



Distributed Generation Procedures & Guidelines Manual for Members

Revised

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GENERAL

In order to receive service from the PenTex Energy (Cooperative), a customer must join or become a "Member" of the Cooperative. Throughout this manual, customers will be referred to as "Members." For more information about the cooperative membership application process, including any applicable membership fees or deposits, see the Cooperative to request new member information.

It is the intent of the Cooperative to allow Members to install Distributed Generation (DG), provided the Member's DG facility does not adversely affect the Cooperative. The Member must conduct his/her own analysis to determine the economic benefit of DG operation.

A DG facility that is not connected to the Cooperative's system in any way is known as "standalone" or "isolated" DG. The Member may operate a DG facility in stand-alone or isolated fashion as long as such DG facility does not adversely affect the Cooperative's system. A DG facility connected in any way to the Cooperative's system shall be considered as in "parallel." For purposes of this Manual, a DG facility is considered operating in "parallel" anytime it is connected to the Cooperative's system in any way, even if the Member does not intend to export power. All provisions of this Manual shall apply to parallel operation of DG facilities as so defined. Member shall fully comply with the provisions of this DG Manual, as same may be amended from time to time at the sole discretion of the Cooperative.

This DG Manual is not a complete description or listing of all laws, ordinances, rules and regulations, nor is this Manual intended to be an installation or safety manual. The Member requesting to interconnect a DG facility to the Cooperative's system is responsible for and must follow, in addition to all provisions of this Manual, the Cooperative's *Rules and Regulations and Tariffs for Electric Service*, the Cooperative's *Line Extension Policy*, the *Policies and Procedures* of the Cooperative's power supplier where applicable, the *Policies and Procedures* of the Cooperative's transmission service provider where applicable, the current *IEEE 1547 Standard Guide for Distributed Generation Interconnection* (a copy is on file at the Cooperative for inspection along with information so the Member may obtain his/her own copy), other applicable IEEE standards, applicable ANSI standards, including ANSI C84.1 Range A and any other applicable governmental and regulatory laws, rules, ordinances or requirements. All legal, technical, financial, etc. requirements in the following sections of this Manual must be met prior to interconnection of the DG facility to the Cooperative's system.

A Member may serve all load behind the meter at the location serving the DG facility but will not be allowed to serve multiple meters, multiple consuming facilities or multiple Members with a single DG facility or under a single DG application without prior approval by the cooperative.

DG facilities larger than 10 MW are not covered by this Manual and will be considered by the Cooperative on a case-by-case basis.

I. DETERMINE THE CATEGORY OF DISTRIBUTED GENERATION FACILITY

1) Connection Level Category

- a) Connected to the Cooperative's system
The Member requests and/or the Member's DG facility requires connection to the Cooperative's system. All provisions of this manual cover this category.
- b) Connected to the Cooperative's Power Supplier's system
The Member requests and/or the Member's DG facility requires connection to the Cooperative's Power Supplier's system. This manual does NOT cover this category. The Member should contact the Cooperative's Power Supplier directly as follows:
Brazos Electric Power Cooperative, 2404 LaSalle Avenue, Waco, Texas 76702-2585, (254)750-6500.

2) Power Export Category

- a) Parallel – no power export
The Member operates a DG facility connected in any way to the Cooperative system but with no intention to export power.
- b) Parallel – power generated to be both consumed and exported
The Member operates a DG facility connected in any way to the Cooperative's system designed primarily to serve the Member's own load but with the intention to export excess power.
- c) Parallel – power generated to be exported only
The Member operates a DG facility connected in any way to the Cooperative's system designed primarily with the intention to export power.

3) Qualifying or Non-Qualifying Category

- a) Qualifying Facilities (QF) are defined by the Public Utility Regulatory Policies Act of 1978 (PURPA). Refer to CFR Title 26, Volume 4, Sec. 292.204.
- b) The distinction between QF and Non-Qualifying Facilities (NQF) mainly deals with fuel use.
 - (1) In general, a QF must have as its primary energy source biomass, waste, renewable resources, geothermal resources or any combination. See PURPA for a full description.
 - (2) DG facilities not designated as QF under the provisions of PURPA will be considered NQF by the Cooperative.
- c) The Cooperative will provide interconnection for a DG facility to Members, subject to the provisions of this Manual and all other applicable rules and regulations.
- d) The Cooperative will purchase power from a Member with a DG facility that is a QF, subject to the provisions of this policy and other applicable rules and regulations.
- e) The Cooperative may purchase power from a Member with a DG facility that is an NQF.

4) Size Category

a) Facilities < 1 MW

Facilities < 1 MW of connected generation will be placed in this size category.

b) Facilities above 1 MW of connected generation

Not considered under this manual

II. MEMBER'S INITIAL REQUIREMENTS

1) Notification

- a) The Member must meet all the Cooperative's membership and service requirements in addition to the requirements in the Manual.
- b) Anyone owning or operating a DG facility in parallel with the Cooperative's system must notify the Cooperative of the existence, location and category of the DG facility.

2) Service Request

- a) In advance of request for an interconnection, the Member must contact the Cooperative and complete the "Cooperative Agreement for Interconnection and Parallel Operation of Distributed Generation."
- b) A separate form must be submitted for each facility.

3) Submit a DG Plan

- a) As a part of the application, the Member shall submit a plan detailing the electrical design, interconnection requirements, size, and operational plans for the DG facility (the "DG plan"). Either at the time of submission or at any time during the review process, the Cooperative may require additional information or may require the DG plan to be prepared by a Professional Engineer registered in the state of Texas.
- b) In the case of DG facilities
 - (i) to be operated in parallel with the Cooperative's system,
 - (ii) with no intention to export power to the Cooperative and
 - (iii) that are of standard design and intended entirely as emergency or back-up power supply for the facility, the Cooperative may, at its sole discretion, waive the application fee.

- c) Prior to review of the application and DG plan by the Cooperative, the Member shall pay an application fee as indicated below. A separate fee must be submitted for each DG facility.

