAW

Services rendered under this Agreement are subject to the authority of the North Carolina Utilities Commission and any changes or other modifications lawfully made thereto. This Agreement shall also be governed by the laws of the State of North Carolina, except that the North Carolina conflict-of-laws provisions shall not be invoked in order to apply the laws of another state or jurisdiction.

SALES AND OTHER TAXES

To the above stated charges will be added any applicable North Carolina Sales Tax. The Monthly Rate for the services are subject to revision for future changes in sales or use tax, or any future tax upon or measured by the gross receipts for any transaction hereunder or any allocated portion thereof, or similar charge with respect to the services. If Company is required by applicable law or regulation to pay or collect any such tax or taxes on account of these services rendered under this Agreement, then such amount of tax and any penalties and interest thereon shall be reimbursed to Company. Any such change in the Monthly Rate shall be subject to prior approval by the North Carolina Utilities Commission.

Supersedes Rider PPS-5

Effective for services rendered on and after July 10, 2003

NCUC Docket No. E-2, Sub 720