

**Manual of Small Generator Interconnection
Requirements for Direct Interconnection
with EKPC Member Cooperative
Distribution Systems**

(For Generating Facilities of 10 MW or Less)

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PREAMBLE

The Manual of Small Generator Interconnection Requirements for Direct Interconnection with Member Distribution Systems (For Generating Facilities of 10 MW or Less) (the “Manual”) is a compendium of the technical, legal and financial requirements which must be satisfied in order for an electric generation facility with a rated capacity of 10 MW or less to directly interconnect and operate in parallel with the electric distribution system of a distribution cooperative within the East Kentucky Power Cooperative, Inc. (“EKPC”) system. The purpose of these requirements is to provide reasonable protection and minimize the risks to the personnel and property of the Member Distribution System (“Member”), EKPC, and the Interconnection Customer arising from the construction and operations of unaffiliated generation sources that will potentially impact the value, safety and reliability of the Member’s Distribution System, as required by the Member’s co-generation tariff on file with the Kentucky Public Service Commission.

ARTICLE I - DEFINITIONS

1.01 “Affected System” shall mean an electric transmission or distribution system other than the Member's Distribution System that may be affected by the proposed interconnection, including, but not limited to the EKPC Transmission System.

1.02 “Applicable Laws and Regulations” shall mean all duly enacted applicable federal, state and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority.

1.03 “Business Day” shall mean each day of the week, Monday through Friday inclusive, but shall not include Federal Reserve bank holidays.

1.04 “Confidential Information” shall mean all information, written or oral, which has been or is disclosed by the Member, EKPC, or the Interconnection Customer, or by any Person on behalf of the Member, EKPC, or the Interconnection Customer, or which otherwise becomes known to the Member, EKPC, or the Interconnection Customer, or to any Person associated with the Member, EKPC, or the Interconnection Customer, or any other Person in a confidential relationship with the Member, EKPC, or the Interconnection Customer, and which: a) relates to matters such as patents, trade secrets, research and development activities, draft or final contracts or other business arrangements, books and records, solar data and analysis, generation data and analysis, budgets, cost estimates, pro forma calculations, engineering work product, environmental compliance, vendor lists, suppliers, manufacturing processes, energy consumption, pricing information, private processes, and other similar information, as they may exist from time to time; b) relates to the existence or the terms of this Manual; or c) the Member, EKPC, or the Interconnection Customer expressly designates in writing to be confidential. Confidential Information shall exclude information falling into any of the following categories: a) information that, at the time of disclosure hereunder or thereafter, is in the public domain, other than information that entered the public domain by breach of the duty of confidentiality by the Member, EKPC, or the Interconnection Customer; b) information, other than that obtained

from third parties, that prior to disclosure hereunder, was already in the Member's, EKPC's, or the Interconnection Customer's possession, either without limitation on disclosure to others or subsequently becoming free of such limitation; c) information obtained by the Member, EKPC, or the Interconnection Customer from a third party having an independent right to disclose the information; or d) information that is available through independent research without use of or access to the Confidential Information.

1.05 "Delivery Meter" shall have the meaning given in Section 5.01(a).

1.06 "Delivery Point" shall mean the Delivery Meter.

1.07 "Distribution System" shall mean the Member's facilities and equipment used to distribute electricity to end users directly from nearby generators or from interconnections with EKPC's Transmission System which transports bulk power.

1.08 "Distribution Upgrades" shall mean any and all additions, modifications or upgrades to the Member's Distribution System required at or beyond the Delivery Point at which the Small Generating Facility interconnects with the Member's Distribution System to accommodate the interconnection of the Small Generating Facility with the Member's Distribution System. "Distribution Upgrades" shall exclude Interconnection Facilities.

1.09 "Emergency Condition" shall mean a condition or situation: a) that in the judgment of the party making the claim is imminently likely to endanger life or property; or b) that, in the case of the Member, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to the Member's Distribution System, the Member's Interconnection Facilities or the EKPC Transmission System; or c) that, in the case of the Interconnection Customer, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Small Generating Facility or the Interconnection Customer's Interconnection Facilities.

1.10 "Energy" shall mean three-phase, 60 hertz, alternating current energy generated at the Small Generating Facility.

1.11 "Force Majeure" shall mean an event or circumstance beyond the reasonable control of and without the fault or negligence of the party claiming Force Majeure, which, despite the exercise of reasonable diligence, cannot be or be caused to be prevented, avoided or removed by such party. Force Majeure shall include, to the extent consistent with the preceding sentence: an act of God; war (declared or undeclared); sabotage; riot; insurrection; civil unrest or disturbance; military or guerilla action; banditry; terrorist activity or a threat of terrorist activity which, under the circumstances, would be considered a precursor to actual terrorist activity; economic sanction or embargo; civil strike, work stoppage, slow-down, or lock-out that are of an industry or sector-wide nature and that are not directed solely or specifically at the affected party; explosion; fire; earthquake or seaquake; abnormal weather condition; hurricane; flood; lightning; high winds; drought; peril of the sea; the binding order of any Governmental Authority (provided that the affected party has in good faith considered reasonably contesting such order); the failure to act on the part of any Governmental Authority (provided that such action has been

timely requested and diligently pursued); unavailability of equipment, supplies or products, but only to the extent caused by an event of circumstance of Force Majeure; and failure of equipment. With respect to the Interconnection Customer, Force Majeure shall also include (to the extent beyond the reasonable control of and without the fault or negligence of the Interconnection Customer) any interruption in distribution service on Member's side of the Delivery Point. No party shall be deemed to have suffered an event of Force Majeure due to the failure of equipment which that party is responsible for operating or maintaining unless the equipment has been operated and maintained in accordance with Good Utility Practice. Neither the lack of money nor changes in market conditions shall constitute an event of Force Majeure.