DG Size (Connected Load)	Application Fee	Additional Engineering Fee
up to 50 kW	\$200	As Required
>50 kW to 1 MW	\$300	As Required
> 1 MW	Not covered by this manual	

III. COOPERATIVE AND POWER SUPPLIER REVIEW PROCESS

1) Plan Review Process

- a) The Cooperative and its Power Supplier, if requested by the Cooperative, will review the application and accompanying documents, plans, specifications, and other information provided and will return an interconnection analysis to the Member within 60 days of receipt of final plans and specifications and additional information, if any, requested by the Cooperative.
- b) Technical review will be consistent with guidelines established by the most recent *IEEE Standard 1547 Guide for Distributed Generation Interconnection*. The Member may be required by the Cooperative to provide proof that their DG Facilities have been tested and certified by applicable IEEE guidelines.
- c) If corrections or changes to the plans, specifications and other information are to be made by the Member, the 60 day period may be reinitialized when such changes or corrections are provided to the Cooperative. In addition, any changes to the site or project requiring new analysis by the Cooperative may require additional cost and a new DG plan. The cost will be determined by the Cooperative and shall be paid by the Member.
- d) The Member acknowledges and agrees that any review or acceptance of such plans, specifications and other information by the Cooperative and/or its Power Supplier shall not impose any liability on the Cooperative and/or its Power Supplier and does not guarantee the adequacy of the Member's equipment or DG facility to perform its intended function. The Cooperative and its Power Supplier disclaim any expertise or special knowledge relating to the design or performance of generating installations and does not warrant the efficiency, cost-effectiveness, safety, durability, or reliability of such DG installations. Installation and operation of the DG facility shall at all times be at the Member's risk and expense.
- e) In the event it is necessary at the time of initial interconnection or at some future time for the Cooperative and/or its Power Supplier to modify electric delivery systems in order to serve the Member's DG facilities and/or purchase or continue to purchase the output of the Member's DG facilities, or because the quality of the power provided by the Member's DG adversely affects the Cooperative's and/or its Power Supplier's delivery system, the Member will be responsible to pay the Cooperative and/or its Power Supplier in advance for all costs of modifications required for the interconnection of the Member's DG facilities.

IV. SALES TO AND PURCHASES FROM A DG FACILITY

1) For all DG facilities where the Member desires to export power

- a) All DG facilities shall be billed under one of the Cooperative's existing rate tariffs.
- b) All sales of electric power and energy by the Cooperative to a Member shall be consistent with the applicable retail rate schedule established by the Cooperative as if there were no DG installation at the Member's premises, including any charges in the Cooperative's DG tariff rider.
- c) The Member shall pay all rates and charges so listed in the applicable tariff sections.
- d) The Member shall be subject to any market charges related to the Member's DG facility, including but not limited to Scheduling, Dispatching and Energy imbalance.

2) For DG facilities < 1 MW where the Member desires to export power:

- a) No net metering shall be used. The type of metering to be used shall be specified at the sole discretion of the Cooperative. The metering shall provide data so the Cooperative can determine each billing period the energy supplied to the Member by the Cooperative and the energy supplied to the Cooperative by the Member.
- b) At the sole discretion of the Cooperative, an approved load profile meter may be required which can be remotely read by the Cooperative through an approved communications link. Otherwise, the meter shall be read monthly by Cooperative personnel and the Member shall be billed for the additional cost of reading the meter.
- c) The Cooperative shall bill the Member for the full energy used by the Member during each billing period according to the Cooperative's applicable retail rate schedule.
- d) In addition to all other charges, the Cooperative may add an additional e) monthly customer charge for Members with DG facilities to recover any additional billing, meter reading and/or customer service costs.
- e) The Cooperative shall pay the Member on a monthly basis for the energy supplied by the Member to the Cooperative. The rate paid by the Cooperative shall be the Cooperative's avoided cost.
- f) The Member shall sign an approved Interconnection Agreement for the Interconnection of Distributed Generation with the Cooperative.
- g) In addition to all other charges, the Cooperative may bill the Member for any additional facilities charges as determined by the Cooperative and appended to the Interconnection Agreement.

3) Purchases from the Member

- a) The Cooperative shall not be required to make any purchases that will cause the Cooperative to no longer be in compliance with any applicable contracts or all-power contract requirements with its power supplier(s).
- b) Any purchase of energy from the Member shall be made at the Cooperative's avoided cost. Avoided cost will be calculated by dividing the prior year's total power purchase cost (excluding demand costs, transmission costs, ERCOT and related fees, and distribution costs) by the prior year's total KWh's purchased.

V. MEMBER'S RESPONSIBILITY PRIOR TO OPERATION

1) Line Extension and Modifications to Cooperative Facilities

- f) As a part of the interconnection analysis performed by the Cooperative, the Member will be provided with an estimate of any line extension or other cost to be incurred in providing electric delivery service to the Member's DG facility.
- g) Notwithstanding the Cooperative's line extension policy, the Member shall pay in advance the full cost of the construction of any transmission, substation, distribution, transformation, metering, protective, or other facilities or equipment which, at the sole discretion of the Cooperative and/or its Power supplier, is required to serve the Member's DG facility.
- h) In the event it is necessary at the time of initial interconnection or at some future time for the Cooperative and/or its Power Supplier to modify electric delivery systems in order to serve the Member's DG facilities and/or purchase or continue to purchase the Member's output, or because the quality of the power provided by the Member's DG adversely affects the Cooperative and/or its Power Supplier's delivery system, the Member will reimburse the Cooperative and/or its Power Supplier for all costs of modifications required for the interconnection of the Member's DG facilities.
- i) In the event the Cooperative at any time in the future changes primary voltage of facilities serving the DG facility such that metering equipment, transformers and/or any other Member-owned equipment must be changed to continue receiving service at the new primary voltage level, the full cost of the change will be borne by the Member.
- j) In all cases, the Member shall pay the full cost of the installation of a visible load break disconnect switch by and to the sole specification of the Cooperative. The switch will be readily accessible to Cooperative personnel and of a type that can be secured in an open position by a Cooperative lock.

