

QUEST

QUANTUM ENERGY SERVICES & TECHNOLOGIES, INC.

2001 Addison Street, Suite 300, Berkeley, California 94704

December 1, 2011

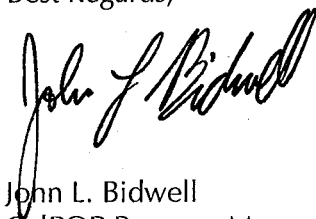
Dean Wilson
Water Pollution Control Division Manager
City of San Leandro
Public Works Department
3000 Davis Street
San Leandro, CA 94577

Dear Dean,

I am returning to you a fully-executed copy of the CalPOP Incentive Application that was recently signed by you and the QuEST CFO, Patrick Piette. The attached copy is for your files.

We are looking forward to moving forward with the implementation of this project and we will be coordinating actively with your staff in this effort. Please let me know if you have any questions about this document or any aspect of our ongoing project efforts.

Best Regards,



John L. Bidwell
CalPOP Program Manager
QuEST, Inc.

cc: Adraine Gardner, PG&E

CALIFORNIA WASTEWATER PROCESS OPTIMIZATION PROGRAM PROGRAM PARTICIPATION AGREEMENT

Facility Management Information (Customer)

City of San Leandro, Public Works Department

MANAGING ORGANIZATION

3000 Davis Street

ADDRESS

Dean Wilson

CONTACT NAME

(510) 577-6030

PHONE NO.

FAX NO.

TAX STATUS (SELECT ONLY ONE)

- CORPORATION
 NON-CORP

- INDIVIDUAL
 EXEMPT

TAX IDENTIFICATION TYPE (SELECT AND FILL ONLY ONE)

- EMPLOYER ID NUMBER (EIN):
 FEDERAL TAX ID
 SSN:

94-20220921

PG&E SERVICE AGREEMENT ID
(For Program Administration use only)

San Leandro, CA

94577

CITY/STATE

ZIP CODE

Water Pollution Control Division Manager

TITLE

dwilson@sanleandro.org

E-MAIL

MUNICIPAL GOVERNMENT

EXEMPTION REASON

Project Information

City of San Leandro, Water Pollution Control Plant

PROJECT NAME/LOCATION

3000 Davis Street

ADDRESS

San Leandro, CA

94577

CITY/STATE

ZIP CODE

Activated Sludge

7.6

0 %

221320

5/31/2012

TREATMENT TYPE

AVG.

% CO -

NAICS

EST. COMP-

0637183621

FLOW
(MGD)

0637183005

GEN
USED

LETION DATE

SERVICE ACCOUNT ID (SAID)

ELECTRIC SERVICE ACCOUNT

NATURAL GAS ACCOUNT NUMBER

Payment Release Authorization

I am authorizing the payment of my incentive to the party named below, and I understand that I will **not** be receiving the incentive check from QuEST. I also understand and agree that my release of the incentive payment to such party does not exempt me from the incentive requirements outlined in this Application.

Applicant Authorization: (Please Print Name)

Signature

Date

Incentive check should be made payable to:

Payee: Business Name

()
Telephone Number

()
Fax Number

Mailing Address

City

State

Zip

Contact Name

Title

E-mail

**CALIFORNIA WASTEWATER PROCESS OPTIMIZATION PROGRAM
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Program Incentives†

CalPOP Program Measure Incentive (Electric)	\$0.09 / kWh
CalPOP Program Measure Incentive (Electric)	\$100 / kW *
CalPOP Program Measure Incentive (Natural Gas)	\$1.00 / Therm

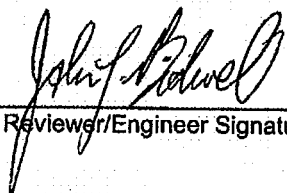
† In no case shall the incentive exceed 50% of the installation costs. This incentive cap will be applied on a project basis, whereas a project may include multiple energy efficiency measures.

* Definition of Peak Demand, per CPUC developed by DEER, is "the average grid level impact for a measure between 2:00 p.m. and 5:00 p.m. during the three consecutive weekday periods containing the weekday temperature with the hottest temperature of the year."

Estimated Energy Savings and Incentives

Energy Efficiency Measures (Refer to project facility audit report or engineering calculations)	kW	kWh	Therms	Incentive \$ Amount
Hi Efficiency Aeration Blower Retrofit	10	276,000	0	\$ 25,840
TOTALS	10	276,000	0	\$ 25,840

Detailed measure information and associated energy savings, calculations, including baselines for calculated projects and/or minimum efficiency standards as applicable, are described in the Project's Facility Audit Report and/or Engineering Calculations, which are incorporated by reference.



