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**PUC Project No. 35077**

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**ASSIGNMENT AND ASSUMPTION OF  
INTERCONNECTION AGREEMENT BETWEEN  
AEP Texas Central Company and Small Hydro of Texas, Inc.  
to LCRA Transmission Services Corporation**

**October 28, 2008**

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**PUC Project No. 35077**

**ASSIGNMENT AND ASSUMPTION OF  
INTERCONNECTION AGREEMENT BETWEEN**

**AEP Texas Central Company**

**and**

**Small Hydro of Texas, Inc.**

**to LCRA Transmission Services Corporation**

**October 28, 2008**

**ASSIGNMENT AND ASSUMPTION AGREEMENT**

This Assignment and Assumption Agreement ("Agreement") is made as of November 1, 2008 ("Effective Date"), between AEP Texas Central Company ("Assignor"), a Texas corporation, with its principal place of business located at 1 Riverside Plaza, Columbus, Ohio 43215-2373, and LCRA Transmission Services Corporation ("Assignee"), a Texas non-profit corporation and an Affiliated Company of the Lower Colorado River Authority, a conservation and reclamation district of the State of Texas, with its principal place of business located at 3700 Lake Austin Blvd., Austin, Texas 78703 (collectively, the "Parties").

**RECITALS:**

- A. Assignor is a party with Small Hydro of Texas, Inc. ("Small Hydro") to that certain Interconnection Agreement dated August 9, 2001 (the "Interconnection Agreement").
- B. Small Hydro and Assignor were parties to a certain "Agreement between Central Power and Light Company and Small Hydro of Texas, Inc. for Rental of Facilities" dated September 5, 2001, pursuant to which Assignor leased certain electric distribution facilities in the Cuero Substation to Small Hydro (the "Leased Facilities"). Pursuant to that certain Facility Sales Agreement and Bill of Sale dated February 26, 2007 (the "Small Hydro Sales Agreement"), Assignor and Small Hydro terminated the Lease and Small Hydro purchased the Leased Facilities from Assignor.
- C. Contemporaneous with the Small Hydro Sales Agreement, Assignor granted a non-exclusive easement to Small Hydro to operate certain electrical equipment across real property of Assignor pursuant to that certain Easement and Right-of-Way dated February 26, 2007.
- D. Assignor and Assignee are parties to the Agreement for the Sale and Purchase of Electric Facilities and Transfer of Real Property Rights, dated as of June 8, 2007 ("Facilities Sale Agreement"), and pursuant to the Facilities Sale Agreement, the Parties have agreed to assign the Interconnection Agreement from Assignor to Assignee in accordance with the terms herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein together with other good and valuable consideration, the receipt and sufficiency of which the parties acknowledge the Parties hereto agree as follows:

**1. DEFINITIONS**

Capitalized terms used but not defined herein shall have the meanings attributed to them in the Facilities Sale Agreement.

## **2. ASSIGNMENT AND ASSUMPTION**

In consideration of the mutual covenants set forth herein and the Purchase Price, and other good and valuable consideration as set out in Article 3 of the Facilities Sale Agreement, paid by Assignee, the sufficiency of which the Parties acknowledge, Assignor hereby TRANSFERS and ASSIGNS to Assignee, its successors and assigns (the "Assignment") all of Assignor's rights, title, interest, liabilities, obligations and duties pertaining to the Interconnection Agreement.

As part of the consideration for this Assignment, Assignee expressly assumes all liabilities, obligations and duties of Assignor pertaining to the Interconnection Agreement. Assignee expressly assumes and agrees to keep, perform and fulfill all covenants, terms and conditions of the Interconnection Agreement.

## **3. REPRESENTATIONS AND WARRANTIES**

- 3.1. Assignor represents and warrants (a) that the Interconnection Agreement is in full force and effect; and (b) that the Interconnection Agreement constitutes a valid and binding obligation of Assignor, subject to any applicable bankruptcy and insolvency laws.
- 3.2. Except as set forth in Section 3.1 above and except as may be expressly set forth in the Facilities Sale Agreement, Assignor makes no representation or warranty of any kind whatsoever, either express or implied, with respect to the Interconnection Agreement.
- 3.3. Assignee acknowledges that Exhibit 1 to the Interconnection Agreement has not been amended to reflect the purchase and sale of the Leased Facilities.

## **4. LIABILITY AND INDEMNITY**

By assuming the liabilities, obligations and duties pertaining to the Interconnection Agreement, Assignee hereby expressly releases and discharges Assignor from all obligations and duties pertaining to the Interconnection Agreement. It is acknowledged and agreed that Assignor shall not be responsible for the discharge and performance of any duties or obligations to be performed or discharged in connection with the Interconnection Agreement. By acceptance of this Assignment, Assignee, to the extent permitted by law, agrees to indemnify, save and hold harmless Assignor from and against any and all loss, liability, claims or causes of action existing in favor of or asserted by any Person arising out of or relating to Assignee's failure to perform any duties or obligations set forth in the Interconnection Agreement. No indemnity of any kind runs from Assignor to Assignee in connection with this Agreement or the Interconnection Agreement.

## **5. MISCELLANEOUS**

- 5.1. The invalidity of one or more phrases, sentences, clauses, sections or subsections contained in this Agreement shall not affect the validity of the remaining portions of the

Agreement so long as the material purposes of this Agreement can be determined and carried out.


- 5.2. Preparation of this Agreement has been a joint effort of the Parties and the resulting document shall not be construed more severely against one of the Parties than against the other.
- 5.3. The captions contained in this Agreement are for convenience and reference only and in no way define, describe, extend or limit the scope or intent of this Agreement or the intent of any provision contained herein.
- 5.4. This Agreement may be signed in any number of counterparts and each counterpart shall represent a fully executed original as if signed by both Parties.
- 5.5. This Agreement constitutes the complete agreement between the Parties and supersedes any and all agreements, oral or written, made or dated prior thereto.
- 5.6. Nothing in this Agreement is intended to confer upon any person other than the Assignee, on the one hand, and Assignor, on the other hand, any rights or remedies hereunder or create any third party beneficiary rights in any person.
- 5.7. The validity, interpretation and effect of this Agreement shall be governed by and construed in accordance with the laws of State of Texas without regard to conflicts of law doctrines.

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**IN WITNESS WHEREOF**, the Parties have executed this Agreement as of the Effective Date.

**ASSIGNOR:**

**AEP Texas Central Company**

By:   
Name: Michael Heyeck  
Title: Vice President

**ASSIGNEE:**

**LCRA Transmission Services Corporation**

By: \_\_\_\_\_  
Name: Ross Phillips  
Title: Vice President and Chief Operating Officer

**IN WITNESS WHEREOF**, the Parties have executed this Agreement as of the Effective Date.


**ASSIGNOR:**

**AEP Texas Central Company**

By: \_\_\_\_\_  
Name: Michael Heyeck  
Title: Vice President

**ASSIGNEE:**

**LCRA Transmission Services Corporation**

By:  \_\_\_\_\_  
Name: Ross Phillips  
Title: Vice President and Chief Operating Officer



## CONSENT TO ASSIGNMENT

This **CONSENT TO ASSIGNMENT** ("Consent") is executed effective as of October 28, 2008, by and between **AEP TEXAS CENTRAL COMPANY**, formerly known as Central Power and Light Company ("ICC"), and **SMALL HYDRO OF TEXAS, INC.** ("Small Hydro").

