

**STEAM SALES AGREEMENT
BY AND BETWEEN THE
CITY OF SANTA CLARA
AND
THE NEWARK GROUP, INC.**

This Steam Sales Agreement (herein "Agreement"), by and between the CITY OF SANTA CLARA, CALIFORNIA, a chartered municipal corporation, doing business as Silicon Valley Power (herein called ("CITY" or "SELLER"), and THE NEWARK GROUP, INC., successor in interest to NEWARK GROUP INDUSTRIES, INC., a New Jersey corporation, doing business as California Paperboard, (herein called "BUYER"), SELLER and BUYER may be herein referred to individually as "Party" or collectively as "Parties" or the "Parties to this Agreement."

RECITALS

- A. SELLER solely owns and operates a cogeneration facility, located at 524 Robert Avenue in the city of Santa Clara (as hereinafter more specifically defined, "Facility"), which has its own permits to operate obtained independently by the SELLER. The Facility generates approximately 7,000 kW of electrical power and produces approximately 40 MMBtu per hour of saturated steam, from two gas turbine generating units (hereinafter, "Turbines"); and,
- B. The Facility is located adjacent to a paperboard manufacturing site that is solely owned and operated by the BUYER located at 525 Mathew Street ("Paper Mill"), which has its own permits to operate obtained independently by the BUYER; and;
- C. BUYER uses electricity purchased from SELLER for its Paper Mill manufacturing operations that is supplied from the electrical grid, and BUYER also either purchases, or alternatively at its option, has its own capacity to generate saturated steam for Paper Mill manufacturing operations; and,
- D. SELLER and BUYER are completely separate and independent entities from each other, have no common ownership or control of the other's facilities, operations or permitting; and SELLER's generation of electricity from the Facility is supplied to the electrical grid and is therefore independent of the operation of the Paper Mill; and,
- E. SELLER and BUYER desire to enter into this Agreement to evidence the terms and conditions under which SELLER will sell steam from the Facility and/or from another source of steam to BUYER, who will purchase such steam for its use in the manufacture of recycled paper products at the Paper Mill.

Now, therefore, in consideration of the Recitals and the promises, covenants and commitments made in this Agreement, the Parties mutually agree as follows:

AGREEMENT PROVISIONS

1. INTENT OF PARTIES.

- a. It is specifically understood that SELLER intends to operate the Facility primarily for the production of electrical power to serve the needs of the City's electric utility, Silicon Valley Power. As a secondary purpose, SELLER also intends to produce steam from the waste heat generated by the operation of the Facility for sale. BUYER intends to purchase steam to be used in its manufacturing operations at the Paper Mill.

2. DEFINITIONS.

Whenever used herein, the following words or group of words shall have the following respective meanings:

- a. Billing Period. The incremental period of time for which SELLER will bill BUYER for steam delivery under the term of this Agreement. The Billing Period shall begin on the first calendar day of each month or as close to the first calendar day as practical and shall end thirty (30) days thereafter.
- b. Condensate Delivery Point. A point designated by SELLER at which the condensate meter equipment currently is located.
- c. Facility. The Facility is an electric power and steam generating station, located on property adjacent to BUYER'S Paper Mill site, consisting of two Turbines each fitted with waste heat boilers which are independently capable of generating electricity and process steam, including all of the facilities required to contain, control, measure, transport, process, and convert the fuel into steam and electrical energy, but excluding the Supplemental Firing Equipment, as defined below. The Facility includes all steam and other piping, valves, the Turbines, waste heat boilers, all plumbing and pumps, electrical control and regulation equipment, electrical power transmission equipment, all other equipment and all buildings, structures, enclosures, site improvements and all appurtenances thereto that are required for the convenient and proper operation and maintenance thereof.
- d. Guaranteed Unit Hours. The total number of hours in a year that SELLER promises that the Turbines shall be available for service to (1) produce electricity and (2) to begin the steam production process. Guaranteed Unit Hours are calculated by totaling the hours in a year, multiplied by the percentage of time SELLER guarantees that the Turbines will be available for service as described above, as shown on Exhibit A attached hereto and incorporated herein.
- e. Pricing Year. The period of time beginning on the first date of the term of this Agreement and ending on each subsequent twelve (12) month period.
- f. Steam Delivery Point. A point designated by SELLER at which the steam metering equipment currently is located.

