

**A & N ELECTRIC COOPERATIVE
SCHEDULE SGI TERMS AND CONDITIONS
APPLICABLE TO SMALL GENERATOR INTERCONNECTION
August 27, 2009**

**SCHEDULE SGI - SMALL GENERATOR INTERCONNECTIONS
OTHER THAN NET METERING**

A. APPLICABILITY

This Schedule SGI is applicable to Interconnection Customers who own and operate, or contract with others to own or operate on their behalf, a Generator in parallel operation with the Cooperative's electric system. Provided, however that this Schedule shall not apply to: (a) Generators operating pursuant to the Net Energy Metering provisions of the Cooperative's Terms and Conditions; or (b) Generators that are interconnected under the jurisdiction of the Federal Energy Regulatory Commission.

Generator interconnection service includes only the ability to interconnect a Generator to the Cooperative's facilities. Generator interconnection service does not include, without limitation, the purchase or sale of the output of the Generator, station service, back-up power, the delivery of the output of the Generator, nor any form of the supply or delivery of electricity to the Interconnection Customer. The Interconnection Customer shall make separate arrangements for any such services that it desires to purchase.

B. DEFINITIONS

Certain words and phrases used in this Schedule shall be understood to have the meaning established by Chapter 314 of the Commission's rules, *Regulations Governing Interconnection of Small Electrical Generators* (at 20VAC5-314-10 *et seq.*) ("Chapter 314") at 20VAC5-314-10, or as otherwise defined in the Cooperative's Terms and Conditions, or as listed below:

1. "Interconnection Customer" has the meaning set forth in Chapter 314 at 20VAC5-314-10, and shall also continue to apply to any entity that has interconnected a Small Generating Facility with the Cooperative's equipment or facilities.

C. INCORPORATION OF RULES

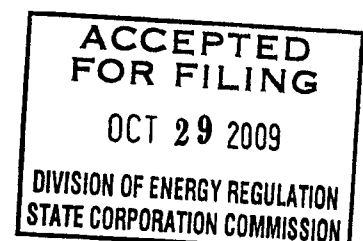
Section 314 of the Commission's rules is hereby incorporated by reference into this Schedule SGI. Interconnection Customers who own and operate, or contract with others to own or operate on their behalf, a Generator in parallel operation with the Cooperative's electric system are also subject to Chapter 314 and to the Cooperative's Terms and Conditions generally. Such an Interconnection Customer's Generator may only begin parallel operation, and may only continue parallel operation, so long as all applicable requirements of this Schedule, the Cooperative's Terms and Conditions and of Chapter 314 are satisfied.

Notwithstanding any other provision of this Schedule SGI , if the Cooperative's system is under the control of a Regional Transmission Entity, and the Regional Transmission Entity has rules, tariffs, agreements or procedures properly governing operation of the Generator, sale or transmission of the output of the Generator, system upgrades required for interconnection of the Generator, or other aspects of the interconnection or operation of the Generator, the Cooperative and the Interconnection Customer shall comply with those applicable rules, tariffs, agreements or procedures.

D. RULES OF GENERAL APPLICABILITY

The following provisions shall apply to all Generators.

1. The Cooperative shall not be required to establish or maintain an interconnection with a Generator that is found to be out of compliance with the codes, standards, requirements, and/or certifications applicable to the Generator. The Cooperative shall be entitled to obtain information through reasonable means, including the observation of facility tests as conducted by the Interconnection Customer, as may be necessary to ensure the continued safe and reliable operation of Cooperative facilities and equipment and to ensure the Generator does not cause a degradation in power quality provided by the Cooperative to its other customers. However, the Cooperative expressly assumes no responsibility or obligation to inspect or otherwise ensure that the Interconnection Customer complies with any such codes, standards, requirements, and/or certifications applicable to the Generator.
2. The Cooperative shall provide Attachment Facilities in the same manner as it otherwise provides any Excess Facilities pursuant to its Terms and Conditions generally. The Interconnection Customer shall pay any applicable one-time, monthly, or other Excess Facilities charges in accordance with the Cooperative's Terms and Conditions.
3. The Cooperative shall not be required to provide a Generator interconnection at any electrical characteristic or voltage range other than those that are provided by the Cooperative for distribution service in accordance with its Terms and Conditions, nor shall the Cooperative be required to provide a Generator interconnection under a higher standard than that generally applicable to its provision of electric service.
4. The provision and continuation of a Generator interconnection is contingent upon the Interconnection Customer making payment for all applicable charges for such Generator interconnection, and the payment provisions applicable to any ongoing charges for each Generator interconnection shall be in accordance with the Cooperative's Terms and Conditions. The Cooperative may require a deposit in support of the Interconnection Customer's payment obligations hereunder, pursuant to its Terms and Conditions.