1.12 “Good Utility Practice” shall mean any of the practices, methods and acts employed by owners and/or lessors, operators or maintainers of electric generation, transmission or distribution facilities similar in size and operational characteristics to the Small Generating Facility, Interconnection Facilities, Distribution System and Transmission System which, in the exercise of reasonable judgment in the light of the facts known or that reasonably should have been known at the time that a decision was made, could reasonably have been expected to accomplish the desired result at the lowest reasonable cost, consistent with licensing and regulatory considerations, environmental considerations, reliability, safety, protection of lives and property, expedition, the technical specifications and manufacturer's maintenance requirements, and the applicable requirements of any Governmental Authority. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

1.13 “Governmental Authority” shall mean the federal government of the United States, and any state, county or local government, and any regulatory department, body, political subdivision, commission (including the Kentucky Public Service Commission and FERC), agency, instrumentality, ministry, court, judicial or administrative body, taxing authority, or other authority of any of the foregoing (including any corporation or other entity owned or controlled by any of the foregoing), any regional transmission organization or independent system operator, any national or regional reliability organization or council (including NERC) or any reliability coordinator, in each case, having jurisdiction or authority over the Manual (or any portion thereof), the Member, the Interconnection Customer, the Facility or the Buyer's Distribution System, whether acting under actual or assumed authority.

1.14 “Independent Party” shall mean a party not affiliated with the Member, EKPC, or the Interconnection Customer.

1.15 “Interconnection Customer” shall mean any Person that proposes to interconnect its Small Generating Facility with the Member's Distribution System.

1.16 “Interconnection Facilities” shall mean all facilities, lines, equipment and appurtenances between the Small Generating Facility and the Member's Distribution System, including any modification, additions or upgrades that are necessary to physically and electrically interconnect the Small Generating Facility to the Member's Distribution System. Interconnection Facilities are sole use facilities and shall not include Distribution Upgrades or Transmission Upgrades.

1.17 “Letter of Credit” shall mean an irrevocable, transferable, standby letter of credit, issued by a major U.S. commercial bank or a financial institution with a Credit Rating of at least: a) “A-” by Standard and Poor’s or “A3” by Moody’s Investment Services; and b) assets of at least \$1,000,000,000.

1.18 “Member” shall mean a Kentucky cooperative corporation: a) formed under Chapter 279 of the Kentucky Revised Statutes for the primary purpose of distributing electricity to end users; b) that has been granted a certified service territory by the Kentucky Public Service Commission; and c) has entered into a membership agreement with EKPC.

1.19 “Operating Requirements” shall mean any operating and technical requirements that may be imposed by a regional transmission organization, independent system operator, control area coordinator, balancing authority, Member or EKPC.

1.20 “Person” shall mean any legal or natural person, including any individual, corporation, partnership, limited liability company, joint stock company, association, joint venture, trust, governmental or international body or agency, or other entity.

1.21 “Reasonable Efforts” shall mean efforts that are timely and consistent with Good Utility Practice and are otherwise substantially equivalent to those a Person would use to protect its own interests.

1.22 “Small Generating Facility” shall mean the Interconnection Customer's device for the production of electricity, but shall not include the Interconnection Customer's Interconnection Facilities.

1.23 “Tariff” shall mean the Member’s or Affected System's Tariff through which transmission service or interconnection service are offered, as filed with the Kentucky Public Service Commission or FERC, and as amended or supplemented from time to time, or any successor tariff.

1.24 “Transmission System” shall mean the facilities owned, controlled or operated by EKPC that are used to transmit electric power to the Member and to or from Affected Systems.

1.25 “Transmission Upgrades” shall mean any and all additions, modifications or upgrades to EKPC’s Transmission System to accommodate the interconnection of the Small Generating Facility with the Member’s Distribution System or to allow wheeling of power across EKPC’s transmission system.

ARTICLE 2 – SCOPE

2.01 Scope. The Manual and all attachments hereto, shall govern the terms and conditions under which the Interconnection Customer’s Small Generating Facility may directly interconnect with, and operate in parallel with, the Member's Distribution System. The Manual shall remain in full force and effect throughout the term of any power purchase agreement

entered into between the Member and the Interconnection Customer or the period of actual interconnection, whichever is longer.

2.02 Power Purchases. The Manual does not constitute an agreement to purchase or deliver the Interconnection Customer's power by either the Member or EKPC. The purchase or delivery of power and other services that the Interconnection Customer may require must be set forth in a separate power purchase agreement(s) between the Member and the Interconnection Customer.

ARTICLE 3 – INTERCONNECTION OBLIGATIONS

3.01 Obligations of the Member, the Interconnection Customer, and EKPC. The Member, the Interconnection Customer, and EKPC shall perform all obligations set forth herein in accordance with all Applicable Laws and Regulations, Operating Requirements, and Good Utility Practice. The Member, the Interconnection Customer, and EKPC shall respectively, construct, operate, maintain, repair, inspect, and be fully responsible for the Interconnection Facilities that each currently or subsequently may own unless otherwise specified in the Attachments incorporated herein. The Interconnection Facilities shall adequately protect the personnel and property of the Member, The Interconnection Customer, and EKPC and other Persons from damage and injury. The allocation of responsibility for the design, installation, operation, maintenance and ownership of Interconnection Facilities shall be delineated in the Attachments to this Manual.