3. TRANSMISSION LINES AND RELATED RIGHTS OF WAY.

BUYER shall provide, at its sole cost and expense and at no cost or expense to SELLER, all lands, easements, rights in land, and any other interests, including rights-of-way, which are reasonably necessary for the installation, maintenance and operation of steam transmission lines from SELLER'S Facility to BUYER'S Paper Mill in order for SELLER to perform its obligations hereunder.

4. PARTIES' OPERATIONS.

- a. BUYER shall be responsible for the design, performance, operation and maintenance costs of the steam distribution system sufficient to handle steam transmitted from the Steam Delivery Point to the BUYER'S process equipment. BUYER shall also be responsible for design, performance, operation and maintenance cost of its condensate return system. The condensate returned to SELLER shall be supplied at the Condensate Delivery Point at a pressure of at least ten (10) psig. The parties acknowledge and agree that, as of the date hereof, the current infrastructure is in good working order and sufficient for SELLER to transmit steam to BUYER hereunder.
- b. SELLER intends to supply steam to BUYER that is produced from operation of SELLER'S Facility. In the event of a period of scheduled outage or reduced or suspended operations of SELLER'S Turbines, BUYER may immediately commence generation of steam from BUYER'S boiler using gas from BUYER'S gas service or oil from BUYER'S oil storage facilities or otherwise obtain steam from another source until such period of outage or reduced or suspended operations ceases.
- c. In the event that SELLER intends to repair or recondition the Facility and is not able to supply all of BUYER'S steam requirements under this Agreement, SELLER shall provide BUYER with reasonable advance notice of such repairs or reconditioning. SELLER shall also, to the extent feasible, schedule such repairs or reconditioning to eliminate or minimize the necessity of BUYER'S generation of steam, and provide for an orderly and efficient transition from SELLER'S to BUYER'S steam generating facilities. In the event of any outage or reduced/suspended operations of SELLER's Turbines, SELLER shall provide BUYER on-going updates with respect to the anticipated length thereof and shall use good faith efforts to end same as soon as commercially practicable under the circumstances.
- d. BUYER shall maintain its own gas service necessary for its operations, and shall pay all costs associated with maintaining and using this gas service.
- e. Both Parties shall use due diligence in their respective operations and activities so as not to endanger the property of the other.

- f. To the extent reasonably possible, both Parties shall coordinate their operations and maintenance activities, with the intent of achieving the most economic and efficient use of BUYER's and SELLER'S equipment. This coordination may include the exchange of operating schedules, schedules for planned facilities shutdowns, etc., and any information supplied by one party shall be deemed proprietary and confidential by the other to the extent allowed by law.
- g. SELLER, at its sole discretion, may satisfy all or part of its steam delivery obligation to BUYER from an alternate source.

5. SALE OF STEAM.

- a. SELLER shall use reasonable efforts to operate a pressure of 125 psig to 150 psig in its main steam header at all times during periods that SELLER has notified BUYER that steam is available for delivery, so long as BUYER'S operations do not affect SELLER'S ability to meet said pressure level. BUYER acknowledges that steam pressure downstream of the Delivery Point is subject to BUYER'S operation of the Paper Mill and that SELLER has no ability, obligation, or desire to control that pressure. BUYER further acknowledges average steam flows for operation of the Facility are approximately 18,000 pounds per hour capacity for one combustion Turbine and 36,000 pounds per hour for two Combustion Turbines. BUYER hereby assumes full responsibility for steam pressure downstream of the delivery point and acknowledges that flow demands on SELLER'S system beyond the capacities stated in this paragraph will cause the quality, including pressure, of delivered steam to degrade. If SELLER is unable to maintain the pressure set forth in this paragraph due in whole or in part to BUYER'S operations, SELLER is relieved of any obligation to meet this requirement and shall operate at as high and stable a pressure as is commercially reasonable under the circumstances.
- b. SELLER is not responsible for any actions taken by BUYER to operate, manage, or otherwise utilize BUYER'S equipment. BUYER is not responsible for any actions taken by SELLER to operate, manage, or otherwise utilize SELLER's equipment.
- c. Steam produced by operation of the Facility:
 - 1. The rate which BUYER shall be charged by SELLER for steam from the Facility is set forth in Exhibit B hereto and incorporated herein by reference. Exhibit B is confidential to the extent allowable by law.
 - 2. SELLER shall seek to maximize the hours of Facility availability in excess of the Combustion Turbine Availability Guarantee. The terms of the Combustion Turbine Availability Guarantee are set forth in Exhibit A, which is attached hereto and incorporated herein. Exhibit A is confidential to the extent allowable by law.