2) Applicable Regulations

The DG facility shall be installed and operated subject to and in accordance with the terms and conditions set forth in the Cooperative's rules, regulations, bylaws, rates and tariffs, as amended from time to time, and, if applicable, approved by the Cooperative's board of directors, which are incorporated herein by reference, and in compliance with all applicable federal, state and local laws, regulations, zoning codes, building codes, safety rules, environmental restrictions, ordinances and regulations, including without limitation, the most recent IEEE Standard 1547 Guide for Distributed Generation Interconnection, applicable ANSI standards, including ANSI C84.1 Range A, Electric Reliability Council of Texas (ERCOT) Independent System Operator (ISO) directives and ERCOT guidelines, and in accordance with industry standard prudent engineering practices.

3) Liability Insurance

a) DG Facilities

- (1) Prior to interconnection, the Member must provide a certificate of insurance showing satisfactory liability insurance including contractual liability insurance covering indemnity agreements which insures the Member against all claims for property damage and for personal injury or death arising out of, resulting from or in any manner connected with the installation, operation and maintenance of the Member's generating equipment.
- (2) The amount of such insurance coverage shall be not less than \$1,000,000 per occurrence. The amount of such coverage and the type of insurance coverage required shall be acceptable to the Cooperative and may be amended from time to time by the Cooperative at the sole discretion of the Cooperative.
- (3) The certificate shall provide that the insurance policy will not be changed or canceled during its term without thirty days written notice to the Cooperative. The term of the insurance shall be coincident with the term of the interconnection contract or shall be specified to renew throughout the length of the interconnection contract.
- (4) The Member shall provide proof of such insurance to the Cooperative at least annually.

4) Contracts

a) Interconnection Contract

The Member will sign and deliver an Agreement for Interconnection to the Cooperative substantially in the form as shown in the COOPERATIVE AGREEMENT FOR INTERCONNECTION AND PARALLEL OPERATION OF DISTRIBUTED GENERATION included in this DG Manual.

b) Purchase Power Contract (where the Member with a QF desires to deliver power or, in the case of a Member with a NQF, the Cooperative agrees to purchase power)

- (1) < 1 MW: As outlined in the Cooperative's tariffs
- (2) ≥ 1 MW: Not covered in this Manual.

5) Initial Interconnection

- a) Upon satisfactory completion of the review process and execution of required agreements as outlined in this DG Manual, the Cooperative will begin installation of the interconnection of DG facilities. The interconnection will be completed as soon as practical after completion of the review process and execution of the necessary agreements/contracts. After completion of interconnection requirements and prior to initiation of service, the Cooperative will conduct a final inspection of the facilities and interconnection to the Cooperative's system. Upon satisfactory final inspection, the Cooperative will initiate service to the Member.
- b) The Cooperative's review process and final inspection is intended as a means to safeguard the Cooperative's facilities and personnel. The Member acknowledges and agrees that any review or acceptance of such plans, specifications and other information by the Cooperative and/or its Power Supplier shall not impose any liability on the Cooperative and/or its Power Supplier and does not guarantee the adequacy of the Member's equipment or DG facility to perform its intended function. The Cooperative and its Power Supplier disclaims any expertise or special knowledge relating to the design or performance of generating installations and does not warrant the efficiency, cost-effectiveness, safety, durability, or reliability of such DG installations.

VI. REFUSAL TO INTERCONNECT SERVICE OR DISCONNECTION OF INTERCONNECTION SERVICE

The Cooperative may, at its sole discretion, prevent the interconnection or disconnect the interconnection of DG facilities due to reasons such as safety concerns, reliability issues, power quality issues, breach of interconnection contract or any other reasonable issue. Any disconnection may be without prior notice.

VII. OPERATION OF PARALLEL FACILITY

The purpose of this section is to outline the Cooperative's operational requirements for DG facilities operated in parallel with the Cooperative's system and is not intended to be a complete listing of all operational, regulatory, safety and other requirements.

1) Ownership of facilities

- a) The Member shall own and be solely responsible for all expense, installation, maintenance and operation of all facilities, including all power generating facilities, at and beyond the point of delivery as defined in the Cooperative's tariffs.
- b) At its sole discretion, the Cooperative may locate cooperative owned metering equipment and transformers past the point of delivery.

2) Self-Protection of DG Facilities

- a) The Member will furnish, install, operate and maintain in good order and repair all equipment necessary for the safe operation of DG facilities operated in parallel with the Cooperative system.
- b) The Member's equipment will have capability to both establish and maintain synchronism with the Cooperative system and to automatically disconnect and isolate the DG facility from the Cooperative system.
- c) The Member's DG facility will be designed, installed and maintained to be self-protected from normal and abnormal conditions on the Cooperative system including, but not limited to, overvoltage, undervoltage, overcurrent, frequency deviation, and faults. Self-protection will be compatible with all applicable Cooperative protection arrangements and operating policies. Members system should also protect cooperative from his abnormalities.
- d) Additional protective devices and/or functions may be required by the Cooperative when, in the sole judgment of the Cooperative, the particular DG facility installation and/or the Cooperative system characteristics so warrant.

3) Quality of service

- a) The Member's DG facility will generate power at the nominal voltage of the Cooperative's system at the Member's delivery point as defined by ANSI C84.1 Range A.
- b) Member's DG installation will generate power at a frequency within the tolerances as defined by IEEE 1547.
- c) Member's DG facility shall produce power at a minimum power factor of at least 95% or shall use power factor correction capacitors to ensure at least a 95% power factor.
- d) Member's DG facility shall be in accordance with the power quality limits specified in IEEE 519.
- e) The overall quality of the power provided by the Member's DG facility including, but not limited to, the effects of harmonic distortion, voltage regulation, voltage flicker, switching surges and power factor, will be such that the Cooperative system is not adversely affected in any manner.
- f) In the event that the adverse effects are caused in whole or in part by the Member's DG facility, the Member will correct the cause of such effects within 30 days of the initial adverse effect and, if applicable, reimburse the Cooperative for required correction. However, the disconnection of the facilities by the Cooperative is permitted if, in the sole judgment of the Cooperative, adverse effects may warrant immediate disconnection from the Cooperative's system per Section VII (4).