3.02 Obligations of the Interconnection Customer.

a. General. The Interconnection Customer shall design, construct, interconnect, operate and maintain its Small Generating Facility and construct, operate, and maintain its Interconnection Facilities as set forth herein and in accordance with all Applicable Laws and Regulations, Operating Requirements, Good Utility Practice and shall reasonably minimize the likelihood of a disturbance adversely affecting or impairing the Member's Distribution System, EKPC's Transmission System, or any other Affected Systems.

b. Standards. Without limiting the obligations owed by the Interconnection Customer, the Small Generating Facility and Interconnection Customer's Interconnection Facilities shall meet or exceed: 1) specifications provided by the National Electrical Safety Code, the American National Standards Institute, IEEE and Underwriter's Laboratory that are in effect at the time of construction; 2) the technical and functional interconnection requirements set forth in Attachment 4; and 3) any other applicable federal, state or local codes or standards.

c. Manufacturer's Maintenance Schedules. The Interconnection Customer shall adhere to the recommended maintenance schedule of the applicable manufacturer of each component of the Small Generating Facility and Interconnection Facilities.

3.03 Obligations of the Member and EKPC.

a. General. The Member shall design, construct, operate, and maintain its Distribution System and Interconnection Facilities as set forth herein and in accordance with all Applicable Laws and Regulations, Operating Requirements and Good Utility Practice. EKPC shall design, construct, operate, and maintain its Transmission System and Interconnection Facilities as set forth herein and in accordance with all Applicable Laws and Regulations, Operating Requirements and Good Utility Practice.

b. Coordination. EKPC shall coordinate with the Member to support the interconnection of the Small Generating Facility into the Member's Distribution System. When applicable, the Member shall inform EKPC of activities relating to the engineering studies and commissioning tests set forth in Attachment 4.

3.04 Milestones. The Member and Interconnection Customer shall agree on milestones for which each is responsible and list them in Attachment 3 of this Manual. A deadline for performance of the obligations under this provision may be extended by agreement. If the Member or Interconnection Customer anticipates that it will be unable to meet a milestone for any reason other than a Force Majeure Event, it shall: a) immediately notify the other party of the reason(s) for not meeting the milestone; b) propose the earliest reasonable alternate date by which it can attain this and future milestones, and c) request appropriate amendments to Attachment 3. The party affected by the failure to meet a milestone shall not unreasonably withhold agreement to such an amendment unless: a) it will suffer significant uncompensated economic or operational harm from the delay; b) attainment of the same milestone has previously been delayed; or c) it has reason to believe that the delay in meeting the milestone is intentional or unwarranted. EKPC shall be provided with a copy of Attachment 3 and all amendments thereto.

3.05 Infrastructure Protection. Infrastructure security of electric system equipment and operations and control hardware and software is essential to ensure day-to-day reliability and operational security. The Member and Interconnection Customer shall, to the greatest extent possible, comply with Good Utility Practice regarding infrastructure protection, including satisfaction of basic standards for system infrastructure and operational security, including physical, operational, and cyber-security practices.

ARTICLE 4 – AUTHORIZATION, TESTING AND RIGHT OF ACCESS

4.01 Authorization Required Prior to Parallel Operation. The Interconnection Customer shall not operate its Small Generating Facility in parallel with the Member's Distribution System without prior written authorization of the Member. The Member will provide such authorization once the Member receives notification that the Interconnection Customer has complied with all applicable parallel operation and testing requirements. Such authorization shall not be unreasonably withheld, conditioned, or delayed. The Member shall use Reasonable Efforts to list any applicable parallel operation requirements other than those set forth in the Attachments hereto. Additionally, the Member shall notify the Interconnection Customer of any changes to these requirements as soon as they are known. The Member shall make Reasonable Efforts to cooperate with the Interconnection Customer in meeting

requirements necessary for the Interconnection Customer to commence parallel operations by the in-service date.

4.02 Initial Testing and Inspection. The Interconnection Customer shall test and inspect its Small Generating Facility prior to interconnection. Such testing shall, at a minimum, comply with the requirements of Attachment 4. The Interconnection Customer shall notify the Member of such activities no fewer than five (5) Business Days (or as may otherwise be mutually agreed) prior to such testing and inspection. Testing and inspection shall occur on a Business Day. The Member and EKPC may, at its own expense, send properly accredited representatives to the Small Generating Facility site to inspect the Small Generating Facility and observe the testing. If requested at the time of testing, the Interconnection Customer shall provide the Member with a written test report within five (5) business days when such testing and inspection is completed. The Member shall acknowledge that it has received the Interconnection Customer's written test report, however, such written acknowledgment shall not be deemed to be or construed as any representation, assurance, guarantee, or warranty by the Member as to the safety, durability, suitability, or reliability of the Small Generating Facility or any associated control, protective, and safety devices owned or controlled by the Interconnection Customer or the quality of power produced by the Small Generating Facility.

4.03 Right of Access. Following the initial inspection process described above, the Interconnection Customer shall allow properly accredited representatives of the Member to have access to the Facility, upon advance notice and during any Business Day, to observe the operation and maintenance of the Small Generating Facility or Interconnection Customer's Interconnection Facilities. Such representatives shall observe such safety precautions as may be required by the Interconnection Customer and communicated to the Member in writing and shall conduct themselves in a manner that will not interfere with the operation or maintenance of the Small Generating Facility or Interconnection Customer's Interconnection Facilities.