## RECITALS

- A. TCC and Small Hydro are parties to that certain Interconnection Agreement dated as of August 9, 2001 (the "Interconnection Agreement"). Capitalized terms used and not defined in this Consent have the meanings set forth in the Interconnection Agreement.
- B. TCC desires to assign its rights and obligations under the Interconnection Agreement to LCRA Transmission Services Corporation ("LCRA"), an affiliated company of the Lower Colorado River Authority, a conservation and reclamation district of the State of Texas (the "Assignment").

NOW, THEREFORE, in consideration of the mutual agreements set out in this Consent, the parties hereto agree as follows:

- 1. **CONSENT TO ASSIGNMENT.** Subject to the terms and conditions of this Consent, Small Hydro hereby consents to the Assignment. This consent will be effective only if and when ICC and LCRA execute an assignment agreement. TCC will give Small Hydro prompt written notice if and when the Assignment is made.
- 2. **EFFECT OF ASSIGNMENT.**
  - 2.1 Contract References From and after the effective date of the Assignment, all references to TCC in the Interconnection Agreement shall be references to LCRA.
  - 2.2 Notices and Payments From and after the effective date of the Assignment, the addresses for notices to LCRA under Sections 6.2(a) and 8.16(a)(i) of the Interconnection Agreement shall be as provided in the notice of Assignment pursuant to Section 1 hereof.
  - 2.3 Release Effective as of the effective date of the Assignment, Small Hydro hereby releases and discharges ICC and its Affiliates from any and all duties, obligations, and liabilities arising under or in connection with the Interconnection Agreement.
- 3. **GENERAL.**
  - 3.1 Cooperation TCC shall coordinate the preparation and submission of any required filings to such governmental authorities as may have appropriate

jurisdiction in connection with the Assignment. Each party hereto will exercise commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper, or advisable in connection with such proceedings.

- 3.2. Binding on Successors. The terms and conditions of this Consent will inure to the benefit of and be binding upon the respective successors and assigns of the parties.
- 3.3. Amendments. No amendment to this Consent will be valid or binding unless and until reduced to writing and executed by each party's authorized representative.
- 3.4. Further Assurances. Each party hereby agrees to promptly and duly execute and deliver such instruments, documents, and assurances, and to take such further action, as may be necessary or as may be reasonably requested by the other party to effectuate the purpose and intent of this Consent.
- 3.5. Governing Law. The interpretation and construction of this Consent and the rights of the parties hereunder will be interpreted, construed, and governed by the laws of the State of Texas, without regard to its conflicts of law principles.
- 3.6. Multiple Counterparts. This Consent may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.
- 3.7. Construction. This Consent was prepared jointly by the parties, and no rule that it be construed against the drafter will have any application in its construction or interpretation.

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Executed to be effective as of the date first set forth above:

**AEP Texas Central Company**

**Small Hydro of Texas, Inc.**

By: \_\_\_\_\_  
Name: Michael Heyeck  
Title: Vice President

By: SMALL HYDRO OF TEXAS, INC.  
Name: Jimmy C. Parker  
Title: President

Executed to be effective as of the date first set forth above:

**AEP Texas Central Company**

**Small Hydro of Texas, Inc.**

By:   
Name: Michael Heyeck  
Title: Vice President

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Interconnection Agreement - Small Hydro of  
Texas & CPL (August 9, 2001)  
Assigned to LCRA TSC 10/28/2008**

**INTERCONNECTION AGREEMENT**

**between**

**CENTRAL POWER AND LIGHT COMPANY**

**and**

**SMALL HYDRO OF TEXAS, INC.**

**August 9, 2001**

**INTERCONNECTION AGREEMENT  
BETWEEN  
CENTRAL POWER AND LIGHT COMPANY  
AND  
SMALL HYDRO OF TEXAS, INC.**

This INTERCONNECTION AGREEMENT (including all Exhibits, this "Agreement") is dated as of this 9<sup>th</sup> day of August, 2001, by and between Central Power and Light Company ("Company"), and Small Hydro of Texas, Inc. ("Customer"), hereafter individually referred to as "Party" and collectively referred to as "Parties".

**WITNESSETH:**

WHEREAS, Company is an electric utility that owns and operates an electrical system engaged in, among other businesses, the transmission and distribution of electric energy; and

WHEREAS, Customer owns and operates a hydroelectric power plant for the purpose of generating electrical energy near the City of Cuero, Texas; and

WHEREAS, Company and Cuero Hydroelectric, Inc. (subsequently changed to Customer) entered into the Non-Firm Energy Sales Contract, as amended, dated February 27, 1997 ("the Sales Contract") that provides for the sale and purchase of energy from Customer to Company as well as the interconnection of Customer's hydroelectric power plant with the Company's electrical system; and

WHEREAS, the Parties have agreed to terminate the Sales Contract per letter agreement dated October 29, 1999 and desire to remain interconnected under the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein set forth, the Parties hereto agree as follows:

## ARTICLE I. DEFINITIONS

Whenever used in this Agreement, the following terms shall have the following meanings:

1.1 "Affiliate" shall mean, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement, or otherwise.

1.2 "Applicable Laws and Regulations" shall mean all applicable federal, state and local laws, ordinances, rules and regulations, and all duly promulgated orders and other duly authorized actions of any Governmental Authority having jurisdiction over the Parties and/or their respective facilities. Notwithstanding the foregoing, each Party shall have the right at its sole expense to contest the application of any Applicable Laws and Regulations to such Party before the appropriate authorities.

1.3 "Business Day" shall mean any day other than a Saturday, Sunday or other day on which commercial banks in Dallas, Texas are authorized or required by law to be closed.

1.4 "Cancellation of the Interconnection" shall mean Customer's, or Customer's assignee's or transferee's (if applicable) (a) permanent abandonment, cancellation or termination of the development, construction or operation of the Facility or the Customer's Interconnection Facilities or (b) involuntary loss of title to or control of the Facility or the Customer's Interconnection Facilities to anyone other than a Project Financing Holder or any purchaser at a foreclosure sale or conveyance in lieu of foreclosure under the Project Financing.

1.5 "Company System" shall mean the integrated system of electrical generation, transmission and distribution facilities, and all equipment and facilities ancillary thereto, owned and/or operated by Company.

1.6 "Company's Interconnection Facilities" shall mean all protection and control equipment, circuit breakers, disconnect switches and related equipment and facilities that are part of the Interconnection Facilities and that Company constructs and owns or otherwise provides, as such are so designated and described in the Exhibit attached hereto.

1.7 "Control Area" shall mean an electric system capable of regulating its generation in order to maintain and control its electric energy interchange schedule with other electric systems and contribute its frequency bias obligation to the ERCOT electric grid.

