

HOUSTON COUNTY ELECTRIC COOPERATIVE, INC. ELECTRIC SERVICE TARIFF	Section No.: __ Effective Date: July 1, 2011 Page: 1
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___ DISTRIBUTED GENERATION OF 10 MVA OR LESS

(1) INTRODUCTION

The Cooperative will, in conformity with the requirements of law, interconnect distributed generation facilities owned or leased by Members of the Cooperative (“Distributed Generation” or “DG”) as defined in Section (9) below, subject to the terms and conditions set forth in the Cooperative’s Electric Service Tariff, including all rates, service rules and regulations therein. In addition, the Member requesting to interconnect a DG facility to the Cooperative’s electric distribution system is responsible for and must follow all provisions in the Cooperative’s Customer Generation Procedures and Guidelines Manual for Members (the “CG Manual”), the Policies and Procedures of the Cooperative’s power supplier where applicable, the current IEEE 1547 Standard Guide for Distributed Generation Interconnection, and any and all other applicable governmental and regulatory laws, rules, ordinances or requirements.

A Member may serve all of its loads behind the meter at the location serving the DG facility, but the Member will not be allowed to serve multiple meters, multiple consuming facilities or other Members with a single DG facility or under a single DG application.

DG facilities having a design capacity larger than 10 MVA are neither covered by this tariff nor the CG Manual and will be considered by the Cooperative and its power supplier on a case-by-case basis.

Members must notify the Cooperative of their intent to connect their generation facilities to the Cooperative’s electric distribution system prior to such connection, as set forth in Section (3) below.

(2) QUALIFYING FACILITIES

Subject to the foregoing requirements, the Cooperative will, in conformity with the requirements of law, interconnect with, purchase electricity from, and sell electricity to generating installations which are "qualifying facilities" (“QFs”) as defined in Federal Energy Regulatory Commission Rules promulgated under Sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978. This tariff applies to the interconnection and parallel operation of all such qualifying power generating installations having a design capacity of 10MVA or less as well as to electric utility service to such generating installations. If any part of these sections shall be in conflict with any other provision of this tariff, these sections shall control. By agreement, the Cooperative and Member may establish

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additional or different terms, conditions, or rates for the sale or purchase of electricity. However, for generating installations having a designed capacity in excess of 10MVA, the terms for any sale or purchase of electricity shall be individually negotiated and approved by the Cooperative's Board of Directors. QF facilities shall not be subsidized by other members and shall be required to operate in a manner which does not degrade the service to others. QFs may or may not also be DGs.

(3) REQUIREMENTS PRIOR TO OBTAINING INTERCONNECTION

Any Member owning or operating a DG or QF facility (hereafter "Producer") and desiring to interconnect with the Cooperative's system shall meet the following requirements:

(a) INITIAL REQUIREMENTS

The Producer must notify the Cooperative, complete the "Application for Operation of Customer-Owned Generation", submit a plan detailing the electrical design, interconnection requirements, size and operational plans for the DG or QF facility (the "DG Plan") and pay application and engineering fees, all as set forth in Section II of the Cooperative's CG Manual.

(b) COOPERATIVE AND POWER SUPPLIER REVIEW PROCESS

The Cooperative and its power supplier, if requested by the Cooperative will review the Producer's application and return an interconnection analysis to the Producer in accordance with Section III of the CG Manual.

Any review or acceptance of such a plan by the Cooperative shall not impose any liability on the Cooperative and does not guarantee the adequacy of Producer's equipment to perform its intended function. The Cooperative 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 generating installations, plus other factors considered important by the Cooperative in each individual situation.

(c) LINE EXTENSION AND MODIFICATION TO
COOPERATIVE'S FACILITIES

The Producer must comply with the conditions for extension or modification of the Cooperative's distribution system as may be determined by Section V(1) of the Cooperative's CG Manual.

(d) APPLICABLE REGULATIONS

The DG or QF facility shall be installed and operated subject to all applicable regulations, including but not limited to, those stated in Section V(2) of the Cooperative's CG Manual.

(e) LIABILITY INSURANCE

The Producer must furnish proof of adequate insurance meeting the requirements applicable to the size of the DG or QF facility as set forth in Section V(3) of the Cooperative's CG Manual.