4) Safety disconnect

- a) The Member shall install a visible load break disconnect switch at the Member's expense and to the Cooperative's specifications.
- b) The switch will be located so as to be readily accessible to Cooperative personnel in a location acceptable to both the Member and Cooperative.
- c) The switch shall be a type that can be secured in an open position by a lock owned by the Cooperative. If the Cooperative has locked the disconnect switch open, the Member shall not operate or close the disconnect switch.
- d) The Cooperative shall have the right to lock the switch open when, in the judgment of the Cooperative:
 - (1) It is necessary to maintain safe electrical operating and/or maintenance conditions,
 - (2) The Member's DG adversely affects the Cooperative system, or
 - (3) There is a system emergency or other abnormal operating condition warranting disconnection.
- e) The Cooperative reserves the right to operate the disconnect switch for the protection of the Cooperative system even if it affects the Member's DG facility. In the event the Cooperative opens and/or closes the disconnect switch:
 - (1) The Cooperative shall not be responsible for energization or restoration of parallel operation of the DG facility.
 - (2) The Cooperative will make reasonable efforts to notify the Member.
- f) The Member will not bypass the disconnect switch at any time for any reason.
- g) Signage shall be placed by the Cooperative at the Member's expense and located at the disconnect indicating the purpose of the switch along with contact names and numbers of both the Member and the Cooperative.
- h) Members with DG facilities as defined in this Manual which are solely for the purpose of emergency backup or peak shaving without intent to export power shall not operate their DG facilities at any time unless visibly disconnected from the Cooperative system. At its sole discretion, the Cooperative may require Member to install at his/her own expense an interlocking switch for the purpose of insuring the Member's facilities do not operate in parallel with the Cooperative's facilities.
- i) Should the Cooperative lose power serving the Member's DG facilities for any reason, Members with DG facilities shall not operate their DG facilities unless visibly disconnected from the Cooperative system.

5) Access

- a) Persons authorized by the Cooperative will have the right to enter the Member's property for purposes of testing, operating the disconnect switch, reading or testing the metering equipment, maintaining right-of-way or other DG facility equipment and/or Cooperative service requirement. Such entry onto the Member's property may be without notice.
- b) If the Member erects or maintains locked gates or other barriers, the Member will furnish the Cooperative with convenient means to circumvent the barrier for full access for the above-mentioned reasons.

6) Liability for Injury and Damages

- a) The Member assumes full responsibility for electric energy furnished at and past the point of interconnection and shall indemnify the Cooperative and/or its Power Supplier against and hold the Cooperative and/or its Power Supplier harmless from all claims for both injuries to persons, including death resulting therefrom, and damages to property occurring upon the premises owned or operated by Member arising from electric power and energy delivered by the Cooperative or in any way arising directly or indirectly from the Member's DG facility.
- b) The Cooperative and/or its Power Supplier shall not be liable for either direct or consequential damages resulting from failures, interruptions, or voltage and waveform fluctuations occasioned by causes reasonably beyond the control of the Cooperative and/or its Power Supplier including, but not limited to, acts of God or public enemy, sabotage and/or vandalism, accidents, fire, explosion, labor troubles, strikes, order of any court or judge granted in any bona fide adverse legal proceeding or action, or any order of any commission, tribunal or governmental authority having jurisdiction. ALL PROVISIONS NOTWITHSTANDING, IN NO EVENT SHALL THE COOPERATIVE BE LIABLE TO THE MEMBER FOR ANY INTEREST, LOSS OF ANTICIPATED REVENUE, EARNINGS, PROFITS, OR INCREASED EXPENSE OF OPERATIONS, LOSS BY REASON OF SHUTDOWN OR NON-OPERATION OF MEMBER'S PREMISES OR FACILITIES FOR ANY INDIRECT, INCIDENTAL, OR CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES ARISING OUT OF OR RELATED, IN WHOLE OR PART, TO THIS AGREEMENT. The Cooperative shall not be liable in any event for consequential damages.
- c) The Member is solely responsible for insuring his/her facility complies with all applicable regulations including, but not limited to, laws, regulations, ordinances, Cooperative and Cooperative Power Supplier tariffs, policies and directives, and ERCOT rules, policies and directives.

7) Metering/Monitoring

- a) The Cooperative shall specify, install and own all metering equipment.
- b) DG Facilities < 1 MW
 - (1) Power transfer at the point of interconnection will be measured by metering equipment as installed and specified at the sole discretion of the Cooperative.
 - (2) There shall be no net metering.
- c) The meter shall be read at a time or times of month determined at the Cooperative's sole discretion for acquiring metering data. The Member shall provide the Cooperative an approved communications link at the Member's cost for this purpose if so requested by the Cooperative. The type of communications link and metering equipment measuring purchase of power by the Cooperative shall be installed and specified at the sole discretion of the Cooperative.
- d) The Cooperative may, at its sole discretion, require the Member to pay the Cooperative in advance for metering and monitoring equipment and installation expense.
- e) Meter testing shall follow the Cooperative's standard policy on metering testing and accuracy.
- f) At its sole discretion, the Cooperative may meter the facility at primary or secondary level.

8) Notice of Change in Installation

- a) The Member will notify the Cooperative in writing thirty (30) days in advance of making any change affecting the characteristics, performance, or protection of the DG facility.
- b) If any modification undertaken by the Member will create or has created conditions which may be unsafe or adversely affect the Cooperative system, the Member shall immediately correct such conditions or be subject to immediate disconnection from the Cooperative system.
- c) Any change in the operating characteristics of the DG facility including, but not limited to, size of generator, total facility capacity, nature of facility, fuel source, site change, hours of operation, or type used, may require a new application process, including, but not limited to, application form, application fee, DG plan and DG plan review by the Cooperative.