- d. Adjustments in Steam Price.
Adjustments in steam price are set forth in Exhibit B which is confidential to the extent allowable by law.

6. CONDENSATE:

- a. BUYER shall use reasonable good faith efforts to maintain a flow of condensate return to the Facility. The condensate returned to SELLER shall be supplied at the Condensate Delivery Point at a pressure of at least ten (10) psig.
- b. SELLER shall not be required to accept condensate that does not meet the quality specifications contained in Paragraph 6(c) below, and unacceptable condensate shall not be considered as received by SELLER to meet BUYER'S obligations herein.
- c. During periods of steam delivery to BUYER from SELLER, BUYER shall maintain condensate flows to SELLER that follow all the guidelines as measured at the Condensate Delivery Point outlined below:
 - 1. No less than eight percent (8.0%) of the total heat energy, measured in MMBtu, delivered in the form of steam, both measured in the same time period.
 - 2. Conductivity less than 50 microMhos;
 - 3. Total Hardness less than 1 part per million;
 - 4. Iron Content less than 0.2 parts per million;
 - 5. Total Amine (Filmer) less than 30 parts per million;
 - 6. PH level to be between 8.5 and 10.5; and
 - 7. Quality and content of condensate shall meet federal, state and local laws and regulations relating to industrial waste disposal.
- d. SELLER may determine by using standard industry test procedures whether the condensate delivered from BUYER fails to meet the specifications set forth above. If such a failure occurs and after reasonable notice to BUYER and a reasonable time for BUYER to remedy the failure to meet the specifications, SELLER shall, at its sole option, discontinue receipt of said condensate until such time BUYER remedies the circumstances causing such failure to SELLER'S satisfaction. Should SELLER discontinue receipt of condensate, BUYER, at its sole option, may refuse to accept steam from SELLER until such time as BUYER and SELLER jointly determine that condensate is once again acceptable to SELLER. Upon request from BUYER, SELLER shall provide the results of any condensate quality tests to BUYER.

- e. If the deliveries of condensate fall below these specifications for a significant period of time, SELLER may impose upon BUYER, and BUYER agrees to pay, reasonable charges to recover any additional expense incurred by SELLER related to the failure to deliver acceptable condensate.

7. WASTE WATER AND CONDENSATE RETURNS DISPOSAL.

BUYER shall be responsible for disposal of all condensate returns not suitable for delivery to SELLER as specified in Paragraph 6. SELLER shall be responsible for disposal of all wastewater produced by SELLER.

8. SHARED NATURAL GAS SUPPLY OPTIONS.

The Parties agree to discuss opportunities, which arise from time to time, that may bring economic advantages through the acquisition, purchase or transportation of common supplies of natural gas for use at both the Paper Mill and the Facility.

9. BUYER'S PAPER MAKING OPERATIONS.

BUYER shall promptly notify SELLER of any anticipated reduction in the requirement for SELLER'S steam for any reason beyond normal operating variations in demand.

10. MEASUREMENT AND TESTING.

- a. At or near the Steam Delivery Point, SELLER shall at its expense operate and maintain in accurate working order its measuring station, properly equipped with recording orifice meters of a standard type which is acceptable to BUYER for the measurement of SELLER'S steam. At SELLER'S option, recording meters may be installed at the Condensate Delivery Point for BUYER'S condensate delivered hereunder. The foregoing steam and condensate measuring equipment is hereinafter referred to as the "Measuring Equipment." BUYER may view such Measuring Equipment and the readings thereof at all reasonable times and upon reasonable notice, but readings, calibrations, and adjustments thereof, shall be done solely by the employees or agents of SELLER.
- b. SELLER shall make periodic tests to the Measuring Equipment upon request of BUYER, but not more often than twice each year. SELLER shall give to BUYER reasonable notice of such tests of SELLER'S Measuring Equipment in order that BUYER may have its representative present. BUYER may challenge the accuracy of said equipment upon reasonable grounds to do so, and when reasonably challenged, the equipment shall be tested and repaired if SELLER deems repairs are necessary. If the Measuring Equipment challenged is found to be accurate and no repairs are needed, the test shall be paid for by BUYER. If upon any test any Measuring Equipment is found to affect the measurement accuracy by an amount exceeding four percent (4.0%), registrations thereof shall be corrected for a period extending back to the time such inaccuracy occurred if such time is ascertainable. If not

ascertainable, then such correction shall extend back one-half of the time elapsed since the last calibration.