1.8 "Customer's Interconnection Facilities" shall mean all protection and control equipment, circuit breakers, disconnect switches and related equipment and facilities that are part of the Interconnection Facilities and that Customer constructs, owns, rents or otherwise provides, as such are so designated and described in the Exhibit.

1.9 "Default" shall mean the failure of either Party to perform any obligation in the time or manner provided in this Agreement.

1.10 "ERCOT" shall mean the Electric Reliability Council of Texas, one of the regional reliability councils of NERC formed to promote reliability and adequacy of bulk power supply of the electric utility systems in North America, or any successor to the functions thereof.

1.11 "ERCOT ISO" shall mean the ERCOT Independent System Operator, or any successor to the functions thereof.

1.12 "ERCOT Operating Guides" shall mean those operating guides promulgated by ERCOT or the ERCOT ISO relating to practices to be followed in the operation of the interconnected systems of the member utilities of ERCOT, as in effect from time to time, and any successor guides or rules of ERCOT applicable to the same subject matter.

1.13 "Facility" shall mean the Customer's hydroelectric generator including generator step up transformers and all 12 kV facilities up to and including the 12 kV dead-end structure at such transformers, located adjacent to the Guadalupe River in Dewitt County near the City of Cuero, Texas.

1.14 "FERC" shall mean the Federal Energy Regulatory Commission, or any successor thereto.

1.15 "Force Majeure" shall mean any unforeseeable cause beyond the reasonable control of and without the fault or negligence of the Party claiming Force Majeure, including but not limited to acts of God, strike (including that by vendor personnel), flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance, sabotage, change in law or applicable regulation subsequent to the date hereof and action or inaction by any federal, state or local legislative, executive, administrative judicial agency or body which, in any of the foregoing cases, by exercise of due foresight such Party could not reasonably have been expected to avoid, and which, by the exercise of due diligence, it is unable to overcome.

1.16 "Good Utility Practice" shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in ERCOT during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to

the optimum practice, method, or act to the exclusion of all others, but rather is intended to include acceptable practices, methods, or acts generally accepted in the ERCOT region.

1.17 "Governmental Authority(s)" shall mean any federal, state, local or municipal governmental body; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power; or any court or governmental tribunal.

1.18 "Interconnection Facilities" shall mean all equipment and facilities that are necessary or desirable under Good Utility Practice to interconnect the Facility to the Company System economically, reliably and safely, including all connection, switching, metering, transmission, distribution, safety, engineering, communication and Protective Equipment. The Interconnection Facilities are more particularly described in the Exhibit attached hereto.

1.19 "Interconnection Guidelines" shall mean (a) Section 1 Introduction, (b) Section 2 Interconnection Practices for Transmission Generation Facilities, (c) Section 5 Construction Practices, (d) Section 6 Substation Equipment, Insulation and Structural Design Requirements, (e) Section 7 Transmission Line Design, Loading, Clearance, Insulation and Structural Design and (f) Section 8 Metering and Telemetry Requirements of the Company's "Guidelines for Generation, Transmission and Transmission Electricity Users Interconnection Facilities" and as the same may be modified from time to time in the future.

1.20 "NERC" shall mean the North American Electric Reliability Council, including any successor thereto or any regional reliability council thereof.

1.21 "Open Access Transmission Service Tariff" shall mean the Open Access Transmission Service Tariff of the CSW Operating Companies, as filed with FERC, as amended or supplemented from time to time.

1.22 "Party" shall mean a party to this Agreement named in the preamble, above, or any permitted assignees.

1.23 "Person" shall mean any individual, governmental authority, corporation, limited liability company, partnership, limited partnership, trust, association or other entity.

1.24 "Point of Interconnection" shall mean the point, shown in the Exhibit, where the Facility is interconnected with the Company System.

1.25 "Project Financing" means (a) one or more loans and/or debt issues, together with all modifications, renewals, supplements, substitutions and replacements thereof, the proceeds of which are used to finance or refinance the costs of the Facility, any alteration, expansion or improvement to the Facility, the purchase and sale of the Facility or the operations at the Facility

and (b) a power purchase agreement pursuant to which Customer's obligations are secured by a mortgage or other lien on the Facility.

1.26 "Project Financing Holder" means (a) any holder, trustee or agent for holders, of any component of the Project Financing and (b) any purchaser of power from the Facility to which Customer has granted a mortgage or other lien as security for some or all of Customer's obligations under the corresponding power purchase agreement.

1.27 "Protective Equipment" shall mean such protective relay systems, locks and seals, breakers, automatic synchronizers, associated communication equipment and other control and protective apparatus as is reasonably necessary under Good Utility Practice, as specified and reasonably approved by Company for the operation of the Facility in parallel with the Company System and to permit Company's facilities to operate economically, reliably and safely in their normal manner.

1.28 "PUCT" shall mean the Public Utility Commission of Texas, or any successor thereto.

## **ARTICLE II. TERM**

### **2.1 Term**

This Agreement becomes effective upon execution by both Parties and continues in effect until terminated pursuant to this paragraph or as otherwise permitted pursuant to the terms of this Agreement. Customer may terminate this Agreement at any time by delivering written notice of termination to Company. Company may terminate this Agreement if a Cancellation of the Interconnection occurs by delivering written notice to Customer. Following the termination of this Agreement, the Parties hereto shall no longer be bound by the terms and conditions of this Agreement except as provided specifically herein and except to the extent of rights, duties, or obligations accruing before the end of the term. However, termination of this Agreement for any reason, including termination for default by either Party in the performance of obligations imposed by the terms of this Agreement, does not thereby waive any right Customer may have to require Company to interconnect the Facility to the Company System pursuant to applicable laws, rules and regulations.

### **2.2 Regulatory Approvals or Filings**

Customer agrees that it shall request in a timely manner any federal or state regulatory consents, approvals, certifications, filings or orders that may be required of Customer as a condition of Customer's execution, delivery or performance of this Agreement and any amendments hereto. To the extent required by any Applicable Laws and Regulations, Company shall file this Agreement with the FERC (and provide a copy of the filing to the PUCT) within

thirty (30) Business Days of the date first written above. Unless exempt, Company shall timely request ISO and all regulatory approvals necessary for it to carry out its responsibilities under this Agreement. Such approvals shall include, without limitation, any certificate of convenience and necessity required for the construction of the Company's Interconnection Facilities. Customer and Company agree to assist one another and use all reasonable efforts in obtaining such approvals or making such filings as promptly as practicable.

### **ARTICLE III. OWNERSHIP, OPERATION AND MAINTENANCE**

#### **3.1 Establishment of Point of Interconnection**

The Parties agree to interconnect Customer's Interconnection Facilities and Company's Interconnection Facilities at the location, and in accordance with the terms and conditions, specified herein and on the Exhibit attached hereto.

#### **3.2 Construction, Operation and Maintenance of Interconnection Facilities**

(a) If, as a result of any action or failure to act by Customer, related to Customer's interconnection to Company System, Company incurs costs that Company claims are necessary to satisfy its responsibilities or obligations as an ERCOT Control Area or interconnected transmission provider, then Company may seek a determination from the Governmental Authority having jurisdiction that Customer shall be responsible for those costs.