QuEST Reviewer/Engineer Signature

7/20/2011

Date

Estimated Total Incentives (capped at estimated implementation cost): \$ 25,840
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TECHNICAL DOCUMENTATION: Facility Audit Report Engineering Calculations

CALIFORNIA WASTEWATER PROCESS OPTIMIZATION PROGRAM PROGRAM PARTICIPATION AGREEMENT

TERMS AND CONDITIONS:

This Agreement is entered into by Quantum Energy Services & Technologies, Inc. (hereafter referred to as "QuEST") and the Customer (as indicated above). This Agreement is a one-time offer from QuEST to provide financial incentives to the Customer for delivering energy savings under the **California Wastewater Process Optimization Program ("Program")** that is funded by California ratepayers under the auspices of the California Public Utilities Commission ("CPUC"). Customer's participation is pursuant to the terms and conditions outlined herein and in the Program Policy and Procedures, which is incorporated by reference. Funding approved for this Program is limited and will be allocated on a first-come, first-served basis to qualified applicants. **Funds will only be reserved upon QuEST's execution of this Agreement.**

This Agreement is valid for one year from the date QuEST executes this Agreement, or the Program end date, December 31, 2012, whichever is sooner. QuEST may extend the valid period of this Agreement at its sole discretion. In no instance shall QuEST pay incentives beyond December 31, 2012. QuEST will deliver an executed copy of this Agreement to the Customer after acceptance and execution by QuEST. QuEST reserves the right to modify or cancel the incentive offer if the actual system(s) installed differs from the proposed installation, or if the Customer's actual installation cost is less than the estimated incentive amount stated above.

QuEST will not use Customer's name or any identifying characteristics of Customer for advertising, sales promotion, or other publicity without prior written approval by Customer. QuEST reserves the right to modify or discontinue this Program without prior notice if such modification or discontinuance is required by PG&E, or by order of the CPUC. Payment of the incentives shall be made to the Customer or Customer's designated payee only after all Program requirements are met, upon verification of installation by a QuEST Program Representative.

ELIGIBILITY:

1. To be eligible for incentives under this Program, Customer's facility must receive electric and/or gas distribution service from PG&E. Customer's facility must be a wastewater treatment facility or associated water reclamation, wastewater collection or distribution systems.
2. Customer must be a PG&E customer who pays Public Purpose Fund charges.
3. To be eligible for incentives under this Program, Customer agrees that Customer will not apply for and has not received incentives offered by another local or state entity or other utilities for the same energy efficiency product, equipment, or services provided under this Agreement. This prohibition applies three years prior to and three years after receiving the incentive(s) for the same product, equipment or service.
4. New products that are ordered purchased and installed prior to January 1, 2010 or after December 15, 2012 do not qualify for an incentive. Products leased, rented, received from warranty or insurance claims, exchanged, or won as a prize do not qualify for an incentive. Resale and rebuilt products qualify for an incentive only with express written approval from QuEST prior to installation.

CUSTOMER AGREES TO:

1. Install and/or implement the energy efficiency measures in accordance with applicable laws, safety standards, and existing governmental regulations or orders.
2. Provide invoices or similar proof of installation costs as required by QuEST and/or PG&E. Proof of installation must include equipment vendor name/address/phone; itemized listing of product including quantity, product description, manufacturer, model number, and other identifying information as appropriate; material and labor costs; date invoice paid or payment terms; and installation date. Incentive amount cannot exceed the installation cost.
3. Provide QuEST with documentation needed to establish the performance of systems or measures selected, and provide QuEST with all documentation needed to verify installation and performance of energy efficient systems or measures qualifying for incentives.
4. Provide manufacturer's specification sheets to QuEST prior to the payment of the incentive.

**CALIFORNIA WASTEWATER PROCESS OPTIMIZATION PROGRAM
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5. Customer understands that incentives are paid only for energy savings above current applicable federal, state or local codes and standards, or industry standards in the absence of applicable local, state or federal standards. Customer agrees to accept as final authority QuEST's determination of the incentive amount based on the recommendations in the attached Facility Audit Report and the Program Policy and Procedures, a copy of which will be provided to Customer upon request.
6. Allow QuEST, PG&E and CPUC representatives reasonable access to Customer's project site to inspect and verify installation and operation. PG&E's and/or its consultant's review of the design, construction, operation or maintenance of the Project, energy efficiency measures, or demand response measures do not constitute any representation as to the economic or technical feasibility, operational capability, or reliability of the Project measures.
7. To the extent that QuEST is implementing any aspect of the Project on Customer's behalf, Customer understands and agrees that QuEST is solely responsible for ensuring that Project savings are calculated using the appropriate baseline, that the Project is installed according to Customer's specifications and that it will initially deliver the estimated savings described above. QuEST is also responsible for the economic or technical feasibility of the recommended measures to the extent that QuEST receives accurate data regarding the existing equipment or system design and operation from the Customer. QuEST is responsible for the initial operational capability of the energy efficiency measures installed in the Project. However, in the event of any defect in the equipment or in installation(s) performed during the course of this Project by others, Customer shall seek remediation solely from the equipment manufacturer and/or installation contractor(s). Customer shall be responsible for proper maintenance of the installed equipment.
8. Participate in an evaluation, measurement and verification ("EM&V") study, if selected by the CPUC EM&V contractor. These studies are used to analyze current program performance and improve future program designs. Customer agrees to fully cooperate with the study team if asked to participate.
9. Customer understands that incentive payments are based on related energy benefits over the life of the product. Customer agrees that if 1) Customer does not provide PG&E with 100% of the related benefits for the life of the product or a period of 5 years, whichever is less, or 2) Customer ceases to be a distribution customer of PG&E said time period, Customer shall refund a prorated amount of incentive dollars to PG&E based on the actual period of time for which Customer provided the related energy benefits as a Customer of PG&E. Customer will not have to refund a pro-rated amount of the incentive dollars to PG&E due to any change in the ownership of the Facility.
10. If Customer has existing on-site cogeneration or self-generation, QuEST shall not pay incentives for energy savings that exceed the Customer's annual energy usage from PG&E. The annual energy usage shall be determined by the Customer's last 12 months of energy usage as determined from the time that the Customer signed this Agreement. This policy is subject to change with 30-day written notice to the Customer.
11. Customer agrees to not use the QuEST or PG&E name or any identifying characteristics of QuEST or PG&E for advertising, sales promotion, or other publicity without prior written approval by QuEST or PG&E, respectively.
12. If a tenant, Customer is responsible for obtaining the property owner's permission to install the measure(s) for which Customer is applying for an incentive payment. Customer's signature on this application indicates Customer has obtained this permission.
13. Customer is not obligated to purchase any full-fee service or other service not funded by this Program.