- c. If any portion of said Measuring Equipment is out of service so that the quantity and/or temperature of SELLER'S steam and BUYER'S condensate delivered cannot be ascertained or corrected under this Paragraph, SELLER'S steam delivered and/or the temperature thereof during the period such measuring equipment is out of service shall be estimated and agreed upon by the Parties hereto, using the first of the following methods which is feasible:
 1. By using the registration of any check Measuring Equipment if installed and accurately registering; or
 2. By estimating the quantity of delivery and/or temperature thereof by averaging deliveries during the preceding periods under similar conditions, considering the power output of the Facility, when the Measuring Equipment was registering accurately.
- d. BUYER may, at its option and expense, install and operate check measuring equipment to check SELLER'S Measuring Equipment. However, measurement of SELLER'S steam and BUYER'S condensate for the purposes of this Agreement shall be by SELLER'S Measuring Equipment only. Any check measuring equipment installed shall be of a type acceptable to SELLER, shall not interfere with SELLER'S operations, and shall be subject at all reasonable times to inspection or examination by SELLER. The reading, calibration and adjustment of the check measuring equipment and changing of charts shall be done only by the employees or agents of BUYER.
- e. The records from SELLER'S Measuring Equipment shall remain the property of SELLER and shall be kept for a period of not less than three (3) years. At any time within such period SELLER shall, upon request of BUYER and upon reasonable advance notice, permit BUYER to inspect and verify records from SELLER'S Measuring Equipment, together with calculations there from.

11. ACCOUNTING.

- a. SELLER shall furnish BUYER, on or before the twenty-fifth (25th) day of each Billing Period, a billing statement showing the total quantity of heat energy delivered to BUYER at the Delivery Point during the preceding Billing Period. BUYER shall make full payment at such address as SELLER may designate from time to time, on or before twenty-one (21) days after the date of the statement. If payment has not been received by SELLER thirty (30) days after the due date SELLER may either suspend its deliveries of steam to BUYER or terminate this Agreement upon written notice to BUYER. The exercise of any such right by SELLER shall be in addition to any and all other remedies available to SELLER. In the event of a payment dispute between the Parties, so long as BUYER pays to SELLER any undisputed amounts in accordance with this Paragraph 11(a) and notifies SELLER of the nature of the payment dispute, SELLER

shall not suspend delivery of steam or terminate this Agreement and, if the Parties cannot resolve such dispute within thirty (30) days, they shall submit the matter for mediation in accordance with Paragraph 27 hereof.

- b. Each Party shall have the right, at reasonable hours and upon reasonable notice, to examine the books, records and charts of the other Party to the extent necessary to verify the accuracy of any statement, payment, calculation or determination made pursuant to this Agreement. If any error or inaccuracy is discovered, adjustment of such statement, payment, calculation or determination shall be made as soon as practicable.
- c. In the event that BUYER shall be required to pay any additional amounts to SELLER or BUYER shall be entitled to any credits from SELLER pursuant to this Agreement, the amounts due or credits shall be calculated as of the close of the Pricing Year. Amounts due to SELLER shall be shown on the next billing statement rendered by SELLER and payable with the amounts due thereunder as set forth in Paragraph 11(a). Credits due to BUYER shall be shown on the next billing statement rendered by SELLER and shall reduce the amount of such billing statement accordingly (and, in the event such credit due to BUYER is greater than the amount due SELLER on such billing statement, at BUYER's option, SELLER shall either continue crediting future billing statements until such credit is exhausted or remit a payment for the difference to BUYER within thirty (30) days of BUYER's request therefor).