(b) Each of the Parties will, at its own cost and expense, construct, operate, maintain, repair, and inspect its Interconnection Facilities which it now or hereafter may own unless otherwise specified on the Exhibit. Maintenance by either Party that will cause a deviation from normal power and energy flow at the Point of Interconnection will be scheduled at a mutually agreeable time. No changes will be made in the normal operation of the Point of Interconnection without the mutual agreement of the Parties except as otherwise provided herein or in the Company's Open Access Transmission Service Tariff. The Parties will coordinate on a timely basis the construction, operation and maintenance of their Protective Equipment. The Parties shall cause their respective Interconnection Facilities to be constructed in accordance with specifications at least equal to those provided by the National Electric Safety Code, approved by the American National Standards Institute, Interconnection Guidelines, Good Utility Practice, and the ERCOT Operating Guides in effect at the time of construction or modification.

#### **3.3 System Operations**

(a) Customer shall operate in accordance with the ERCOT Operating Guides and any applicable directives of the ERCOT ISO addressing reliability, security or facilitation of the wholesale transmission market in ERCOT. To help ensure the protection and safety of Parties' personnel and property, Customer shall operate in accordance with Company's transmission and

distribution switching procedures for personnel protection as established by Company's System Operations Department (as long as such procedures comply with Good Utility Practice). In accordance with Good Utility Practice and the provisions of the Interconnection Guidelines, Customer agrees to design, install, maintain and operate, or cause the design, installation, maintenance, and operation of Customer's Interconnection Facilities, so as to reasonably minimize the likelihood that a disturbance originating in its system would adversely affect or impair the Company System or other systems with which Customer is interconnected. Customer agrees during the term of this Agreement to comply in all material respects with all terms, conditions and provisions of the Interconnection Guidelines applicable to a "Transmission Generation Facility Requestor", as that term is used in the Interconnection Guidelines. It is the intent of the Interconnection Guidelines, and any change thereto, to govern the Customer's interconnection to Company only and not to impact Customer's operation on its side of the Point of Interconnection. If any provision of the Interconnection Guidelines, or any change thereto, adversely affects Customer's operations, Customer may notify Company of such problem and the Parties will, to the extent reasonably possible, negotiate in good faith to develop a modification of or replacement for such provisions that both Parties can reasonably accept.

(b) To help ensure the continued provision of electric service to customers and the reliable functioning of Company's overall system operations:

- (i) Customer shall operate as a Control Area under applicable directives of NERC, ERCOT, and ERCOT ISO; or
- (ii) Customer shall contract for the appropriate ancillary services from Company in accordance with Company's Open Access Transmission Service Tariff; or
- (iii) Customer shall contract for the appropriate ancillary services from another electric utility Control Area.

(c) The Company shall operate in accordance with the ERCOT Operating Guides and any applicable directives of the ERCOT ISO addressing reliability, security or facilitation of the wholesale transmission market in ERCOT. In accordance with Good Utility Practice and the provisions of the Interconnection Guidelines, Company agrees to design, install, maintain and operate, or cause the design, installation, maintenance, and operation of Company's Interconnection Facilities, so as to reasonably minimize the likelihood that a disturbance originating in its system would adversely affect or impair the Facility. It is the intent of Company's current transmission and distribution switching procedures for personnel protection, and any change thereto, to govern the Customer's interconnection to Company only and not to impact Customer's operation on its side of the Point of Interconnection. If any procedure in the Company's transmission and distribution switching procedures for personnel protection, or any change thereto, adversely affects Customer's operations, Customer may notify Company of such

problem and the Parties will, to the extent reasonably possible, negotiate in good faith to develop a modification of or replacement for such procedure that both Parties can reasonably accept.

### 3.4 Interconnection and Parallel Operations

(a) Interconnection of the Customer Interconnection Facilities to the Company Interconnection Facilities at the Point of Interconnection shall be governed by the Exhibit.

(b) Customer shall assume responsibility for synchronizing the Facility to the Company System. Customer shall follow Company's reactive and voltage restrictions in accordance with Company's Interconnection Guidelines, ERCOT Operating Guides and other applicable laws, rules and regulations.

### 3.5 Other Services

This Agreement is applicable only to the interconnection of the Customer Interconnection Facilities to the Company Interconnection Facilities at the Point of Interconnection and does not obligate Company or Customer to provide, or entitle Customer or Company to receive, any transmission or other service not expressly provided for herein. Each Party is responsible for making the arrangements necessary for it to receive any other service that it may desire from the other Party or any third party. Any transmission or ancillary service obtained by Customer from the Company shall be governed by the provisions of the Company's Open Access Transmission Service Tariff.

## ARTICLE IV. METERING AND VERIFICATION

### 4.1 Metering

Ownership, installation, operation and maintenance of metering, instrumentation, telemetry, and communications equipment to be utilized for services to be provided by Company or otherwise through or related to the Point of Interconnection shall be in accordance with the Exhibit. The Exhibit will be amended to reflect any changes in equipment necessary to provide additional services not presently contemplated to be provided by Company or otherwise through or related to the Point of Interconnection. Customer may connect a meter in parallel with Company's meter using Company's instrument transformers, but Company's meter will be used to determine energy and power values unless it is found to be inaccurate or defective, in which event, Customer's meters may be used for such purpose. The Parties are responsible for testing and maintenance of their respective meters, but each Party may inspect and test the other Party's meter. Company is responsible for maintenance and testing of its instrument transformers. Customer may witness Company maintenance and testing of its instrument transformers, or may perform its own tests.

#### 4.2 Verification

As requested by Company from time to time, Customer agrees to submit to Company real time and forecasted information specified in the ERCOT Operating Guides or other ERCOT standards and policies, or as deemed necessary by the Company subject to ERCOT ISO review, to maintain reliable operation of the Company System. Information may include, but is not limited to, voltage schedule, reactive reserves, operating reserves, generator test results, generator dynamic recordings and generator electrical and mechanical characteristics. If Company incurs costs it claims are necessary to satisfy its responsibilities or obligations as an ERCOT Control Area coordinator or interconnected transmission provider as a result of information so specified or deemed necessary not being submitted by Customer, Section 8.17 of this Agreement shall govern the recovery of such costs. When requesting information, Company will, to the extent possible, provide the reason(s) it needs such information and explain the consequences of not receiving the requested information. The use and/or disclosure of any information provided to the Company pursuant to this Section 4.2 shall be governed by the Company's standards of conduct on file at FERC and Section 8.7 of this Agreement.

### **ARTICLE V. ACCESS TO INTERCONNECTION FACILITIES**

Each of the Parties shall at all reasonable times, and upon reasonable notice, have access to the other Party's Interconnection Facilities to make inspections and obtain information in connection with this Agreement. Each of the Parties agree to observe such reasonable safety rules and precautions as may be required by the other Party, and shall conduct themselves in a manner that will not interfere with the operation of the Facility or the Company System.