ARTICLE 5 – METERING

5.01 Installation.

a. Location. Energy delivered by the Interconnection Customer to the Member pursuant to a power purchase agreement shall be measured by a meter (“Delivery Meter”) located at the Delivery Point, and shall have the metering instrument transformers, which measure the output of the Small Generating Facility, located on the Member's side of any transformer of the Interconnection Facilities. Should the Interconnection Customer require an express feeder to deliver energy directly to a Member substation, the Delivery Meter shall be located within the Member substation.

b. Cost and Installation. The Member shall specify, install, own, operate, and maintain the Delivery Meter. All Delivery Metering equipment, installation, maintenance, and operating costs will be borne by the Interconnection Customer. The Delivery Meter used to determine the billing hereunder shall be sealed, and such seals shall be broken only when tested by the Member, and only when the Delivery Meter is to be inspected, tested, adjusted, or replaced as described in Section 5.02 and Section 5.03. If applicable, the Interconnection Customer shall provide access, per 807 KRS 5:006 Section 19, for the Member to the Delivery

Meter at all reasonable times for the purposes of inspecting, testing, adjusting and calibrating the same, provided that such access shall not unreasonably interfere with Interconnection Customer's normal business operations. In the event that the Delivery Meter fails to register during any period of time, the Member shall estimate the amount of Energy delivered during such period using an appropriate methodology.

5.02 Meter Testing. The accuracy of the Delivery Meter shall be tested and verified by the Member, at the Interconnection Customer's expense, prior to commercial operation of the facility. The Delivery Meter shall be tested by the Member, at the Interconnection Customer's expense, per 807 KRS 5:006 General Rules Sections 16 and 17, and 807 KAR 5:041 Electric. The Interconnection Customer may, at its own expense, at any time, per 807 KAR 5:006 Section 18, request the Member to test the Delivery Meter. Upon receiving written notice, the Member shall have forty-five (45) days to perform such test. All tests shall be coordinated to minimize the impact on Small Generating Facility operations.

5.03 Corrections and Maintenance. If, upon testing, the Delivery Meter is found to be inaccurate, the Delivery Meter shall be promptly adjusted or replaced by the Member to record correctly. The Interconnection Customer shall have the right to have a representative present whenever the Delivery Meter is, replaced, repaired, tested, calibrated, or adjusted.

ARTICLE 6 – SMALL GENERATING FACILITY OPERATIONS

6.01 Reactive Power. The Interconnection Customer shall design the Small Generating Facility to maintain a composite power delivery at continuous rated power output at the Point of Delivery at a power factor within the range specified in Attachment 4 of this document unless the Member has established different requirements that apply to all similarly situated generators in the control area on a comparable basis. The requirements of this paragraph shall not apply to wind generators.

6.02 Disconnection.

a. Expiration/Termination of a Power Purchase Agreement. The Small Generating Facility shall be disconnected from the Member's Distribution System upon the expiration or termination of any purchase power agreement in effect between the Interconnection Customer and the Member. All costs required to effectuate such disconnection shall be borne by the Interconnection Customer unless the disconnection is the result of a default under an applicable power purchase agreement or a violation of any term of this Manual by the Member.

b. Temporary Disconnections. Temporary disconnections shall continue only for so long as reasonably necessary under Good Utility Practice. Permissible temporary disconnections shall include:

(i) Emergency Conditions. Under Emergency Conditions, the Member may immediately suspend interconnection service and temporarily disconnect the Small Generating Facility. The Member shall notify the Interconnection Customer promptly when it becomes aware of an Emergency Condition that may reasonably be expected to affect the Interconnection Customer's operation of the Small Generating Facility. The Interconnection

Customer shall notify the Member promptly when it becomes aware of an Emergency Condition that may reasonably be expected to affect the Member's Distribution System or any Affected Systems, including EKPC's Transmission System. To the extent information is known, the notification shall describe the Emergency Condition, the extent of the damage or deficiency, the expected effect on the operation of the facilities and operations of both the Member and Interconnection Customer, its anticipated duration, and the necessary corrective action.

(ii) Routine Maintenance, Construction, and Repair. Either the Member or the Interconnection Customer may interrupt interconnection service or curtail the output of the Small Generating Facility and temporarily disconnect the Small Generating Facility from the Member's Distribution System when necessary for routine maintenance, construction, and repairs on the Member's Distribution System or the Small Generating Facility. Both the Member and the Interconnection Customer shall use Reasonable Efforts to provide the other with five (5) Business Days notice prior to any such interruption. The Member and Interconnection Customer shall use Reasonable Efforts to coordinate such reduction or temporary disconnection with each other.

(iii) Forced Outages. During any forced outage affecting either the Small Generating Facility or the Member's Distribution System, the affected party may suspend interconnection service to effect immediate repairs. The affected party shall use Reasonable Efforts to provide the other party with prior notice. If prior notice is not given, written documentation explaining the circumstances of the disconnection shall be provided after the fact upon request.

c. Reconnection. The Interconnection Customer and Member shall cooperate with each other to restore the Small Generating Facility, Interconnection Facilities, and the Member's Distribution System to their normal operating state as soon as reasonably practicable following a temporary disconnection.

6.03 Adverse Operating Effects. The Member shall notify the Interconnection Customer as soon as practicable if, based on Good Utility Practice, operation of the Small Generating Facility may cause disruption or deterioration of service to other customers served by the Member, or if operating the Small Generating Facility could cause damage to the Member's Distribution System or Affected Systems, including EKPC's Transmission System. Supporting documentation used to reach the decision to disconnect shall be provided to the Interconnection Customer upon request. If, after notice, the Interconnection Customer fails to remedy the adverse operating effect within a reasonable time, the Member may disconnect the Small Generating Facility. Except to the extent that an Emergency Condition exists, the Member shall provide the Interconnection Customer with five (5) Business Days notice of such disconnection.