(f) CONTRACTS

The Producer must sign and deliver to the Cooperative the applicable interconnection and purchase power contracts referenced in Section V(4) of the Cooperative's CG Manual.

(4) INITIAL INTERCONNECTION

Upon satisfactory completion of the review process and execution of the required contracts described above, the Cooperative will begin installation of the interconnection of DG or QF facilities as set forth in Section V(5) of the Cooperative's CG Manual.

(5) REFUSAL TO INTERCONNECT SERVICE OR DISCONNECTION OF
INTERCONNECTION SERVICE

The Cooperative may, at its sole discretion, prevent the interconnection or may disconnect the interconnection of DG or QF 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.

(6) OPERATION OF PARALLEL FACILITY

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The purpose of this section is to outline the Cooperative's operational requirements for DG or QF 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.

(a) OWNERSHIP OF FACILITIES

The Producer 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.

At its sole discretion, the Cooperative may locate cooperative owned metering equipment and transformers beyond the point of delivery.

(b) SELF PROTECTION OF DG OR QF FACILITIES

The Producer will furnish, install, operate and maintain in good order and repair all equipment necessary for the safe operation of the power generating installation in parallel with the Cooperative's electric distribution system. The Producer's DG or QF facility and related equipment will meet the requirements of Section VII(2) of the Cooperative's CG Manual.

(c) QUALITY OF SERVICE

Producer's generating installation will generate power at the nominal voltage of the Cooperative's electric distribution system at the Producer's delivery point as defined by ANSI C84.1 Range A, and will also comply with the quality of service requirements set forth in Section VII(3) of the Cooperative's CG Manual.

(d) SAFETY DISCONNECT

The Producer shall install a visible load break disconnect switch at the Producer's expense and to the Cooperative's specifications, which will be operated as set forth in Section VII(4) of the Cooperative's CG Manual.

(e) ACCESS

Persons authorized by the Cooperative will have the right to enter the Producer's property for purposes of testing, operating the disconnect

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switch, reading or testing the metering equipment, maintaining right-of-way or other Cooperative-owned equipment and/or Cooperative service requirement. Such entry onto the Producer's property may be without notice.

If the Producer erects or maintains locked gates or other barriers, the Producer will furnish the Cooperative with convenient means to circumvent the barrier for full access for the above-mentioned reasons.

(f) LIABILITY FOR INJURY AND DAMAGES

The Cooperative and/or its power supplier and the Producer shall not be liable to each other 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 PRODUCER FOR ANY INTEREST, LOSS OF ANTICIPATED REVENUE, EARNINGS, PROFITS, OR INCREASED EXPENSE OF OPERATIONS, LOSS BY REASON OF SHUTDOWN OR NON-OPERATION OF PRODUCER'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.

Cooperative and Producer 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 lines, wires, switches, or other equipment or property and will not be responsible therefore. Producer assumes all responsibility for the electric service supplied hereunder and the facilities used in connection therewith at or beyond the point of delivery specified by the Cooperative.

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For the mutual protection of the Producer and the Cooperative, only with Cooperative prior written authorization are the connections between the Cooperative's service wires and the Producer's service entrance conductors to be energized.

The Producer is solely responsible for insuring that the DG or QF facility complies with all applicable regulations including, but not limited to, laws, regulations, ordinances, Cooperative and Cooperative power supplier tariffs, policies and directives, and Public Utilities Commission of Texas rules, policies and directives.

(g) INDEMNIFICATION

The Producer shall indemnify the Cooperative and/or its power supplier against and hold the Cooperative and/or its power supplier harmless from all claims by third parties for both injuries to persons, including death resulting therefrom, and damages to property occurring upon the premises owned or leased by the Producer arising directly or indirectly from the Producer's DG or QF facility.

(h) METERING

If the output of the Producer's generating installation is to be purchased by the Cooperative, it will be measured by meters and metering equipment specified, installed and owned by the Cooperative as follows:

- (i) Power flow at the point of interconnection will be measured by metering equipment capable of providing data so the Cooperative can determine each billing period the energy supplied to the Producer by the Cooperative and the energy supplied to the Cooperative by the Producer.
- (ii) There shall be no net metering.
- (iii) The meter(s) shall be read at a time or times of month determined at the Cooperative's sole discretion for acquiring metering data. The Producer shall provide the Cooperative an approved communications link at the Producer'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.