12. TAX LIABILITY.

Neither Party shall be responsible or liable for any taxes, assessment, fees or charges levied or assessed against any of the facilities of the other Party used for the purpose of carrying out the provisions of this Agreement.

13. TERM.

The term of this Agreement shall be as set forth in Exhibit B hereto, which is confidential to the extent allowed by law. Notwithstanding anything to the contrary contained herein, if BUYER elects to permanently cease all operations at the Paper Mill, BUYER may terminate this Agreement upon three hundred sixty five (365) days written notice to SELLER. Any such notice shall be confidential to the extent allowable by law.

14. FORCE MAJEURE.

Neither Party shall be considered to be in default in performance of any of its obligations under this Agreement when a failure of performance is due to an Uncontrollable Force. The term "Uncontrollable Force" as used in this Agreement, shall mean any cause beyond the reasonable control of the Party affected, and which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome or obtain or cause to be obtained a commercially reasonable substitute therefor. Such Uncontrollable Force includes the failure or threat of

failure of facilities, Act of God, flood, drought, earthquake, storm, tornado, fire, explosion, lightning, epidemic, public emergency, war, riot, civil disobedience, labor strike, labor dispute, labor or materials shortage (however labor or materials shortage does not include the mere inability to obtain that labor or material at a particular price), sabotage, restraint by court order, restraint by public authority, or action or non-action by governmental authority or accident. No Party shall, however, be relieved of liability for failure of performance if such failure is due to causes arising out of its own negligence or due to removable or remediable causes which it fails to take reasonable efforts to remove or remedy within a reasonable time, or due to mere fluctuations in market prices. Nothing contained herein shall be construed to require a Party to settle any strike or labor dispute in which it may be involved. Either Party rendered unable to fulfill any of its obligations under this Agreement by reason of an Uncontrollable Force shall give prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability with all reasonable dispatch.

15. HOLD HARMLESS/INDEMNIFICATION.

To the extent permitted by law, BUYER agrees to protect, defend, hold harmless and indemnify City, its City Council, commissions, officers, employees, volunteers and agents from and against any claim, injury, liability, loss, cost, and/or expense or damage, including all costs and reasonable attorney's fees in providing a defense to any claim arising therefrom, for which City shall become liable arising from BUYER's negligent, reckless or wrongful acts, errors, or omissions with respect to or in any way connected with the services performed by BUYER pursuant to this Agreement. To the extent permitted by law, SELLER agrees to protect, defend, hold harmless and indemnify BUYER, its officers, employees, contractors and agents from and against any claim, injury, liability, loss, cost, and/or expense or damage, including all costs and reasonable attorney's fees in providing a defense to any claim arising therefrom, for which BUYER shall become liable arising from SELLER's negligent, reckless or wrongful acts, errors, or omissions with respect to or in any way connected with the services performed by SELLER pursuant to this Agreement.

16. NO CONSEQUENTIAL OR INDIRECT DAMAGES.

NEITHER PARTY TO THIS AGREEMENT SHALL BE LIABLE TO THE OTHER PARTY FOR INDIRECT, INCIDENTAL, SPECIAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, INCLUDING DAMAGES FOR LOST OPPORTUNITIES, LOST PROFITS FROM THIS AGREEMENT OR ANY OTHER TRANSACTION, OR LOST SAVINGS, EVEN IF SUCH DAMAGES WERE FORESEEABLE OR RESULT FROM A BREACH OF THIS AGREEMENT.

17. COMPLIANCE WITH UTILITY RULES AND REGULATIONS.

All the provisions of the Rules and Regulations governing electric utility procedures and BUYER practices, as approved and amended by the City Council of the City of Santa Clara from time to time (hereinafter "Electric Utility Regulations"), shall remain in full force and effect and shall apply to the terms and conditions of this Agreement. In the event that the terms of this Agreement

conflict with the Rules and Regulations, the provisions of this Agreement shall govern.

18. ASSIGNMENTS AND SUCCESSORS IN INTEREST.

SELLER and BUYER bind themselves, their partners, successors, assigns, executors, and administrators to all covenants of this Agreement. Except as otherwise set forth in this Agreement, no interest in this Agreement shall be assigned or transferred, either voluntarily or by operation of law, without the prior written approval of the other Party, except that BUYER may assign this Agreement to an Affiliate, any entity that is directly or indirectly owned or controlled by BUYER or its ultimate corporate parent company, without the consent of SELLER; however, said Affiliate will be bound by all obligations hereunder and shall notify SELLER of the assignment (and of any change required with regard to the Notice provisions of this Agreement set forth in Article 21) prior to the end of the first Billing Cycle after assignee has received the assignment.