6.04 Modification of the Small Generating Facility. The Interconnection Customer must receive written authorization from the Member before making any change to the Small Generating Facility that may have a material impact on the safety or reliability of the Member's Distribution System. Such authorization shall not be unreasonably withheld. Modifications shall be done in accordance with Good Utility Practice. If the Interconnection Customer makes such modification without the Member's prior written authorization, the latter shall have the right to

temporarily disconnect the Small Generating Facility. The Member shall notify EKPC prior to authorizing any such modification to the Small Generating Facility.

6.05 Environmental Releases. The Interconnection Customer shall notify the Member, first orally and then in writing, of the release of any hazardous substances, any asbestos or lead abatement activities, or any type of remediation activities related to the Small Generating Facility or the Interconnection Facilities, each of which may reasonably be expected to affect the Member. The notifying party shall: a) provide the notice as soon as practicable, provided such party makes a good faith effort to provide the notice no later than twenty-four (24) hours after such party becomes aware of the occurrence; and b) promptly furnish the Member with copies of any publicly available reports filed with any Governmental Authorities addressing such events.

6.06 Wheeling. Unless otherwise required by law or tariff, the Distribution System may allow for any excess Energy produced by the Small Generating Facility to be wheeled across its distribution system for delivery to the EKPC Transmission System or other Affected Systems. Unless otherwise required by law or tariff, wheeling fees shall be calculated in accordance with Attachment 6. The Interconnection Customer may wheel power across EKPC's Transmission System in accordance with EKPC's Open Access Transmission Tariff.

ARTICLE 7 – COST ALLOCATION FOR INTERCONNECTION FACILITIES AND DISTRIBUTION UPGRADES

7.01 Interconnection Facilities. The Interconnection Customer shall pay for the capital, operations and maintenance costs of the Interconnection Facilities itemized in Attachment 1. The Member shall provide a best estimate cost for the purchase and construction of its Interconnection Facilities and shall provide a detailed itemization of such costs. Costs associated with Interconnection Facilities may be shared with other entities that may benefit from such facilities by agreement of the Interconnection Customer, such other entities, and the Member. The Interconnection Customer shall pay all reasonable expenses associated with a) owning, operating, maintaining, repairing, and replacing its own Interconnection Facilities; and b) operating, maintaining, repairing, and replacing the Member's Interconnection Facilities.

7.02 Distribution Upgrades. The Member shall design, procure, construct, install, and own the Distribution Upgrades described in Attachment 5 of this Manual. If the Member and the Interconnection Customer agree, the Interconnection Customer may construct Distribution Upgrades that are located on land owned by the Interconnection Customer. The capital, operations and maintenance costs of the Distribution Upgrades shall be paid to the Member by the Interconnection Customer.

7.03 Billing and Payment Procedures; Audits.

a. Billing and Payment. The Member shall bill the Interconnection Customer for the costs of Member's Interconnection Facilities, Distribution Upgrades and Transmission Upgrades, described in Attachments 1 and 5, and actually incurred, on a monthly basis, or as otherwise agreed by them. The Interconnection Customer shall pay each bill within 30 calendar

days of receipt, or as otherwise agreed to by Interconnection Customer and Member. Billings and payments shall be addressed as follows:

If to the Member:

Member: _____
Attention: _____
Address: _____
City: _____ State: _____ Zip: _____
Phone: _____ Fax: _____

If to the Interconnection Customer:

Interconnection Customer: _____
Attention: _____
Address: _____
City: _____ State: _____ Zip: _____
Phone: _____ Fax: _____

b. Final Accounting. Within three months of completing the construction and installation of the Member's Interconnection Facilities, Distribution Upgrades and Transmission Upgrades described in Attachments 1 and 5, the Member shall provide the Interconnection Customer with a final accounting report. If the Interconnection Customer's cost responsibility exceeds its previous aggregate payments, the Member shall invoice the Interconnection Customer for the amount due and the Interconnection Customer shall make payment to the Member within 30 calendar days. If the Interconnection Customer's previous aggregate payments exceed its cost responsibility, the Member shall refund to the Interconnection Customer an amount equal to the difference within 30 calendar days of the final accounting report.

7.04 Interconnection Customer's Credit Support. Within five (5) Business Days of entering into any power purchase agreement to which this Manual shall apply, the Interconnection Customer shall deliver to the Member a Letter of Credit in the amount of \$_____ to secure the Interconnection Customer's obligations as set forth in Article 7 and Article 8 herein. The Letter of Credit shall remain in place for at least six (6) months, and any outstanding Letter of Credit shall be renewed or replaced prior to its expiration by a replacement Letter of Credit in the same amount and for a term of at least six (6) months (provided, however, that the last such Letter of Credit shall have an expiration date that is no earlier than ninety (90) days following the date of the Member's issuance of the final accounting report required by Section 7.03(b)), which Letter of Credit shall be delivered to Buyer no later than twenty (20) days before the expiration of the replaced Letter of Credit, and which process shall be repeated as necessary until the Member has been paid for the costs of all Interconnection Facilities, Distribution System Upgrades and Transmission Upgrades. The Letter of Credit shall include a provision for at least thirty (30) days advance notice to Member of any expiration or early termination of the Letter of Credit so as to allow Member sufficient time to exercise its rights under the Letter of Credit if the Interconnection Customer fails to renew or replace the Letter of Credit prior to such expiration or early termination.

**ARTICLE 8 – COST ALLOCATION FOR
EKPC TRANSMISSION SYSTEM UPGRADES**

8.01 Applicability. Article 8 shall apply in the event that: a) the Interconnection Customer anticipates using the EKPC Transmission System to wheel power to other Affected Systems; or b) the Interconnection Customer or the Member anticipates that, under normal operating conditions, the Small Generating Facility may cause a backflow of power onto the EKPC Transmission System.