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- (iv) The Cooperative may, at its sole discretion, require the Producer to pay the Cooperative in advance for metering and monitoring equipment and installation expense.
- (v) Meter testing shall follow the Cooperative's standard policy on metering testing and accuracy.
- (vi) At its sole discretion, the Cooperative may meter the DG or QF facility at primary or secondary level.

The meter(s) will, by comparison with accurate standards, be tested and calibrated as often as necessary. The Producer or the Cooperative may reasonably request such tests, and shall be given notice of not less than five (5) working days when such tests are to be made. Both the Producer and the Cooperative will have the right to be present at such tests.

If a meter is found to be inaccurate, it shall be restored to an accurate condition or replaced. If the tests disclose that no unacceptable inaccuracies exist in the meter(s), then the party requesting the tests shall bear the expense of the tests. A report of the results of any test shall be furnished promptly to the Producer by the Cooperative or the Cooperative's testing agent. Any meter(s) registering a deviation of not more than two percent (2%) from normal shall be deemed accurate. The readings of any meter(s) which have been inaccurate shall be corrected according to the percentage of inaccuracy as determined by the test for a period of no more than ninety (90) days prior to the tests. If any meter fails to register for any period, the generation facility output during such period shall be estimated in the best manner possible as agreed upon by the Cooperative and the Producer.

(i) NOTICE OF CHANGE IN INSTALLATION

The Producer will notify the Cooperative in writing thirty (30) days in advance of making any change affecting the characteristics, performance, or protection of the DG or QF facility.

If any modification undertaken by the Producer will create or has created conditions which may be unsafe or adversely affect the Cooperative system, the Producer shall immediately correct such conditions or be subject to immediate disconnection from the Cooperative system.

Any change in the operating characteristics of the DG or QF facility including, but not limited to, size of generator, total facility capacity, nature of facility, fuel source, site change, hours of operation, or type

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used, may require a new application process, including, but not limited to, application form, application fee, DG or QF plan and DG or QF plan review by the Cooperative.

(j) TESTING AND RECORD KEEPING

The Producer will test all aspects of the DG or QF facility protection systems, maintain records of all maintenance activities, and keep a log of generator operations, as required in Section VII(9) of the Cooperative's CG Manual.

(k) DISCONNECTION OF SERVICE

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

(l) COMPLIANCE WITH LAWS, RULES, AND TARIFFS

The DG or QF installation owned and installed by the Producer 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, those of regional transmission organizations and independent system operators, and in accordance with industry standard prudent engineering practices.

(7) SALES TO PRODUCER

Producer's rate class shall be designated by the Cooperative in accordance with the availability and type of service provisions in its rate schedules for all service.

(8) PURCHASE FROM PRODUCER

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(a) PURCHASE

The Cooperative will compensate Producer for all power purchased from a DG or QF under the rates, terms and conditions set forth in the Cooperative's Generation Rider (Rider G).

(b) REFUSAL TO PURCHASE

The Cooperative may, at certain times and as operating conditions warrant, reasonably refuse to accept part or all of the output of the Producer's facility. Such refusal shall be based on system emergency constraints, special operating requirements, adverse effects of the Producer's facility on the Cooperative's system or violation by the Producer of the terms of the Cooperative Agreement for Interconnection and Parallel Operation of Customer Generation.

(9) DEFINITIONS

(a) DISTRIBUTED GENERATION FACILITY

Means a Member owned or leased generation facilities or energy storage technologies, operating at a distribution voltage of 35 kV or less, including any generator and associated equipment, wiring, protective devices, or switches owned or leased by Producer.

(b) PRODUCER

Means any Member (person, firm, corporation, partnership, or other entity) owning or leasing a distributed generation facility, an energy storage technology, or a qualifying facility, and that is therefore is accountable to the Cooperative under the terms of the Cooperative's tariff and CG Manual.