9) Testing and Record Keeping

- a) The Member will test all aspects of the protection systems up to and including tripping of the generator and interconnection point at start-up and thereafter as required. Testing will verify all protective set points and relay/breaker trip timing and shall include procedures to functionally test all protective elements of the system. The Cooperative may witness the testing.
- b) The Member will maintain records of all maintenance activities, which the Cooperative may review at reasonable times.
- c) For systems greater than 50 kW, a log of generator operations shall be kept. At a minimum, the log shall include the date, generator time on, generator time off, and megawatt and megavar output. The Cooperative may review such logs at reasonable times.

10) Disconnection of Service

The Cooperative may, at its sole discretion, discontinue the interconnection of DG installations due to reasons such as safety concerns, reliability issues, power quality issues, breach of interconnection contract or any other issue, which the Cooperative considers to be a reasonable basis for such action.

11) Compliance With Laws, Rules and Tariffs

The DG installation owned and installed by the Member shall be installed and operated subject to and in accordance with the terms and conditions set forth in the Cooperative's rules, regulations, bylaws, rates and tariffs, as amended from time to time, and, if applicable, approved by the Cooperative's Board of Directors, which are incorporated herein by reference, and in compliance with all applicable federal, state and local laws, regulations, zoning codes, building codes, safety rules, environmental restrictions, ordinances and regulations, including without limitation, Electric Reliability Council of Texas (ERCOT) Independent System Operator (ISO) directives and ERCOT guidelines, and in accordance with industry standard prudent engineering practices.

**COOPERATIVE AGREEMENT FOR INTERCONNECTION AND PARALLEL OPERATION OF
DISTRIBUTED GENERATION**

CONTRACT

This Interconnection Agreement ("Agreement") is made and entered into this _____ day of _____, 20_, by PenTex Energy, Inc. ("Cooperative"), a _____ corporation organized under the laws of Texas, and _____ ("DG Owner/Operator"), each hereinafter sometimes referred to individually as "Party" or both referred to collectively as the "Parties." In consideration of the mutual covenants set forth herein, the Parties agree as follows:

1. **Scope of Agreement** -- This Agreement is applicable to conditions under which the Cooperative and the DG Owner/Operator agree that one or more generating facilities (described in Exhibit A) owned by the DG Owner/Operator of _____ kW or less, to be interconnected at _____ kV or less ("Facilities") may be interconnected to the Cooperative's electric power distribution system ("System").

The provisions of the Cooperative's Distributed Generation Manual shall be considered to be a part of this contract.

2. **Establishment of Point of Interconnection** - The point where the electric energy first leaves the wires or facilities owned by the Cooperative and enters the wires or facilities provided by DG Owner/Operator is the "Point of Interconnection." Cooperative and DG Owner/Operator agree to interconnect the Facilities at the Point of Interconnection in accordance with the Cooperative's Rules and Regulations and DG Manual relating to interconnection of Distributed Generation (the "Rules") and as described in the attached Exhibit A. The interconnection equipment installed by the customer ("Interconnection Facilities") shall be in accordance with the Rules as well.
3. **Responsibilities of Cooperative and DG Owner/Operator for Installation, Operation and Maintenance of Facilities** - DG Owner/Operator will, at its own cost and expense, operate, maintain, repair, and inspect, and shall be fully responsible for, its Facilities, unless otherwise specified on Exhibit A. DG Owner/Operator shall conduct operations of its Facilities in compliance with all aspects of the Rules, and Cooperative shall conduct operations of its electric distribution facilities in compliance with all aspects of the Rules, or as further described and mutually agreed to in the applicable Facilities Schedule. Maintenance of Interconnection Facilities shall be performed in accordance with the applicable manufacturers' recommended maintenance schedule. The DG Owner/Operator agrees to cause its Interconnection Facilities to be constructed in accordance with specifications equal to or better than those provided by the National Electrical Safety Code and the National Electrical Code, both codes approved by the American National Standards Institute, in effect at the time of construction.

The DG Owner/Operator covenants and agrees to cause the design, installation, maintenance, and operation of, its Interconnection Facilities so as to reasonably minimize the likelihood of a malfunction or other disturbance, damaging or otherwise affecting or impairing the System. DG Owner/Operator shall comply with all applicable laws, regulations, zoning codes, building codes, safety rules and environmental restrictions applicable to the design, installation and operation of its Facilities.

Cooperative will notify DG Owner/Operator if there is evidence that the Facilities' operation causes disruption or deterioration of service to other customer(s) served from the System or if the Facilities' operation causes damage to the System. DG Owner/Operator will notify the Cooperative of any emergency or hazardous condition or occurrence with the DG Owner/Operator's Facilities, which could affect safe operation of the System.

4. **Operator in Charge** - The Cooperative and the DG Owner/Operator shall each identify an individual (by name or title) who will perform as "Operator in Charge" of the facilities and their section of the Interconnection Facilities. This individual must be familiar with this Agreement as well as provisions of other agreements and any regulations that may apply.

5. **Limitation of Liability and Indemnification**

- a. Notwithstanding any other provision in this Agreement, with respect to the Cooperative's provision of electric service to DG Owner/Operator and the services provided by the Cooperative pursuant to this Agreement, Cooperative's liability to DG Owner/Operator shall be limited as set forth in the Cooperative's tariffs and terms and conditions for electric service, which are incorporated herein by reference.
- b. Neither Cooperative nor DG Owner/Operator shall be liable to the other for damages for any act or omission that is beyond such party's control, including, but not limited to, any event that is a result of an act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm, flood, explosion, breakage or accident to any part of the System or to any other machinery or equipment, a curtailment, law, order, or regulation or restriction by governmental, military, or lawfully established civilian authorities.
- c. Notwithstanding Paragraph 5.b of this Agreement, the DG Owner/Operator shall assume all liability for, and shall indemnify Cooperative for, any claims, losses, costs, and expenses of any kind or character to the extent that they result from DG Owner/Operator's negligence or other wrongful conduct in connection with the design, construction or operation of the Facilities or Interconnection Facilities. Such indemnity shall include, but is not limited to, financial responsibility for (a) monetary losses; (b) reasonable costs and expenses of defending an action or claim; (c) damages related to death or injury; (d) damages to property; and (e) damages for the disruption of business. This paragraph does not create a liability on the part of the DG Owner/Operator to the Cooperative or a third person, but requires indemnification where such liability exists.