### **ARTICLE VI. NOTICES AND REPRESENTATIVES OF THE PARTIES**

#### 6.1 Notices

Any notice, demand or request required or authorized by this Agreement to be given by one Party to the other Party shall be in writing. It shall either be personally delivered, transmitted by telecopy or facsimile equipment (with receipt confirmed), sent by overnight courier or mailed, postage prepaid, to the other Party at the address designated pursuant to this Article VI. Any such notice, demand or request so delivered or mailed shall be deemed to be given when so delivered or, if mailed, three (3) days after being mailed.

6.2 Addresses of the Parties

(a) Notices and other communications by Customer to Company shall be addressed to:

Manager, Transmission Access  
AEP/Central and South West Services, Inc.  
Overnight: Two West Second Street  
Tulsa, OK 74103-3102  
U.S. Mail: P.O. Box 21928  
Tulsa, OK 74121-1928  
Voice: (918) 594-2277  
Fax: (918) 594-4401  
Internet: sttaylor@csww.com

(b) Notices and other communications by Company to Customer shall be addressed to:

Attention: Jimmy Parker, President  
Small Hydro of Texas, Inc.  
1298 FM 766  
Cuero, TX 77954

Voice: 361-275-9395  
Fax: 361-275-9395

(c) Either Party may change its address by written notice to the other in accordance with this Article VI.

**ARTICLE VII. FORCE MAJEURE**

7.1 Effect of Force Majeure

(a) Except for the obligation to make any payments under this Agreement, the Parties shall be excused from performing their respective obligations under this Agreement and shall not be liable in damages or otherwise if and to the extent that they are unable to so perform or are prevented from performing by a Force Majeure, provided that:

- (i) the non-performing Party, as promptly as practicable after the occurrence of the Force Majeure, but in no event later than fourteen (14) days thereafter, gives the other Party written notice describing the particulars of the occurrence;

- (ii) the suspension of performance is of no greater scope and of no longer duration than is reasonably required by the Force Majeure;
  - (iii) the non-performing Party uses all reasonable efforts to remedy its inability to perform;
  - (iv) as soon as the non-performing Party is able to resume performance of its obligations excused as a result of the occurrence, it gives prompt written notification thereof to the other Party; and
  - (v) neither Party shall be required to settle any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the Party involved in the dispute, are contrary to its interest, it being understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be entirely within the discretion of the Party having such dispute.
- (b) In no event will any condition of Force Majeure extend this Agreement beyond its stated term.

## **ARTICLE VIII. MISCELLANEOUS PROVISIONS**

### **8.1    Severability**

If any provision or provisions of this Agreement shall be held invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

### **8.2    Modifications**

No amendment or modification to this Agreement or waiver of a Party's rights hereunder shall be binding unless it shall be in writing and signed by the Party against which enforcement is sought.

### **8.3    Prior Agreement Superseded**

This Agreement and the Exhibit attached hereto constitute the entire agreement between the Parties relating to the subject matter hereof and its execution supersedes all previous agreements, discussions, communications and correspondence with respect to such subject matters.

#### 8.4 Counterparts

This Agreement may be executed in any number of counterparts, and once executed by all Parties, each executed counterpart shall have the same force and effect as an original instrument.

#### 8.5 Survival

The provisions of Sections 8.7, 8.17, and 8.18, including the rights and obligations of the Parties therein provided, shall survive the termination or expiration of this Agreement and the performance by the Parties of their obligations hereunder.

#### 8.6 No Third-Party Beneficiaries

This Agreement is not intended to, and does not, confer upon any Person other than the Parties hereto and their respective successors and permitted assigns, any rights or remedies hereunder.

#### 8.7 Confidentiality

The Parties agree that certain information relating to this Agreement that the Parties have exchanged or may exchange may be confidential, proprietary or of competitive value, and that all information designated in writing as such shall be kept confidential. Such obligation of confidentiality shall extend to all such information, whether exchanged orally or in written or electronic form, so long as such information is marked "confidential" or "proprietary" at the time of disclosure, or if disclosed orally, the receiving Party confirms promptly in writing that such information is to be treated as confidential for purposes of this Agreement. Each Party shall be permitted to disclose confidential information to its officers, directors, employees, agents, Affiliates, attorneys and consultants who need to know such information in connection with the implementation of this Agreement (but only, in the case of disclosures by or on behalf of the Company, so long as the disclosure of such information to such Persons and the use of such information thereby complies with the requirements of the Company's standards of conduct on file at the FERC), and each Party agrees to notify such Persons of the confidential nature of such information and to be responsible for any unauthorized disclosure of such information by such Persons in accordance with the requirements of the Company's standards of conduct on file at the FERC. Notwithstanding the generality of the foregoing, the Company agrees not to disclose or permit the disclosure of such information to (i) CSW Energy, Inc. or any of its non-utility generator subsidiaries in competition with Customer for wholesale power markets or (ii) its officers, directors, employees, agents and consultants who are engaged solely in wholesale merchant functions that are in competition with Customer. Information shall not be deemed to be confidential if it (i) was in the public domain prior to the date hereof, (ii) becomes publicly available after the date hereof other than as a result of the unauthorized disclosure thereof by a Party or by an officer, director, employee, agent or Affiliate of a Party, (iii) becomes available to a Party on a nonconfidential basis from a source other than the other Party if such source was not

subject to any prohibition against transmitting the information or (iv) is required to be disclosed pursuant to any Applicable Laws and Regulations or pursuant to administrative or judicial process, in which case the Party disclosing the information shall notify the other Party of such disclosure. The Parties agree to abide by the term of this Section 8.7 for so long as this Agreement is in effect and for a period of two (2) years thereafter.

#### 8.8 Interpretation

Except as otherwise stated, reference to Articles, Sections and Exhibit mean the Articles, Sections and Exhibit of this Agreement. All indices, titles, subject headings, section titles and similar items in this Agreement are provided for the purpose of reference and convenience only and are not intended to be inclusive or definitive or to affect the meaning of the contents or scope of this Agreement.

#### 8.9 Successors and Assigns

This Agreement shall inure to the benefit of and be binding upon Company and Customer and their respective successors and permitted assigns.

#### 8.10 Assignment by Company

Notwithstanding anything herein to the contrary, Company shall not assign or otherwise transfer all or any of its rights or obligations under this Agreement without the prior written consent of Customer, such consent not to be unreasonably withheld or delayed, except that Company may assign or transfer its rights and obligations under this Agreement without the prior written consent of Customer, if Company is not then in material default of this Agreement:

(a) where any such assignment or transfer is to an Affiliate of Company; provided, however, no such assignment or transfer pursuant to this Section 8.10(a) shall relieve Company of its obligations under this Agreement;

(b) where such assignment or transfer is to an independent system operator that becomes responsible for a Control Area of which the Company System is a part, or any successor to or transferee of the direct or indirect ownership or operation of all or part of the Company System; or

(c) to any successor to or transferee of the direct or indirect ownership or operation of all or part of the Company System that includes the Company's Interconnection Facilities, and upon the assumption by any such permitted assignee of Company's rights, duties and obligations hereunder, Company shall be released and discharged therefrom.

