

## LIABILITY INSURANCE REQUIREMENTS

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

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

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

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

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