- d. Cooperative and DG Owner/Operator shall each be responsible for the safe installation, maintenance, repair and condition of their respective lines, wires, switches, or other equipment or property on their respective sides of the Point of Interconnection. The Cooperative, while retaining the right to inspect, does not assume any duty of inspecting the DG Owner/Operator's lines, wires, switches, or other equipment or property and will not be responsible therefore. DG Owner/Operator assumes all responsibility for the electric service supplied hereunder and the facilities used in connection therewith at or beyond the Point of Interconnection.
 - e. For the mutual protection of the DG Owner/Operator and the Cooperative, only with Cooperative prior written authorization are the connections between the Cooperative's service wires and the DG Owner/Operator's service entrance conductors to be energized.
 - f. The provisions of this Section 5 shall survive any termination of this Agreement.
6. **Design Reviews and Inspections** - The DG Owner/Operator shall provide to the Cooperative the following documentation and inspection results:
- a. One-Line Diagram. The diagram shall include at a minimum, all major electrical equipment that is pertinent to understanding the normal and contingency operations of the DG Interconnection Facilities, including generators, switches, circuit breakers, fuses, protective relays and instrument transformers.
 - b. Testing Records. Testing of protection systems shall be limited to records of compliance with standard acceptance procedures and by industry standards and practices. These records shall include testing at the start of commercial operation and periodic testing thereafter.
7. **Right of Access, Equipment Installation, Removal & Inspection** - The Cooperative may send an employee, agent or contractor to the premises of the DG Owner/Operator at any time whether before, during or after the time the Facilities first produces energy to inspect the Interconnection Facilities, and observe the Facility's installation, commissioning (including any testing), startup, and operation.
- At all times Cooperative shall have access to DG Owner/Operator's premises for any reasonable purpose in connection with the interconnection described in this Agreement, the Rules, or to provide service to its customers.
8. **Confidentiality of Information** - Unless compelled to disclose by judicial or administrative process, or by other provisions of law or as otherwise provided for in this Agreement, the DG Owner/Operator and the Cooperative will hold in confidence any and all documents and information furnished by the other party in connection with this Agreement.
9. **Prudent Operation and Maintenance Requirements** - The DG Owner/Operator shall operate and maintain its generation and interconnection facilities in accordance with industry standard

prudent electrical practices. The said standards shall be those in effect at the time a DG Owner/Operator executes an interconnection agreement with the Cooperative.

10. **Disconnection of Unit** - DG Owner/Operator retains the option to disconnect its Facilities from the System, provided that DG Owner/Operator notifies the Cooperative of its intent to disconnect by giving the Cooperative at least thirty (30) days' prior written notice. Such disconnection shall not be a termination of the agreement unless DG Owner/Operator exercises rights under Section 13.

DG Owner/Operator shall disconnect Facilities from the System upon the effective date of any termination under Section 13.

Cooperative shall have the right to suspend service in cases where continuance of service to DG Owner/Operator will endanger persons or property. During the forced outage of the System serving DG Owner/Operator, Cooperative shall have the right to suspend service to effect repairs on the System, but the Cooperative shall use its efforts to provide the DG Owner/Operator with reasonable prior notice.

11. **Metering** - Metering shall be accomplished as described in the Cooperative's DG Manual.
12. **Insurance** – Insurance shall be required as described in the Cooperative's DG Manual.
13. **Effective Term and Termination Rights** - This Agreement becomes effective when executed by both Parties and shall continue in effect until terminated. This agreement may be terminated as follows: (a) DG Owner/Operator may terminate this Agreement at any time by giving the Cooperative sixty days' written notice; (b) Cooperative may terminate upon failure by the DG Owner/Operator to generate energy from the Facilities in parallel within six (6) months after completion of the interconnection; (c) either Party may terminate by giving the other Party at least thirty (30) days prior written notice that the other Party is in default of any of the terms and conditions of the Agreement or the Rules or any rate schedule, tariff, regulation, contract, or policy of the Cooperative, so long as the notice specifies the basis for termination and there is opportunity to cure the default; (d) Cooperative may terminate by giving DG Owner/Operator at least sixty (60) day notice in the event that there is a material change in an applicable law, or any requirement of the Cooperative's wholesale electric suppliers or any transmission utility, independent system operator or regional transmission organization having responsibility for the operation of any part of the System.
14. **Dispute Resolution** - Each party agrees to attempt to resolve any and all disputes arising hereunder promptly, equitably and in good faith. If a dispute arises under this Agreement that cannot be resolved by the parties within forty-five (45) working days after written notice of the dispute, the parties agree to submit the dispute to mediation by a mutually acceptable mediator. The parties agree to participate in good faith in the mediation for thirty (30) days. If the parties are unsuccessful in resolving their dispute through mediation, then the parties shall submit to arbitration pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The venue of such arbitration shall be in Cooke County, Texas.