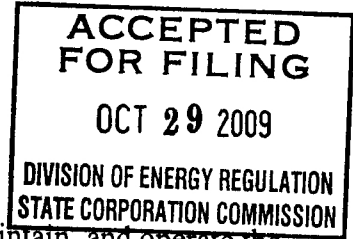
5. Any metering, including telemetering or data acquisition equipment, that is necessitated by use of the Generator or requested by the Interconnection Customer shall be provided by the Cooperative, at the Interconnection Customer's expense, in accordance with Chapter 314 and the provisions of the Cooperative's Terms and Conditions.
6. Interconnection Customer shall provide and maintain communications lines as may be required for transmitting operational and meter data related to the Generator interconnection, and to otherwise reasonably support the coordinated operation of the Cooperative's system with the Generator.
7. Except as may be otherwise provided for in Chapter 314, invoices presented by the Cooperative to the Interconnection Customer for one-time charges shall be due and payable upon presentation and shall become past due if not paid within thirty days of the invoice date.
8. The Cooperative may reasonably require that Interconnection Customer provide written acknowledgements or assurances to the Cooperative related to the interconnection and operation of the Generator.

E. RULES FOR GENERATORS OF 500 KW OR LESS

The following provisions shall apply to Generators of 500 kW or less:

1. The Cooperative may specify reasonable operating requirements applicable to the Generator in addition to those otherwise provided for herein. If such additional operating requirements are specified, they shall be listed in writing and provided to the Interconnection Customer. The Cooperative shall notify the Interconnection Customer of any changes to these requirements as soon as they are known. The parties shall make reasonable efforts to cooperate in meeting requirements necessary for the Generator to commence and continue operations.
2. The Cooperative may require the Interconnection Customer to provide written acknowledgment to the Cooperative regarding: (i) the operating requirements of the Generator; and (ii) ongoing charges to the Interconnection Customer as may be permitted under this Schedule, the Cooperative's Terms and Conditions or Chapter 314.
3. Each party shall design, install, operate, maintain, repair, and inspect, and shall be fully responsible for the facilities that it now or subsequently may own unless otherwise expressly agreed between the Cooperative and the Interconnection Customer. Each party is responsible for safe installation, operation, maintenance, repair, and condition of its respective lines and appurtenances in accordance with all applicable codes and standards on its respective side of the Point of Interconnection.





4. The Interconnection Customer shall design, install, maintain, and operate the Generator so as to reasonably minimize the likelihood of a disturbance adversely affecting or impairing the Cooperative's facilities or equipment, or other interconnected utility systems, and to otherwise maintain and operate the Generator in accordance with the specifications and certifications under which the Generator was initially installed and interconnected.
5. The Cooperative may require the Interconnection Customer to install, own and maintain a lockable, Cooperative-accessible, load breaking manual disconnect switch between the Generator and the Cooperative's facilities at each Point of Interconnection.
6. The Interconnection Customer shall design and operate the Generator to maintain a composite power delivery at continuous rated power output at the Point of Interconnection at a power factor within the range of 0.95 leading and 0.95 lagging, unless the Cooperative has established different requirements that apply to all similarly-situated Generators connected to Cooperative facilities on a comparable basis. Such requirement shall not apply to wind Generators.
7. The Interconnection Customer shall test and inspect its Generator and interconnection facilities prior to interconnection. The Generator shall not begin parallel operation until the Cooperative has inspected the Generator's protective equipment settings or has waived its right to inspection. The Interconnection Customer shall notify the Cooperative when the Generator installation and protective equipment installation is complete. Unless otherwise mutually agreed, the Cooperative shall have five business days to perform its inspection. Each party shall be responsible for its own costs associated with inspections. Static-inverter connected Generators of not more than 10 kW shall not be subject to this inspection requirement. Any inspection by the Cooperative or lack thereof shall not be deemed to be or construed as representation, assurance, guarantee or warranty by the Cooperative of the safety, durability, suitability or reliability of the Generator or any associated control, protective and safety devices owned or controlled by the Interconnection Customer or the quality of power produced by the Generator.
8. The Interconnection Customer shall submit a formal request to the Cooperative in accordance with Chapter 314, prior to changing the rated capacity, electrical characteristics or operating specifications of any Generator. Changes to the Generator or its mode of operation, either of which may have a material impact on the safety, reliability or power quality of the Cooperative's facilities or equipment or other interconnected systems, shall not be made prior to the Cooperative providing written authorization to the Interconnection Customer. Such authorization shall not be unreasonably withheld. Modifications shall be done in accordance with Good Utility Practice. If the Interconnection Customer makes such modifications without the Cooperative's prior written authorization, then the Cooperative shall have the right to temporarily disconnect the Generator.

