

1.3 ASSURANCES

WAC 463-42-075 GENERAL-ASSURANCES. The application shall set forth insurance, bonding or other arrangements proposed in order to mitigate for damage or loss to the physical or human environment caused by Project construction, operation, abandonment, termination, or when operations cease at the completion of the Project's life.

1.3.1 Insurance Policies

The Applicant will establish or cause to be established and maintained, policies of insurance during the development construction and operation of and for the Kittitas Valley Wind Power Project. Such forms of insurance will be established and maintained as required by state, federal and local ordinance or law, customary business practice and third-party participants and lenders. The following coverage will be included:

1.3.1.1 Commercial General Liability Insurance

The construction contractor, and subcontractors or Applicant, will be required to carry commercial general liability insurance, including products and completed operations in specified amounts to respond to liability and property damage claims arising during the construction and startup phase of the Project.

The Applicant will obtain and maintain in full force and effect, commercial general liability insurance against claims for liability and property damage arising out of the use and occupancy of the premises.

The Applicant will purchase insurance policies to cover liabilities arising from casualty and other major incidents. The insurance industry views facilities such as the Kittitas Valley Wind Power Project as low risk. Therefore, high coverage limits are available at reasonable costs. The potential for damages can be defined. Damages would occur only if engineered safeguards would fail. In many cases, more than one simultaneous failure would be required to produce significant damages.

Upon completion of power plant design, insurance underwriters will evaluate the design and estimate potential damages. In some cases, design changes may be implemented to mitigate the damages.

1.3.1.2 Automobile Insurance

The construction contractor, and subcontractors, will be required to carry automobile liability insurance covering all owned, leased, non-owned and hired automobiles used during the construction and startup phase of the project.

The Applicant will obtain and maintain in full force and effect automobile liability insurance covering owned, non-owned and hired autos.

1.3.1.3 Property Insurance

The Applicant will obtain and maintain, at all times during the term of construction and operation of the Project, physical damage insurance on the buildings and all improvements that are to be erected on the premises on an "all risk" basis including coverage against damage or loss caused by earth movement and flood to the full insurable value of such improvements, if commercially available.

Upon completion of the Project, the Applicant will be required by its customer(s) and lenders to maintain specific forms of business interruption coverage to ensure continued operation of the Kittitas Valley Wind Power Project.

1.3.1.4 Machinery Insurance

The Applicant will obtain and maintain machinery insurance at all times during the term of construction, including testing, and operation of the facility. Coverage will be written on a comprehensive form for all insurable objects, including all production machinery located on or adjacent to the property in a minimum amount equal to the maximum foreseeable loss, and including expediting expenses, extra expense and business income.

1.3.1.5 Worker's Compensation And Washington Stop Gap Liability

The Applicant will fully comply with the worker's compensation and unemployment laws as required with respect to any employees performing work on the subject property and premises. The Applicant will also insure for exposure under Washington Stop Gap Liability. The Applicant will require that the construction contractor and subcontractors working on the Project similarly comply with the worker's compensation and unemployment laws with respect to their employees performing work on the subject property and premises. The Applicant also will require insurance for exposure under Washington Stop Gap Liability.

1.3.2 Environmental Impairment

The Applicant will be responsible, as required by law, for acts of environmental impairment related to the ownership and operation of the Project. Such losses may, in some circumstances, be covered by liability insurance, which the Applicant and/or the construction contractor will carry. In addition, the Applicant and/or its contracted operator will obtain environmental impairment liability insurance to the extent such coverage is commercially available. This insurance will cover the acts of the Applicant and its operators at the project site, consistent with, or in excess of, the then prevailing industry standards for such insurance in the wind power industry. The concept of commercial availability is determined by reference to the norm of the industry.

1.3.3 Project Site Abandonment

If the Project were to terminate operations, the Applicant would obtain the necessary authorization from the appropriate regulatory agencies to decommission the facilities. A Final Site Restoration plan would be developed and submitted to EFSEC for review and approval. Experience in other regions with older wind power projects indicates that a non-operating wind power project does not present any significant threats or risks to public health and safety or environmental contamination.

Experience with older wind plants which have been decommissioned and/or repowered has shown that the scrap value of the materials and equipment contained in the Project infrastructure (steel towers, electric generators, steel, copper, etc.) would exceed the cost of dismantling the Project, based on historic and current scrap prices. The Applicant will provide adequate financial assurances to cover all anticipated costs associated with decommissioning the Project in the form of a rolling reserve account, using funds from the operation of the Project, or a decommissioning surety bond. In all cases, final financial responsibility for decommissioning will rest with the Applicant.