19. AMENDMENTS.

It is mutually understood and agreed that no alteration or variation of the terms of this Agreement shall be valid unless made in writing and signed by the Parties hereto and incorporated into this Agreement.

20. INTEGRATED DOCUMENT/TOTALITY OF AGREEMENT.

This Agreement, its Exhibits and the City's Rules and Regulations embody the entire agreement between SELLER and BUYER and its terms and conditions. No other understanding, agreements, or conversations, or otherwise, with any officer, agent, or employee of SELLER prior to the execution of this Agreement shall affect or modify any of the terms or obligations contained in any document comprising this Agreement.

21. NO THIRD PARTY BENEFICIARY.

This Agreement shall not be construed or deemed to be an agreement for the benefit of any third party or parties, and no third Party or parties shall have any claim or right of action hereunder for any cause whatsoever.

22. NOTICES.

All notices to the Parties hereto shall, unless otherwise requested in writing, be sent to to one another via certified mail or nationally recognized overnight courier, with delivery deemed upon such Party's receipt thereof, addressed as follows:

To SELLER:

Silicon Valley Power City of Santa Clara--Electric Department
Attn: Director of Electric Utility
1500 Warburton Avenue
Santa Clara, California 95050

To BUYER (duplicate notices required):

California Paperboard
525 Mathew Street
Santa Clara, CA 95050
Attention: Mr. Charles Wall

With copy to:
The Newark Group, Inc.
5000 Austell Powder Springs Road, Suite 300
Austell, GA 30106
Attention: Legal Department

23. CAPTIONS.

The captions of the various sections, paragraphs and subparagraphs are for convenience only and shall not be considered or referred to in resolving questions of interpretation.

24. STATUTES AND LAW GOVERNING AGREEMENT.

This Agreement shall be governed and construed in accordance with the statutes and laws of the State of California.

25. NON-WAIVER.

No waiver by a Party of all or any of its rights with respect to a condition, default or other matter arising in connection with this Agreement shall constitute or be deemed a waiver by such Party as to any subsequent condition, default or other matter.

26. RIGHTS AND REMEDIES.

Duties and obligations imposed by the Agreement and rights and remedies available thereunder shall be in addition to and not in limitation of duties, obligations, rights and remedies imposed by or available at law.

27. ALTERNATIVE DISPUTE RESOLUTION.

BUYER is bound to exhaust all administrative remedies required by the Electric Utility Regulations, as well as any other administrative remedies required by law. In the event that BUYER exhausts all such administrative remedies, but continues to dispute items, then, prior to commencing any litigation against the

City of Santa Clara or SELLER, BUYER shall engage in Alternative Dispute Resolution as follows:

- 27.1 Any controversies between BUYER and SELLER regarding the construction or application of this Agreement, and claims arising out of this Agreement or its breach, shall be submitted to mediation within thirty (30) days of the written request of one Party after the service of that request on the other Party.
- 27.2 The Parties may agree on one mediator. If they cannot agree on one mediator, the Party demanding mediation shall request that the Superior Court of Santa Clara County appoint a mediator. The mediation meeting shall not exceed one day (eight (8) hours). The Parties may agree to extend the time allowed for mediation under this Agreement.
- 27.3 The costs of mediation shall be borne by the Parties equally.
- 27.4 Mediation under this section is a condition precedent to filing an action in any court. In the event of litigation, which arises out of any dispute related to this Agreement, the Parties shall each pay their respective attorneys fees, expert witness costs and cost of suit, regardless of the outcome of the litigation.