9. The Interconnection Customer shall notify the Cooperative as soon as practicable in the event of an emergency condition of the Generator or its mode of operation, if the Interconnection Customer has reasonable cause to believe that such condition may have a detrimental impact on the Cooperative's system, customers of the Cooperative, other interconnected systems or the safety of persons or property.
10. The Interconnection Customer shall immediately notify the Cooperative of any changes in the ownership of, operational responsibility for or contact information for any Generator.
11. All communications required or authorized under this Schedule SGI shall be provided in writing, and shall be deemed properly given if delivered in person, delivered by recognized national courier service, or sent by first class mail, postage prepaid, to the person designated by the request form submitted by the Interconnection Customer or as updated by Paragraph 10, above.

12. **Limitation of Liability**

Each Party's liability to each other for any loss, cost, claim, injury, liability, or expense, including reasonable attorney's fees, relating to or arising from any act or omission in its performance of obligations under Chapter 314 and this Schedule, shall be limited to the amount of direct damage actually incurred. In no event shall either Party be liable to the other Party for any indirect, special, consequential, or punitive damages, except as authorized by this Schedule, Chapter 314 or the Cooperative's Terms and Conditions.

Neither Party shall be liable to the other under any provision of Chapter 314 or this Schedule for any losses, damages, costs or expenses for any special, indirect, incidental, consequential, or punitive damages, including but not limited to loss of profit or revenue, loss of the use of equipment, cost of capital, cost of temporary equipment or services, whether based in whole or in part in contract, in tort, including negligence, strict liability, or any other theory of liability; provided that damages for which a Party may be liable to the other Party under another agreement will not be considered to be special, indirect, incidental, or consequential damages hereunder.

13. **Indemnity**

- a. This provision protects each Party from liability incurred to third parties as a result of carrying out the provisions of this Schedule. Liability under this provision is exempt from the general limitations on liability found in Paragraph 12, above.



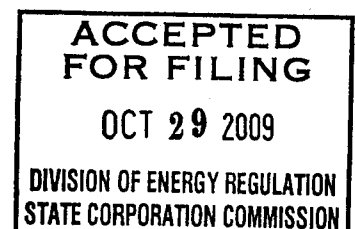
- b. Each Party shall at all times indemnify, defend, and hold the other Party harmless from, any and all damages, losses, claims, including claims and actions relating to injury to or death of any person or damage to property, demand, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from the other Party's action or failure to meet its obligations under Chapter 314 or this Schedule on behalf of the indemnifying Party, except in cases of gross negligence or intentional wrongdoing by the indemnified Party.
- c. If an indemnified Party is entitled to indemnification under this article as a result of a claim by a third party, and the indemnifying Party fails, after notice and reasonable opportunity to proceed under this article, to assume the defense of such claim, such indemnified person may at the expense of the indemnifying Party contest, settle or consent to the entry of any judgment with respect to, or pay in full, such claim.
- d. If an indemnifying Party is obligated to indemnify and hold any indemnified person harmless under this article, the amount owing to the indemnified person shall be the amount of such indemnified person's actual loss, net of any insurance or other recovery.
- e. Promptly after receipt by an indemnified person of any claim or notice of the commencement of any action or administrative or legal proceeding or small generator investigation as to which the indemnity provided for in this article may apply, the indemnified person shall notify the indemnifying Party of such fact. Any failure of or delay in such notification shall not affect a Party's indemnification obligation unless such failure or delay is materially prejudicial to the indemnifying party.

F. GENERATORS OF MORE THAN 500 KW AND NOT MORE THAN 20 MW

Generators of more than 500 kW and not more than 20 MW shall request to be interconnected in accordance with the "Levels 2 and 3 interconnection request general requirements" set forth in Chapter 314. (See 20VAC5-314-50 (2009))

G. GENERATORS OF MORE THAN 20 MW

Generators of more than 20 MW shall be interconnected under separate bilateral arrangements between the Cooperative and the Interconnection Customer.



H. GRANDFATHERED INTERCONNECTIONS

A Generator interconnection being processed or existing prior to May 21, 2009, may be completed or continue under the pre-existing procedures, agreement, or arrangement. Upon a change in the rated capacity, the mode of operation, or the electrical characteristics of the Generator, one of the following shall occur:

1. Upon mutual agreement, the Cooperative and the Interconnection Customer shall modify such pre-existing agreement or arrangement to accommodate such change.
2. Upon request of either the Interconnection Customer or the Cooperative, the terms of interconnection shall be revised prospectively in accordance with the then-effective Schedule and Terms and Conditions on file with the Commission. Notwithstanding this opportunity for prospective revision, any charges for facilities or services provided by the Cooperative as established under the previous arrangements will continue in connection with the continued provision of such facilities or services, and shall be set forth in an appropriate agreement.