#### 8.11 Assignment by Customer

Notwithstanding anything herein to the contrary, Customer shall not assign or otherwise transfer all or any of its rights or obligations under this Agreement without the prior written consent of Company, such consent not to be unreasonably withheld or delayed, except that Customer may assign or transfer its rights and obligations under this Agreement without the prior written consent of Company, if Customer is not then in material default of this Agreement:

(a) where any such assignment or transfer is to an Affiliate of Customer; provided however, that no such assignment or transfer shall relieve Customer of its obligations under this Agreement;

(b) to any person or entity (or any Affiliate thereof) that purchases or otherwise acquires, directly or indirectly, all or substantially all of the Facility; or

(c) to any Project Financing Holder as security for amounts payable under any Project Financing.

#### 8.12 Restrictions on Assignment

Except as specifically provided for in Section 8.10 and Section 8.11 any assignment or transfer of this Agreement or any rights, duties or interests hereunder by any Party without the written consent of the other Party shall be void and of no force or effect.

#### 8.13 Release of Obligations

Upon any assignment of this Agreement pursuant to Section 8.10(b) or (c) or Section 8.11(b) or (c), the assigning Party shall be relieved of any further obligations under this Agreement arising after the date of such assignment to the extent that such obligations are expressly assumed by the assignee and the non-assigning Party reasonably determines that the assignee is no less technically and financially capable of performing its obligations under the Agreement than was the assigning Party.

#### 8.14 Lender Security

Company agrees, if requested by Customer and at Customer's expense, to enter into an agreement (in a form reasonably acceptable to Company) with the Project Financing Holders, pursuant to which Company will acknowledge the creation of security over Customer's rights under this Agreement and agree that, upon breach of this Agreement or any loan documents by Customer or the insolvency of Customer, the Project Financing Holder shall:

(a) have the right within a reasonable period of time as specified therein to cure any breach of this Agreement complained of, provided the Project Financing Holder agrees to perform Customer's obligations under the Agreement during the cure period; and

(b) have the right, upon payment of all outstanding amounts due and payable to Company, to assume all the rights and obligations of Customer under this Agreement.

#### 8.15 Further Assurances

The Parties agree (a) to furnish upon request to each other such further information, (b) to execute and deliver to each other such other documents, and (c) to do such other acts and things, all as the other Party may reasonably request for the purpose of carrying out the intent of this Agreement. Without limiting the generality of the foregoing, Company shall, at Customer's expense, as and when requested to do so by Customer at any time after the execution of this Agreement, prepare and provide such information in connection with this Agreement and/or the services to be provided by it under this Agreement (including resolutions, certificates, opinions of counsel or other documents relating to Company's corporate authorization to enter into this Agreement and to undertake the obligations set out herein) as may be reasonably required by any potential or actual Project Financing Holder under a proposed or existing Project Financing Holder loan agreement. Company shall cooperate with Customer in good faith, at Customer's expense, in order to satisfy on a mutually agreeable basis the requirements of Customer's financing arrangements, including where appropriate the making of amendments to the terms of this Agreement as may be required and are acceptable to Company.

#### 8.16 Billing and Payment

Both Parties understand and agree that this Agreement does not establish any routine and recurring payment obligations on either Party. However, for those non-recurring payment obligations that may arise from time to time pursuant to the terms of this Agreement (such as amounts that may become due pursuant to Sections 3.2(a) and 8.18), the Parties agree to submit and pay any such amounts in accordance with this Section 8.16.

(a) Any invoice due under this Agreement shall be paid by the receiving Party within twenty (20) days after the date of the invoice.

- (i) All payments to Company shall be made in immediately available funds payable to Company at:

AEP/Central and South West Services, Inc.  
ATTN: Accounts Receivable  
Overnight: Two West Second Street  
Tulsa, OK 74103-3102  
U.S. Mail: P.O. Box 21928  
Tulsa, OK 74121-1928

or by wire transfer to a bank named by the Company.

- (ii) All payments to Customer shall be made in immediately available funds payable to Customer at:

Attention: Jimmy Parker, President  
Small Hydro of Texas, Inc.  
1298 FM 766  
Cuero, TX 77954

Voice: 361-275-9395  
Fax: 361-275-9395

or by wire transfer to a bank named by the Customer.

- (b) Either Party may change its address for payments by written notice to the other in accordance with Article VI.

(c) Interest on any unpaid amounts due (including amounts placed in escrow) shall be calculated in accordance with the methodology specified for interest on refunds in the FERC's regulations at 18 C.F.R. § 35.19a(a) (2) (iii). Interest on delinquent amounts shall be calculated from the due date of the bill to the date of payment. When payments are made by mail, bills shall be considered as having been paid on the date of receipt by the billing Party.

(d) In the event the receiving Party of any bill rendered pursuant to this Agreement fails, for any reason other than a billing dispute as described below, to make payment to the billing Party on or before the due date as described above, and such failure of payment is not corrected within thirty (30) calendar days after the billing Party notifies the receiving Party to cure such failure, a default by the receiving Party shall be deemed to exist. If there is a good faith dispute between the Parties with respect to the propriety or amount of a bill, the receiving Party is not required to make payment to the billing Party until thirty (30) calendar days after the final resolution of such billing dispute pursuant to Section 8.17 below.

#### 8.17 Dispute Resolution Procedures

(a) Any dispute between the Parties involving matters related to this Agreement shall be referred to a designated senior representative of each Party for resolution on an informal basis as promptly as practicable. In the event the designated representatives are unable to resolve the dispute within thirty (30) days, or such other period as the Parties may agree upon, by mutual agreement, such dispute may be (i) submitted to mediation with the assistance of a neutral third party mutually acceptable to the Parties who has training or experience in mediation, upon terms and conditions mutually acceptable to the Parties, or (ii) if the Parties are unable to agree upon mediation, or such mediation fails to resolve the dispute, submitted to arbitration and resolved in accordance with arbitration procedures set forth below.

(b) Any arbitration initiated under this Agreement shall be conducted before a single neutral arbitrator appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten (10) days of the referral of the dispute to arbitration, each Party shall choose one arbitrator who shall sit on a three-member arbitration panel. The two arbitrators so chosen shall within twenty (20) days select a third arbitrator to chair the arbitration panel. In either case, the arbitrators shall be knowledgeable in electric utility matters, including electric transmission and bulk power issues, and shall not have any current or past substantial business or financial relationships with any Party to the arbitration (except prior arbitration). The arbitrator(s) shall provide each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association and any applicable FERC regulations or ERCOT ISO rules.

(c) Unless otherwise agreed, the arbitrator(s) shall render a decision within ninety (90) days of appointment and shall notify the Parties in writing of such decision and the reasons therefor. The arbitrator(s) shall be authorized only to interpret and apply the provisions of this Agreement and shall have no power to modify or change this Agreement in any manner. Subject to clause (e) below: (i) the decision of the arbitrator(s) shall be final and binding upon the Parties, and judgment on the award may be entered in any court having jurisdiction, and (ii) the decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act and/or the Administrative Dispute Resolution Act. The final decision of the arbitrator(s) must also be filed with the FERC if it affects jurisdictional rates, terms and conditions of service or facilities.