TAX LIABILITY:

Incentives may be taxable and will be reported by QuEST to the IRS unless Customer qualifies under an exempt status. QuEST will report the incentive as income to Customer on IRS Form 1099 unless Customer is a corporation or has indicated that it qualifies for an exempt tax status as indicated on this Agreement. Customer is urged to consult a tax advisor concerning the taxability of incentives. Customer is responsible for any taxes that may be imposed as a result of receipt of incentive payments.

**CALIFORNIA WASTEWATER PROCESS OPTIMIZATION PROGRAM
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QUEST IS RECEIVING FUNDS FROM PG&E FOR THIS PROJECT, BUT QUEST AND CUSTOMER AGREE THAT PG&E IS NOT LIABLE TO EITHER PARTY FOR ANY LOSSES OR DAMAGES, INCLUDING INCIDENTAL OR CONSEQUENTIAL DAMAGES, ARISING FROM THIS AGREEMENT. FURTHERMORE, PG&E MAKES NO REPRESENTATION OR WARRANTY, AND ASSUMES NO LIABILITY WITH RESPECT TO QUALITY, SAFETY, PERFORMANCE, OR OTHER ASPECT OF ANY DESIGN, SYSTEM OR APPLIANCE INSTALLED PURSUANT TO THIS AGREEMENT, AND EXPRESSLY DISCLAIMS ANY SUCH REPRESENTATION, WARRANTY OR LIABILITY.

QUEST AND CUSTOMER (individually, "Party", and collectively "Parties") AGREE:

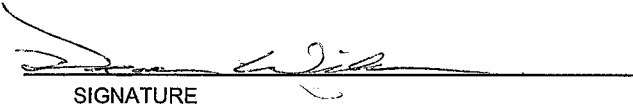
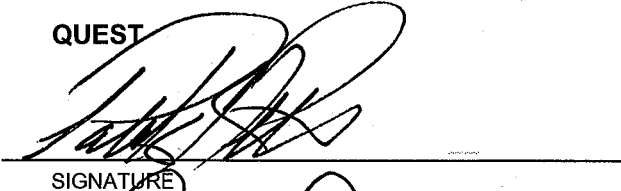
Each Party shall indemnify the other for any losses or damages arising out of or in connection with the indemnifying Party's actions under the Agreement, except to the extent that the losses or damages arise from a Party's negligence or willful misconduct. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES.

By execution of this Agreement, Customer certifies that Customer meets all the Program eligibility requirements and that the information supplied on this Agreement is true and correct. Customer certifies that Customer agrees to abide by Program rules and requirements set forth in this Agreement, and that failure of Customer to meet the above obligations may result in the cancellation of this Agreement. To be valid, this Agreement must be signed by all parties prior to November 30, 2012.

California consumers are not obligated to purchase any full-fee service or other service not funded by this Program. This Program is funded by California utility ratepayers under the auspices of the California Public Utilities Commission.

Los consumidores en California no están obligados a comprar servicios completos o adicionales que no estén cubiertos bajo este programa. Este programa está financiado por los usuarios de servicios públicos en California bajo la jurisdicción de la Comisión de Servicios Públicos de California.

In witness whereof, the Parties have executed this Agreement as of the date last set forth below.

CUSTOMER:	QUEST
 SIGNATURE	 SIGNATURE
<u>DEAN WILSON</u> CUSTOMER'S REPRESENTATIVE	<u>Patrick J. Hoyle</u> QUEST REPRESENTATIVE
<u>WPC MANAGER</u> TITLE	<u>CFO</u> TITLE
<u>11/23/11</u> DATE	<u>11-30-11</u> DATE