8.02 Consultations. Prior to the Member authorizing the Interconnection Customer to begin operation of the Small Generating Facility in parallel to the Member’s Distribution System, the Member and EKPC shall consult regarding the anticipated and foreseeable affects of the Small Generating Facility on the EKPC Transmission System.

8.03 Transmission Upgrades. In the event that EKPC determines, in its sole discretion, that upgrades will be reasonably necessary to facilitate wheeling of power from the Small Generating Facility across the EKPC Transmission System or to protect the EKPC Transmission System from any backflow of power from the Small Generating Facility, EKPC shall provide a best estimate cost for the purchase and construction of the Network Upgrades and shall provide a detailed itemization of such costs in Attachment 5. Upon execution of any power purchase agreement between a Member and an Interconnection Customer and the posting of the Interconnection Customer’s Credit Support set forth in Section 7.04, EKPC shall construct the Transmission Upgrades in accordance with Good Utility Practice.

8.04 Billing and Payment. The capital cost of the Transmission Upgrades shall be paid by the Member as a one-time payment due prior to the commencement of construction or installation of the Transmission Upgrades. The Member shall be reimbursed for the cost of the Transmission Upgrades by the Interconnection Customer in accordance with Section 7.03. Payments to EKPC shall be addressed as follows:

East Kentucky Power Cooperative, Inc.
Attention: CFO
P.O. Box 707
Winchester, KY 40392-0707
Tel. (859) 744-4812
Fax. (859) 744-6008

**ARTICLE 9 - ASSIGNMENT, INDEMNITY, LIABILITY AND DAMAGES, FORCE
MAJEURE, INSURANCE AND CONFIDENTIALITY**

9.01 Assignment.

a. Assignment to Non-Affiliates. No rights, obligations or obligations arising from this Manual may be assigned, in whole or in part, by either the Member or Interconnection Customer without the prior written consent of the non-assigning party. Such consent may require that: i) the assignee agrees in writing, in form and substance satisfactory to the non-

assigning party, to assume and to perform each and every obligation of the assignor under this Manual; ii) the assignment does not impair any security given by the assigning party hereunder unless the assignee posts replacement security which meets the requirements of Section 7.04; and iii) the assignee has obtained, prior to the assignment, such authorizations as may be required by applicable law. Any assignment in violation hereof shall be null and void and shall constitute a breach of this Manual by the assigning party.

b. Assignment to Affiliates. Notwithstanding Section 9.01(a), either the Interconnection Customer or Member may assign this Manual to an affiliate of such party without the consent of the non-assigning party, provided, however, that the assigning party shall remain liable for all of its obligations under this Manual unless and until the consent of the non-assigning party is secured in accordance with Section 9.01(a). The assigning party shall notify the other party of the occurrence of any event described in this paragraph.

9.02 Indemnity.

a. Duty to Indemnify. The Interconnection Customer shall indemnify, defend and hold the Member and EKPC and its employees, directors, officers, managers, members and agents, harmless from and against any and all third party claims, suits, damages, losses, liabilities, expenses and costs (including reasonable attorneys' fees) including, but not limited to, those arising out of property damage to the property of the Member and EKPC, environmental claims, and personal injury and bodily injury (including death, sickness and disease) to the extent caused by a material breach of any obligation contained in this Manual, negligence or willful misconduct of the Interconnection Customer. The duty to indemnify under this paragraph shall continue in full force and effect notwithstanding the expiration or termination of any power purchase agreement between the Interconnection Customer and the Member with respect to any cost or expense arising out of an event or condition which occurred or existed prior to such expiration or termination, or during the period of interconnection, whichever is longer.

b. Employees. The Interconnection Customer shall not be deemed an employee of the Member or EKPC nor shall it bring any claim against the Member or EKPC with respect to any liability for compensation under any applicable state or federal worker's compensation act, including worker's compensation and/or employer's liability claims of employees. The Interconnection Customer shall be liable for all claims of their employees arising out of any provision of any workers' compensation law.

9.03 Limitation of Liability and Damages. The Member or EKPC shall not be liable for consequential, incidental, punitive exemplary or indirect damages, lost profits or other business interruption damages, by statute (to the extent permitted by law), in tort or contract or otherwise (except to the extent that an Indemnifying Party is obligated under Section 9.02 to indemnify against third party claims for consequential, incidental, punitive, exemplary or indirect damages or lost profits or business interruption damages). The limitations herein imposed on remedies and the measure of damages is without regard to the cause or causes related thereto, including the negligence of the Member or EKPC, whether such negligence be sole, joint or concurrent, or active or passive. EXCEPT AS SET FORTH IN THIS MANUAL, THERE ARE NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, INCLUDING

WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE,
WITH RESPECT TO THE SUBJECT MATTER OF THIS MANUAL.

9.04 Force Majeure. If a Force Majeure event prevents the Member, EKPC, or the Interconnection Customer from fulfilling any obligations under this Manual, the party affected by the Force Majeure event (“Affected Party”) shall promptly notify the others, either in writing or via the telephone, of the existence of the Force Majeure event. The notification must specify in reasonable detail the circumstances of the Force Majeure event, its expected duration, and the steps that the Affected Party is taking to mitigate the effects of the event on its performance. The Affected Party shall keep the others informed on a continuing basis of developments relating to the Force Majeure event until the event ends. The Affected Party will be entitled to suspend or modify its performance of obligations under this Manual (other than the obligation to make payments) only to the extent that the effect of the Force Majeure event cannot be mitigated by the use of Reasonable Efforts. The Affected Party will use Reasonable Efforts to resume its performance as soon as possible.