28. CONFIDENTIALITY.

- 28.1 The Parties to this Agreement agree to maintain as confidential, to the extent permitted by law, that information contained in Exhibit B to this Agreement, as well as any other information exchanged by the Parties and clearly labeled by the Disclosing Party as "Confidential Information."
- 28.2 BUYER acknowledges that Santa Clara is a public agency subject to the requirements of the California Public Records Act Cal. Gov. Code section 6250 et seq. Santa Clara acknowledges that BUYER may submit information to Santa Clara that BUYER considers Confidential Information, proprietary, or trade secret information pursuant to the Uniform Trade Secrets Act (Cal. Civil Code section 3426 et seq.), or otherwise not subject to disclosure pursuant to an exemption to the California Public Records Act (Government Code section 6254 et seq.) BUYER acknowledges that Santa Clara may submit to BUYER information that Santa Clara considers Confidential Information or proprietary or not subject to disclosure pursuant to an exemption to the California Public Records Act (Government Code section 6254 et seq.). Upon request or demand of any third person or entity not a Party to this Agreement ("Requestor") for production, inspection and/or copying of information contained in Exhibit A and B hereto or designated by a Disclosing Party as "Confidential Information", the Receiving Party as soon as practical, but within three (3) days of receipt of the request, shall notify the Disclosing Party that such request has been made by telephone call, letter sent via facsimile and/or by US Mail to the address and facsimile number listed at the end of the Agreement. The Disclosing Party shall be solely responsible for taking whatever legal steps are necessary

to protect information deemed by it to be "Confidential Information" and to prevent release of information to the Requestor by the Receiving Party. If the Disclosing Party takes no such action, after receiving the foregoing notice from the Receiving Party, the Receiving Party shall be permitted to comply with the Requestor's demand and is not required to defend against it.

29. OTHER AGREEMENTS.

This Agreement shall not prevent SELLER or BUYER from entering into similar agreements with others that do not conflict with the terms hereof.

30. CONSTRUCTION OF THIS AGREEMENT.

This Agreement, and each of its provisions, terms and conditions, has been reached as a result of negotiations between the Parties. Each Party has been represented by Counsel. Accordingly, each of the Parties expressly acknowledges and agrees that this Agreement shall not be deemed to have been authored by, prepared by, or drafted by any particular Party, and that the rule of construction to the effect ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement or in the resolution of disputes. This Agreement is to be construed to effectuate the normal and reasonable expectations of a sophisticated BUYER of utility services and a sophisticated provider of such services and shall not be construed either for or against either Party.

31. NO PARTNERSHIP.

Neither SELLER nor BUYER is a partner in a joint venture with the other and nothing in this Agreement may be construed to make them partners or joint venturers or impose any liability as such on either of them.

(Continued on Page 14 of 14)

///

///

///

///

///

///

32. ENFORCEABILITY.

If any provision of this Agreement is determined to be illegal or unenforceable, such determination will not affect any other provisions of this Agreement and all other provisions will remain in full force and effect.

This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which shall constitute one and the same instrument, and, the Parties agree that signatures on this Agreement, including those transmitted by facsimile, shall be sufficient to bind the Parties.

The Parties acknowledge and accept the terms and conditions of this Agreement as evidenced by the following signatures of their duly authorized representatives. The Effective Date is the date that the final signatory executes the Agreement. It is the intent of the Parties that this Agreement shall become operative on the Effective Date.

**CITY OF SANTA CLARA
doing business as Silicon Valley Power**

APPROVED AS TO FORM:

Dated: _____

RICHARD E. NOSKY, JR.
City Attorney

JULIO J. FUENTES
City Manager
1500 Warburton Avenue
Santa Clara, CA 95050
Telephone: (408) 615-2210
Fax: (408) 241-6771

ATTEST:

ROD DIRIDON, JR.
City Clerk

"SELLER"

**THE NEWARK GROUP, INC.
doing business as CALIFORNIA PAPERBOARD**

Dated: _____

By: _____

HARIKUMAR V. IYER
Vice President Sourcing, Logistics and FP&A

525 Mathew Street
Santa Clara, CA 95050
Telephone: (408) 727-7377
Facsimile: (408) 727-7282

"BUYER"

**STEAM SALES AGREEMENT
BY AND BETWEEN
THE CITY OF SANTA CLARA
AND
THE NEWARK GROUP, INC.**

EXHIBIT A

(CONFIDENTIAL – DO NOT DUPLICATE OR DISCLOSE)

Illustration of calculation and implementation of the Combustion Turbine Availability Guarantee

Combustion Turbine Availability Guarantee:

Hours in each Pricing Year ending October 31st:	8,760
Number of Turbines:	X 2
Annual Unit Hours:	17,520
Guaranteed Availability:	x 70.0%

Guaranteed Unit Hours: 12,264

Actual Available Unit Hours shall be equal to the number of hours in each Pricing Year ending October 31st that the Turbines were available for service to (1) produce electricity and (2) to begin the steam production process.