15. **Compliance with Laws, Rules and Tariffs** - Both the Cooperative and the DG Owner/Operator shall be responsible for complying with all applicable laws, rules and regulations, including but not limited to the laws of the state of Texas, and the Cooperative's DG Manual, Tariffs, Rules and Regulations, By-Laws and other governing documents. The interconnection and services provided under this Agreement shall at all times be subject to the terms and conditions set forth in the tariff schedules and rules of the Cooperative as applicable to the electric service provided by the Cooperative, which tariffs and rules are hereby incorporated into this Agreement by this reference. The Cooperative shall have the right to publish changes in rates, classification, service or rule, with the proper notification to all DG owners/operators and Cooperative members.
16. **Severability** -If any portion or provision of this Agreement is held or adjudged for any reason to be invalid or illegal or unenforceable by any court of competent jurisdiction, such portion shall be deemed separate and independent, and the remainder of this Agreement shall remain in full force and effect.
17. **Amendment** - This Agreement may be amended only upon mutual agreement of the Parties, which amendment will not be effective until reduced to writing and executed by the Parties.
18. **Entirety of Agreement and Prior Agreements Superseded** - This Agreement, including the Rules and all attached Exhibits and Facilities Schedules, which are expressly made a part hereof for all purposes, constitutes the entire agreement and understanding between the Parties with regard to the interconnection of the facilities of the Parties at the Points of Interconnection expressly provided for in this Agreement. The Parties are not bound by or liable for any statement, representation, promise, inducement, understanding, or undertaking of any kind or nature (whether written or oral) with regard to the subject matter hereof not set forth or provided for herein or in the DG Owner/Operator application, or other written information provided by the DG Owner/Operator in compliance with the Rules. It is expressly acknowledged that the Parties may have other agreements covering other services not expressly provided for herein, which agreements are unaffected by this Agreement.
19. **Force Majeure** -For the purposes of this Agreement, a Force Majeure event is any event:
 - a. that is beyond the reasonable control of the affected party; and
 - b. that the affected party is unable to prevent or provide against by exercising reasonable diligence, including the following events or circumstances, but only to the extent that they satisfy the preceding requirements: acts of war, public disorder, rebellion or insurrection; floods, hurricanes, earthquakes, lightning, storms or other natural calamities; explosions or fires; strikes, work stoppages or labor disputes; embargoes; and sabotage. If a Force Majeure event prevents a party from fulfilling any obligations under this agreement, such party will promptly notify the other party in writing and will keep the other party informed on a continuing basis as to the scope and duration of the Force Majeure event. The affected party will specify the circumstances of the Force Majeure event, its expected duration and the steps that the affected party is taking to mitigate the effect of the event on its performance. The affected

party will be entitled to suspend or modify its performance of obligations under this Agreement but will use reasonable efforts to resume its performance as soon as possible.

20. **Assignment** - At any time during the term of this Agreement, the DG Owner/Operator may assign this Agreement to a corporation, an entity with limited liability or an individual (the "Assignee"), provided that the DG Owner/Operator obtains the consent of the Cooperative in advance of the assignment. The Cooperative's consent will be based on a determination that the Assignee is financially and technically capable to assume ownership and/or operation of the DG unit. The company or individual to which this Agreement is assigned will be responsible for the proper operation and maintenance of the unit, and will be a party to all provisions of this Agreement.

21. **Permits, Fees and Approvals** - The Cooperative will have responsibility for the review, approval or rejection of the DG interconnection application. The approval process is intended to ensure that the implementation of the applicant's DG project will not adversely affect the safe and reliable operation of the Cooperative's System. The fees associated with the Application are listed in the most current fee schedule issued by the Cooperative. All fees are to be submitted in the form of a Bank Cashier's check along with the Application, unless other payment terms have been approved in advance by the Cooperative.

22. **Notices** - Notices given under this Agreement are deemed to have been duly delivered if hand delivered or sent by United States certified mail, return receipt requested, postage prepaid, to:

a. If to Cooperative:

P O Box 530

11799 W US Hwy 82

Muenster, Texas 76252

b. If to DG Owner/Operator:

The above-listed names, titles, and addresses of either Party may be changed by written notification to the other, notwithstanding Section 17.

23. **Invoicing and Payment** - Invoicing and payment terms for services associated with this Agreement shall be consistent with applicable Rules of the Cooperative.

24. **Limitations (No Third-Party Beneficiaries, Waiver, etc.)** - This Agreement is not intended to, and does not create, rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties. This Agreement may not be assigned by the DG Owner/Operator without the prior written consent of the Cooperative as specified in Section 20. The failure of a Party to this Agreement to insist, on any occasion, upon strict performance of any provision of this Agreement will not be considered to waive the obligations, rights, or duties imposed upon the Parties.
25. **Headings** - The descriptive headings of the various articles and sections of this Agreement have been inserted for convenience of reference only and are to be afforded no significance in the interpretation or construction of this Agreement.
26. **Multiple Counterparts** - This Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed by their respective duly authorized representatives.

PENTEX ENERGY, INC.

[DG OWNER/OPERATOR NAME]

BY: _____

BY: _____

TITLE: _____

TITLE: _____

DATE: _____

DATE: _____

EXHIBIT A

DESCRIPTION OF FACILITIES AND POINT OF INTERCONNECTION

DG Owner/Operator will, at its own cost and expense, operate, maintain, repair, and inspect, and shall be fully responsible for its Facilities, unless otherwise specified on Exhibit A.

FACILITIES SCHEDULE NO.

[The following information is to be specified for each Point of Interconnection, if applicable]

1. Name: _____
2. Facilities location: _____
3. Delivery voltage: _____
4. Metering (voltage, location, losses adjustment due to metering location, and other normal operation of interconnection.) _____
5. Attach one line diagram
6. Facilities to be furnished by Cooperative:
7. Facilities to be furnished by DG Owner/Operator:
8. Cost Responsibility: _____
9. Control area interchange point (check one): / _____ Yes / No
10. Supplemental terms and conditions attached (check one): / _____ Yes / No
11. Cooperative rules for DG interconnection attached (check one): / _____ Yes / No
12. Application Fee: _____
13. Copy of Required Liability Insurance Policy: _____

PENTEX ENERGY, INC.

[DG OWNER/OPERATOR NAME]

BY: _____

BY: _____

TITLE: _____

TITLE: _____

DATE: _____

DATE: _____

PENTEX ENERGY

Application for Operation of Customer-Owned DG

This application should be completed as soon as possible and returned to the Cooperative Customer Service representative in order to begin processing the request. See *Distributed Generation Procedures and Guidelines Manual for Members* for additional information.

INFORMATION: This application is used by the Cooperative to determine the required equipment configuration for the Customer interface. Every effort should be made to supply as much information as possible.