9.05 Insurance. In addition to, or as a part of, any insurance required by a power purchase agreement, the Interconnection Customer shall, at its own expense, maintain in force general liability insurance without any exclusion for liabilities related to the interconnection. The amount of such insurance shall be sufficient to insure against all reasonably foreseeable direct liabilities given the size and nature of the generating equipment being interconnected, the interconnection itself, and the characteristics of the system to which the interconnection is made, but in no event shall be less than \$_____. Such insurance shall be obtained from an insurance provider authorized to do business in Kentucky and certification that such insurance is in effect shall be provided upon request of the Member, except that the Interconnection Customer shall show proof of insurance to the Member no later than ten (10) Business Days prior to the anticipated commercial operation date.

9.06 Confidentiality.

a. Duty of Confidentiality. Any Confidential Information of the Member or EKPC which is disclosed to or otherwise received or obtained by the Interconnection Customer incident to an interconnection shall be held, in confidence, and the Interconnection Customer (subject to paragraphs (b) and (c) below) may not publish or otherwise disclose any Confidential Information of the Member or EKPC to any Person for any reason or purpose whatsoever, or use any Confidential Information for any purpose other than to effectuate the interconnection, without the prior written approval of the Member (or EKPC), which approval may be granted or withheld by the Member (or EKPC) in its sole discretion. Without limiting the generality of the foregoing, the Interconnection Customer shall observe at a minimum the same safeguards and precautions with regard to the Member’s or EKPC’s Confidential Information which such party observes with respect to its own information of the same or similar kind.

Any Confidential Information of the Interconnection Customer which is disclosed to or otherwise received or obtained by the Member or EKPC incident to an interconnection shall be held, in confidence, and the Member and EKPC (subject to paragraphs (b) and (c) below) may not publish or otherwise disclose any Confidential Information of the Interconnection Customer

to any Person for any reason whatsoever, or use any Confidential Information for any purpose other than to effectuate the interconnection, without prior written approval of the Interconnection Customer, which approval may be granted or withheld by the Interconnection Customer in its sole discretion. Without limiting the generality of the foregoing, the Member and EKPC shall observe at a minimum the same safeguards and precautions with regard to the Interconnection Customer's Confidential Information which such party observes with respect to its own information of the same or similar kind.

b. Disclosures to Employees, Contractors and Affiliates. The Interconnection Customer will make available Confidential Information received from the Member or EKPC to its employees, contractors and affiliates only on a need-to-know basis, and all Persons to whom such Confidential Information is made available will be made aware of the confidential nature of such Confidential Information, and will be required to agree to hold such Confidential Information in confidence under terms substantially identical to the terms hereof. The Member and EKPC shall observe the same conduct towards the Interconnection Customer's Confidential Information disclosures.

c. Disclosures to Governmental Authorities. Notwithstanding the foregoing, the Interconnection Customer may provide any Confidential Information to any Governmental Authority having jurisdiction over or asserting a right to obtain such information, provided that: i) such Governmental Authority: A) orders that such Confidential Information be provided; or B) such Governmental Authority requires disclosure of the Confidential Information in connection with the application for any required authorization; and ii) unless prohibited from so doing by applicable law, the Interconnection Customer promptly advises the Member (or EKPC) of any request for such information by such Governmental Authority and cooperates in giving the Member (or EKPC) an opportunity to present objections, requests for limitation, and/or requests for confidentiality or other restrictions on disclosure or access, to such Governmental Authority. The Member and EKPC shall observe the same conduct towards the Interconnection Customer's Confidential Information disclosures.

d. Injunctive Relief. In the event of a breach or threatened breach of the provisions of paragraph (a) above by the Interconnection Customer, the Member (or EKPC) shall be entitled, without limitation, to an injunction restraining such party from such breach, or likewise, in the event of a breach or threatened breach of the provisions of paragraph (a) above by the Member or EKPC, the Interconnection Customer shall be entitled, without limitation, to an injunction restraining such party(s) from such breach

e. Continuing Obligation. The obligation to retain the Member's, EKPC's, or the Interconnection Customer's Confidential Information in confidence shall continue in full force and effect throughout the period of interconnection and for a period of two (2) years thereafter, notwithstanding the expiration or termination of any power purchase agreement between the Member and the Interconnection Customer.

ARTICLE 10 – MISCELLANEOUS

10.01 Waiver. The failure of the Member or the Interconnection Customer to insist, on any occasion, upon strict performance of any provision of this Manual will not be considered a waiver of any obligation, right, or duty of, or imposed upon, such party. Any waiver of this Manual shall, if requested, be provided in writing.

10.02 No Partnership. This Manual shall not be interpreted or construed to create an association, joint venture, agency relationship, or partnership between the Parties with respect to the interconnection or to impose any partnership obligation or partnership liability upon the Member, EKPC, or the Interconnection Customer. No Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind any other Party.

10.03 Subcontractors. Any Party may utilize the services of any subcontractor(s) deemed appropriate to perform the obligations set forth herein; provided, however, that subcontractors comply with all applicable terms and conditions of this Manual in providing such services. The creation of any subcontract relationship shall not relieve any Party of any of its respective obligations hereunder. Each Party shall be fully responsible to any other Party for the acts or omissions of any subcontractor hired as if no subcontract had been made. Any applicable obligation imposed herein upon any Party shall be equally binding upon, and shall be construed as having application to, any subcontractor of such party. The obligations under this paragraph will not be limited in any way by any limitation of subcontractor's insurance.