If **Actual Available Unit Hours exceed Guaranteed Unit Hours**, no payment or bill credit is due BUYER.

If **Actual Available Unit Hours do not exceed Guaranteed Unit Hours**, BUYER receives a payment or bill credit for that year in the amount of \$75,000.

NOTE: SELLER will determine, at its sole discretion, the allowances for scheduled outages.

**STEAM SALES AGREEMENT
BY AND BETWEEN
THE CITY OF SANTA CLARA
AND
THE NEWARK GROUP, INC.**

EXHIBIT B

(CONFIDENTIAL – DO NOT DUPLICATE OR DISCLOSE)

The following terms are incorporated into the Agreement:

1. Term of Agreement: November 1, 2015 through October 31, 2020.
2. SELLER will provide steam to BUYER, which BUYER will use to meet its process requirements. BUYER agrees to meet such requirements first with steam from SELLER, and will use its steam production facilities or other sources only to the extent that steam is not available from SELLER.
3. [OPEN ITEM] Steam price shall be equal to SELLER's weighted average delivered cost of gas (WACOG) in each month multiplied by the adjustment factor set forth in Section 7 below for the then-applicable year (the "Adjustment Factor"). The WACOG will be the average cost, in \$/MMBtu, at the PG&E Citygate of all of SELLER's gas purchases, including vendor service charges (if applicable), plus the average cost of transportation, in \$/MMBtu, from the PG&E Citygate to the Cogen Power Plant, plus a carbon adder reflecting the incremental cost of carbon allowances, in \$/MMBTU, as a result of running the Cogen plant compared to SELLER's DVR power plant. An example of the steam price calculation is shown in Section 7 below.
4. If BUYER reduces its steam usage below an average of 700 MMBtu per day for more than three consecutive months, when steam is otherwise available from SELLER, SELLER may request reopening of this agreement to consider changes to this Exhibit B to address the cost effects on SELLER related to BUYER's reduced level of steam consumption. If SELLER and BUYER are unable to agree on changes to address such cost effects within 90 days of SELLER's request, then SELLER may terminate this agreement on 90 days' notice as its sole remedy.
5. If SELLER will incur an extraordinary expense which is greater than 50% of the revenue from steam sales in the previous Pricing Year, to continue the operation of the Turbines, SELLER may request reopening of this agreement to consider changes to this Exhibit B to address the cost effects on SELLER. If SELLER and BUYER are unable to agree on changes to address such cost effects within 90 days of SELLER's request, then SELLER may terminate this agreement on 90 days' notice as its sole remedy.
6. SELLER's WACOG is intended to reflect SELLER's cost of purchasing gas for electric generation. Gas purchase activities and related costs not intended for electric generation will be excluded from the WACOG determination.

7. Adjustment Factor and Sample Calculation

Adjustment Factor (calendar year)					
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
1.00	1.05	1.05	1.05	1.05	1.05

Sample Calculation for Months in 2016

Average Cost of SVP Gas Purchases (\$MMBTU)	\$3.16
SVP Average Cost of Transportation (\$MMBTU)	\$0.75
SVP Total WACOG	\$3.91
Adjustment Factor	x1.05
2016 Steam Rate (\$MMBTU)	\$4.11
Carbon Price Adder:	
CARB Floor Rate (\$/Metric Ton CO2)	\$13.28
Multiply by 117 lbs CO2/MMBTU	
Divided by 2204 lbs/metric ton	
Converts it to \$/MMBTU	\$ 0.71
Cogen Plan heat rate (Btu/kWh)	15,500
DVR heat rate (Btu/kWh)	7,650
Cogen heat rate divided by DVR heat rate	2.026
Carbon multiplier for running Cogen	1.026
Carbon adder in \$/MMBTU	\$ 0.72
2016 Steam Rate (\$/MMBTU)	\$4.83

These terms, and the terms and conditions of any agreement entered into by the Parties shall not be disclosed to third parties and shall be kept confidential to the fullest extent allowed by law.