(d) Each Party shall be responsible for its own costs incurred during the arbitration process and for the following costs, if applicable:

- (i) the cost of the arbitrator chosen by the Party to sit on the three-member panel and half of the cost of the third arbitrator chosen; or
- (ii) one half the cost of the single arbitrator jointly chosen by the Parties.

(e) Nothing in this section shall restrict the rights of either Party to file a complaint with the PUCT under relevant provisions of the Public Utility Regulatory Act of 1999, or its successors, or with the FERC under relevant provisions of the Federal Power Act. This provision should not, however, be construed as a waiver of either party's right to contest the jurisdiction of either the PUCT or the FERC to consider such a complaint.

#### 8.18 Indemnification and Liability

(a) CUSTOMER HEREBY AGREES TO INDEMNIFY AND HOLD HARMLESS COMPANY, ITS DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, AND

REPRESENTATIVES, AGAINST AND FROM ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION, LOSSES AND LIABILITIES (INCLUDING ANY COST AND EXPENSE OF LITIGATION AND REASONABLE ATTORNEYS FEES INCURRED BY COMPANY IN DEFENDING ANY ACTION, SUIT OR PROCEEDING, PROVIDED THAT COMPANY AFFORDED CUSTOMER A REASONABLE OPPORTUNITY IN SUCH ACTION, SUIT OR PROCEEDING TO CONDUCT COMPANY'S DEFENSE AND TO APPROVE ANY SETTLEMENT AGREEMENTS) FOR OR ON ACCOUNT OF INJURY, BODILY OR OTHERWISE, TO, OR THE DEATH OF, PERSONS, OR FOR DAMAGE TO, OR DESTRUCTION OF, PROPERTY BELONGING TO COMPANY OR OTHERS, TO THE EXTENT THAT SUCH INJURY OR HARM IS CAUSED BY OR ARISES FROM (i) FACILITIES, PROPERTY AND EQUIPMENT OWNED OR CONTROLLED BY CUSTOMER, OR CUSTOMER'S OPERATION AND MAINTENANCE THEREOF; (ii) THE TRANSMISSION AND DELIVERY OF ELECTRICITY TO THE POINT OF INTERCONNECTION BY CUSTOMER; OR (iii) THE USE OR PRESENCE OF ELECTRICITY ON CUSTOMER'S SIDE OF THE POINT OF INTERCONNECTION OR OUTSIDE THE COMPANY CONTROL AREA (INSOFAR AS SUCH CLAIMS, DEMANDS, CAUSES OF ACTION, LOSSES AND LIABILITIES OUTSIDE THE COMPANY CONTROL AREA RESULT DIRECTLY OR INDIRECTLY FROM ELECTRICITY GENERATED BY CUSTOMER'S FACILITY) EXCEPT TO THE EXTENT THAT SUCH CLAIMS, DEMANDS, CAUSES OF ACTION, LOSSES AND LIABILITIES ARE ATTRIBUTABLE TO THE NEGLIGENCE OR FAULT OF COMPANY OR ITS DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, OR REPRESENTATIVES.

(b) COMPANY HEREBY AGREES TO INDEMNIFY AND HOLD HARMLESS CUSTOMER, ITS PARTNERS, AND THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, AND REPRESENTATIVES, AGAINST AND FROM ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION, LOSSES AND LIABILITIES (INCLUDING ANY COST AND EXPENSE OF LITIGATION AND REASONABLE ATTORNEYS FEES INCURRED BY CUSTOMER IN DEFENDING ANY ACTION, SUIT OR PROCEEDING, PROVIDED THAT CUSTOMER AFFORDED COMPANY A REASONABLE OPPORTUNITY IN SUCH ACTION, SUIT OR PROCEEDING TO CONDUCT CUSTOMER'S DEFENSE AND TO APPROVE ANY SETTLEMENT AGREEMENTS) FOR OR ON ACCOUNT OF INJURY, BODILY OR OTHERWISE, TO, OR THE DEATH OF, PERSONS, OR FOR DAMAGE TO, OR DESTRUCTION OF, PROPERTY BELONGING TO CUSTOMER OR OTHERS, TO THE EXTENT THAT SUCH INJURY OR HARM IS CAUSED BY OR ARISES FROM (i) FACILITIES, PROPERTY AND EQUIPMENT OWNED OR CONTROLLED BY COMPANY, OR COMPANY'S OPERATION AND MAINTENANCE THEREOF; OR (ii) THE USE OR PRESENCE OF ELECTRICITY ON COMPANY'S SIDE OF THE POINT OF INTERCONNECTION, EXCEPT TO THE EXTENT THAT SUCH CLAIMS, DEMANDS, CAUSES OF ACTION, LOSSES AND LIABILITIES ARE ATTRIBUTABLE TO THE NEGLIGENCE OR FAULT OF CUSTOMER OR ITS PARTNERS, OR THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, OR REPRESENTATIVES.

(c) IN NO EVENT SHALL EITHER PARTY, ITS PARENT CORPORATION, PARTNERS, SUBSIDIARIES OR AFFILIATES, WITH RESPECT TO ANY CLAIM ARISING OUT OF THIS AGREEMENT, WHETHER BASED ON CONTRACT, TORT (INCLUDING THE NEGLIGENCE OF SUCH PARTY, WHETHER SOLE OR JOINT AND CONCURRENT WITH THE NEGLIGENCE OF OTHER PARTY OR OTHERS, GROSS NEGLIGENCE, WILLFUL MISCONDUCT AND STRICT LIABILITY) OR OTHERWISE, BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, EXEMPLARY, OR CONSEQUENTIAL DAMAGES SUFFERED BY THE OTHER PARTY.

#### 8.19 Comparability

Company shall not require Customer to comply with standards and procedures in excess of those applied to Company's or its Affiliate's own interconnected generating facilities that are similarly situated.

#### 8.20 Waivers

The failure of either Party to insist in any one or more instance upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights under this Agreement shall not be construed as a general waiver of any such provision or the relinquishment of any such right, but the same shall continue and remain in full force and effect, except with respect to the particular instance or instances.

#### 8.21 Regulation

(a) This Agreement, and all obligations hereunder, are expressly conditioned upon the granting of any approval, authorization or acceptance for filing by the FERC as may be required by Applicable Laws and Regulations. The Company agrees to provide Customer with reports concerning the status of Company's regulatory approval process for this Agreement upon request by the Customer.

(b) This Agreement and all obligations hereunder are expressly made subject to the rules and regulations, as in effect from time to time, of any and all Governmental Authorities having jurisdiction.

#### 8.22 Choice of Laws

This Agreement shall be governed, by and construed and interpreted in accordance with the laws of the State of Texas, irrespective of the application of any conflict of laws provisions.