10.04 Notices. Any written notice, demand, or request required or authorized herein shall be deemed properly given if delivered in person, via overnight U.S. mail or courier service or facsimile. Any notice or request required or permitted to be given and not required herein to be given in writing may be so given by telephone. All notices shall be delivered to the designated representative specified below:

If to the Interconnection Customer:

Interconnection Customer: _____
Attention: _____
Address: _____
City: _____ State: _____ Zip: _____
Phone: _____ Fax: _____

If to the Member:

Member: _____
Attention: _____
Address: _____
City: _____ State: _____ Zip: _____
Phone: _____ Fax: _____

If to East Kentucky Power Cooperative, Inc.

East Kentucky Power Cooperative, Inc.

Attention: CEO
Address: PO Box 707
City: Winchester State: KY Zip: 40392-0707
Phone: 859-744-4812 Fax: 859-744-6008

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Attachment 1

Description and Costs of the Interconnection Facilities and Metering Equipment

Equipment, including the Interconnection Facilities, and metering equipment shall be itemized and identified as being owned by the Interconnection Customer, the Member, or EKPC. The Member will provide a best estimate itemized cost of its Interconnection Facilities and metering equipment, and a best estimate itemized cost of the annual operation and maintenance expenses associated with its Interconnection Facilities and metering equipment.

**One-line Diagram Depicting the Small Generating Facility, Interconnection
Facilities, Metering Equipment, and Distribution Upgrades.
Operating Procedures**

Milestones

In-Service Date: _____

Critical milestones and responsibility as agreed to by the Parties:

Milestone/Date Responsible Party

- (1) _____
- (2) _____
- (3) _____
- (4) _____
- (5) _____
- (6) _____
- (7) _____
- (8) _____
- (9) _____
- (10) _____

Agreed to by:

For the Member _____ Date _____

For the Transmission Owner (If Applicable) _____ Date _____

For the Interconnection Customer _____ Date _____

**Technical and Functional Requirements for Interconnecting the Interconnection
Customer's Small Generating Facility with the Member's Distribution System**

**Description of Distribution Upgrades and Transmission
Upgrades and Best Estimate of Such Costs**

The Member and EKPC shall describe Distribution Upgrades and Transmission Upgrades and provide an itemized best estimate of the cost of the Distribution Upgrades and Transmission Upgrades and annual operation and maintenance expenses associated with each. The costs and annual expenses shall be functionalized as either distribution or transmission related.

Calculation for Wheeling Energy Across a Member Distribution System to the EKPC Transmission System

Distribution Wheeling Rate

The Distribution Wheeling Rate shall be calculated by applying an Annual Fixed Charge Rate to the Net Distribution Line Investment. The result of this calculation will be divided by the 12-month sum of the monthly wholesale coincident peak demands for the EKPC Member Cooperative. The resulting Distribution Wheeling Rate per kW shall be multiplied by the capacity wheeled by the third party or EKPC. The Distribution Wheeling Rate shall be based on the financial information filed in the EKPC Member Cooperative's annual report to the Kentucky Public Service Commission (Commission). The Distribution Wheeling Rate shall be recalculated every June 1st to reflect the most current financial information.

Annual Fixed Charge Rate. The Annual Fixed Charge Rate shall allow for the recovery of depreciation expense, operation and maintenance (O&M) expense, and administrative and general (A&G) expenses associated with EKPC Member Cooperative's distribution system. The Annual Fixed Charge Rate shall also include a return on the investment in the distribution facilities of EKPC Member Cooperative. The components of the Annual Fixed Charge Rate shall be calculated in the following manner:

- a. Depreciation Expense. The annual depreciation expense associated with the distribution plant shall be divided by the calendar year-end total distribution plant to calculate the depreciation portion of the Annual Fixed Charge Rate. The annual depreciation expense associated with the distribution plant shall be calculated by multiplying the total annual depreciation expense by the percentage of the calendar year-end total distribution plant to the calendar year-end total electric plant in service.
- b. O&M Expense. The annual distribution O&M expense shall be divided by the calendar year-end total distribution plant to calculate the O&M portion of the Annual Fixed Charge Rate.
- c. A&G Expense. The annual A&G expense associated with the distribution plant shall be divided by the calendar year-end total distribution plant to calculate the A&G portion of the Annual Fixed Charge Rate. The annual A&G expense associated with the distribution plant shall be calculated by multiplying the total annual A&G expense by the percentage of the calendar year-end total distribution plant to the calendar year-end total electric plant in service.
- d. Return on Investment. The return on investment reflects a weighted cost of capital approach. The debt portion of capitalization is based on the calendar year-end balance of all long-term debt. The equity portion of capitalization is based on

the calendar year-end balance in the Patronage Capital account minus EKPC generation and transmission capital credits (G&TCCs). The cost of debt is calculated by dividing the calendar year-end balance for interest on long-term debt by the calendar year-end balance of all long-term debt. The cost of equity is based on the Times Interest Earned Ratio (TIER) authorized by the Commission in the EKPC Member Cooperative's last base rate case. The cost of equity is calculated by dividing the amount of margins required to achieve the authorized TIER by the calendar year-end balance in the Patronage Capital account minus EKPC G&TCCs.

Net Distribution Line Investment. The Net Distribution Line Investment is the net book value for two distribution plant accounts: Poles, Towers and Fixtures – Account 364, and Overhead Conductors and Devices – Account 365. The net book value for each account is determined by taking the calendar year-end balance for the account minus the corresponding accumulated depreciation at calendar year-end. The corresponding accumulated depreciation is calculated by multiplying the total accumulated depreciation balance for distribution plant at calendar year-end by a percentage of the calendar year-end balances for either Account 364 or 365 to the total calendar year-end total distribution plant.