**PART 1
OWNER/APPLICANT INFORMATION**

Company:

Mailing _____ Address:

City: _____ County: _____ State: _____ Zip Code: _____

Phone Number: _____ Representative:

PROJECT DESIGN/ENGINEERING (as applicable)

Company:

Mailing Address: _____

City: _____ County: _____ State: _____ Zip Code: _____

Phone Number: _____ Representative:

ELECTRICAL CONTRACTOR (as applicable)

Company:

Mailing Address: _____

City: _____ County: _____ State: _____ Zip Code: _____

Phone Number: _____ Representative:

PART 2

(Complete all applicable items. Copy this page as required for additional generators.)

Photovoltaic System (complete all applicable items)

Number of panels' _____ Rated Max Power output per panel _____

Open Circuit Voltage per panel _____ Highest Open Circuit Voltage on system _____

Rated Voltage _____ Rated Current _____ Short Circuit Current _____

Module Type _____

INVERTER DATA (if applicable)

Manufacturer: _____ Model: _____

Rate Power Factor (%): _____ Rated Voltage (Volts): _____ Rated Amperes: _____

Inverter Type (ferroresonant, step, pulse-width modulation, etc.): _____

Type commutation: forced line

Harmonic Distortion: Maximum Single Harmonic (%) _____

Maximum Total Harmonic (%) _____

Note: Attach all available calculations, test reports, and oscillographic prints showing inverter output voltage and current waveforms.

Energy Storage (if applicable)

Storage type _____ Power Continuous _____

Depth of Discharge _____ Efficiency _____ Usable Capacity (kWh per hour) _____

Charge/Discharge Cycles (callable or backup power only) _____

Storage Voltage _____ Output Voltage _____ Max Output Current _____

POWER CIRCUIT BREAKER (if applicable)

Manufacturer: _____ Model: _____

Rated Voltage (*kilovolts*): _____ Rated ampacity (*Amperes*) _____

Interrupting rating (Amperes): _____ BIL Rating _____

Interrupting medium / insulating medium (ex. Vacuum, gas, oil) _____ / _____ Control

Voltage (Closing): _____ (Volts) AC DC

Control Voltage (Tripping): _____ (Volts) AC DC Battery Charged Capacitor

Close energy: Spring Motor Hydraulic Pneumatic Other: _____

Trip energy: Spring Motor Hydraulic Pneumatic Other: _____

Bushing Current Transformers: _____ (Max. ratio) Relay Accuracy Class: _____

Multi Ratio? No Yes: (available taps) _____

SYNCHRONOUS GENERATOR DATA

Unit Number: _____ Total number of units with listed specifications on site: _____
 Manufacturer: _____
 Type: _____ Date of manufacture: _____
 Serial Number (each): _____ Phases: _____
 Single _____ Three _____ R.P.M.: _____ Frequency (Hz): _____
 Rated Output (for one unit): _____ Kilowatt _____ Kilovolt-Amper _____ Rated
 Power Factor (%): _____ Rated Voltage (Volts) _____ Rated Amperes: _____ Field
 Volts: _____ Field Amps: _____ Motoring power (kW): _____
 Synchronous Reactance (X'd): _____ % on _____ KVA base **No index
 entries found.**
 Transient Reactance (X'd): _____ % on _____ KVA base
 Subtransient Reactance (X'd): _____ % on _____ KVA base
 Negative Sequence Reactance (Xs): _____ % on _____ KVA base
 Zero Sequence Reactance (Xo): _____ % on _____ KVA base
 Neutral Grounding Resistor (if applicable): _____
 I₂²t of K (heating time constant): _____
 Additional Information: _____

INDUCTION GENERATOR DATA

Rotor Resistance (Rr): _____ ohms Stator Resistance (Rs): _____ ohms
 Rotor Reactance (Xr): _____ ohms Stator Reactance (Xs): _____ ohms
 Magnetizing Reactance (Xm): _____ ohms Short Circuit Reactance (Xd''): _____ ohms Design
 letter: _____ Frame Size: _____
 Exciting Current: _____ Temp Rise (deg C°): _____ Reactive
 Power Required: _____ Vars (no load), Vars _____ (full load)
 Additional Information: _____

PRIME MOVER (Complete all applicable items)

Unit Number: _____ Type: _____
 Manufacturer: _____ Serial
 Number: _____ Date of manufacturer: _____

H.P. Rates: _____ H.P. Max.: _____ Inertia Constant: _____ lb.-ft²
Energy Source (hydro, steam, wind, etc.) _____

GENERATOR TRANSFORMER (Complete all applicable items)

TRANSFORMER (between generator and utility system)

Generator unit number: _____ Date of manufacturer: _____

Manufacturer: _____

Serial Number: _____

High Voltage: _____ KV, Connection: delta wye, Neutral solidly grounded? _____

Low Voltage: _____ KV, Connection: delta wye, Neutral solidly grounded? _____

Transformer Impedance (Z): _____ % on _____ KVA base

Transformer Resistance (R): _____ % on _____ KVA base

Transformer Reactance (X): _____ % on _____ KVA base

Neutral Grounding Resistor (if applicable): _____

ADDITIONAL INFORMATION

In addition to the items listed above, please attach a detailed one-line diagram of the proposed facility, all applicable elementary diagrams, major equipment (generators, transformers, inverters, circuit breakers, protective relays, etc.), specifications, test reports, etc., and any other applicable drawings or documents necessary for the proper design of the interconnection.

SIGN OFF AREA

The Member agrees to provide the Cooperative with any additional information required to complete the interconnection. The Member shall operate equipment within the guidelines set forth by the Cooperative.

Applicant Date

ELECTRIC COOPERATIVE CONTACT FOR APPLICATION SUBMISSION AND FOR MORE INFORMATION:

Cooperative contact: PenTex Energy
John Walterscheid
Energy Management Advisor 940-759-2211
11799 W Hwy. 82 Direct 940-759-5127
P.O. Box 530 Fax 940-759-4122
Muenster, TX 76252 www.pentexenergy.com
Email john.walterscheid@pentexenergy.com