#### 8.23 Default

No default shall exist where such failure to discharge an obligation (other than the payment of money) is the result of Force Majeure as defined in this Agreement or the result of an act or omission of the other Party. Upon a default, the non-defaulting Party shall give written notice of such default to the defaulting Party. The defaulting Party shall have thirty (30) days from receipt of the default notice within which to cure such default; provided however, if such default is not capable of cure within thirty (30) days, the defaulting Party shall commence such cure within thirty (30) days after notice and continuously and diligently complete such cure within ninety (90) days from receipt of the default notice; and, if cured within such time, the default specified in such notice shall cease to exist. If a default is not cured within the period provided for in this Section, the non-defaulting Party shall have the right, at its option, to suspend its performance pursuant to this Agreement by written notice at any time until cure occurs or to terminate this Agreement by written notice at any time and be relieved of any further obligation hereunder, and, whether or not that Party suspends or terminates this Agreement, to recover from the defaulting Party all amounts due hereunder, plus all other damages and remedies to which it is entitled at law or in equity. Nothing herein shall prevent Company from suspending performance pursuant to this Agreement if Company determines that such suspension of service is necessary to avoid an imminent threat of property damage, or personal injury, to preserve the reliability of the transmission network and service to customers, or as otherwise permitted or required by applicable laws, rules and regulations.

#### 8.24 Order of Precedence

If the ERCOT Operating Guides conflict with the terms of this Agreement or the Interconnection Guidelines, the ERCOT Operating Guides shall control. If the ERCOT Operating Guides, Interconnection Guidelines or this Agreement conflict with the requirements of Governmental Authorities or other governing law, the requirements of Governmental Authorities or other governing law shall control.

The Parties have caused their duly authorized representatives to execute this Interconnection Agreement on their behalf, and intend to be legally bound hereby, as of the date first above written.

**SMALL HYDRO OF TEXAS, INC.**

**CENTRAL POWER AND LIGHT COMPANY**

**By:** /S/ Jimmy C. Parker

**By:** /S/ Richard P. Verret

**Name:** Jimmy C. Parker

**Name:** Richard P. Verret

**Title:** President

**Title:** Senior Vice President

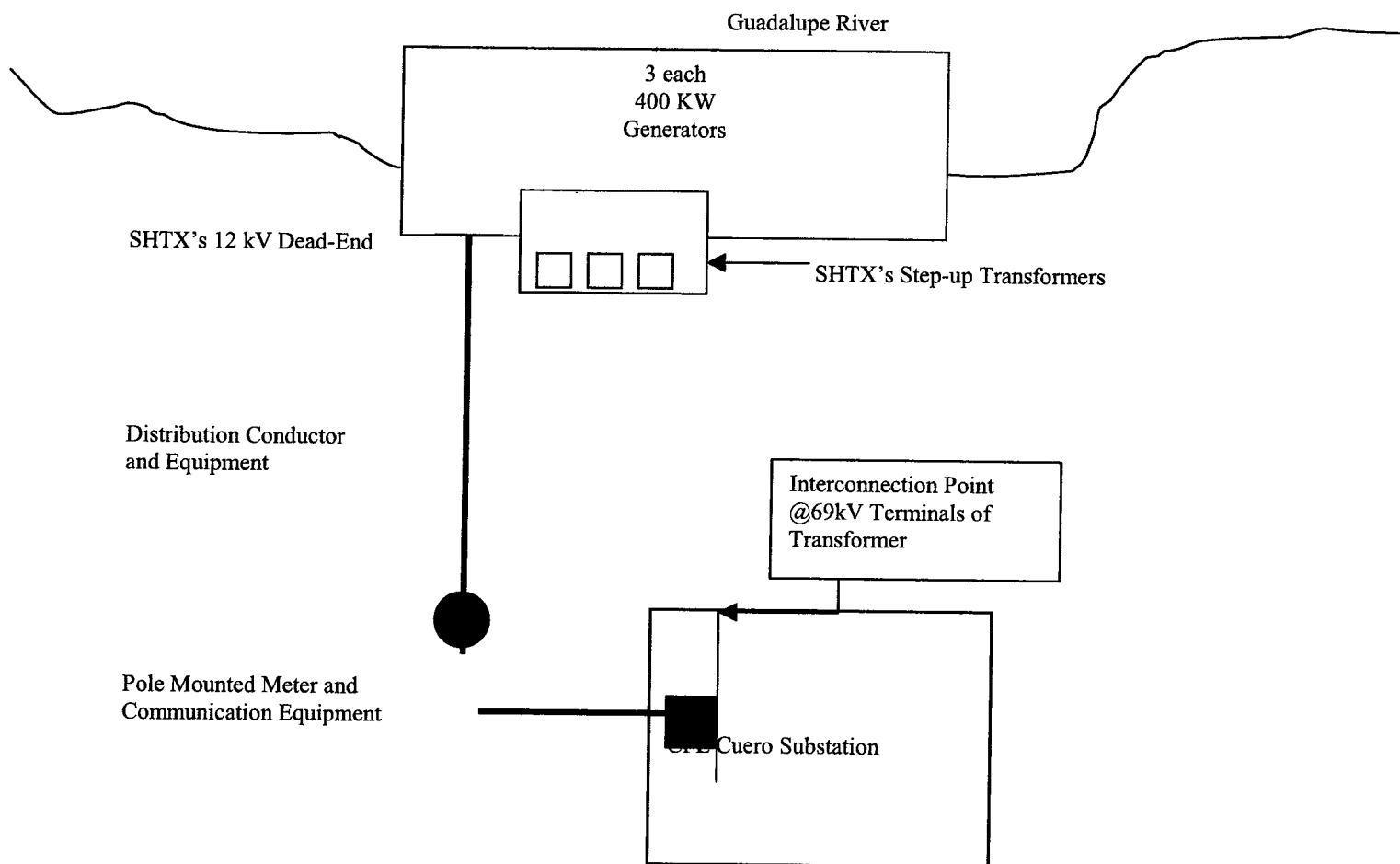
**Date:** 7/30/01

**Date:** 8/9/01

## EXHIBIT 1

1. **Name:** **Cuero Substation**
2. **Location:** At CPL's existing Cuero 69 kV Substation near the site of the Small Hydro of Texas (SHTX) generation facility located on the Guadalupe River approximately 2 miles northwest of Cuero on FM 766. The Point of Interconnection is at the high side terminals of the 12/69 kV generation step up transformer.
3. **Delivery Voltage:** 69 kV
4. **Metering** (voltage; loss adjustments, if any, due to metering location; other): 12 kV  
  
Loss adjustment provided for in letter agreement dated October 29, 1999 will be 1%.
5. **Normal Operation of Interconnection** (check one): Open ☐ Closed ☒
6. **Control Area Interchange Point** (check one): Yes ☐ No ☒
7. **One-Line Diagram Attached** (check one): Yes ☒ No ☐
8. **Description of Interconnection Facilities Provided by Company:**  
  
All facilities within the existing Cuero substation are owned by Company.  
  
Company rents to Customer under a separate facilities rental agreement certain facilities identified in item 9 below.
9. **Description of Interconnection Facilities Provided by Customer:**  
  
All existing facilities from the 12 kV deadend structure at the generator step-up transformers to the 12 kV bus within the Cuero Substation, including the 12 kV metering equipment, telephone line and 12/69 kV transformer, are being rented by Customer from Company under a separate facilities rental agreement and such equipment is considered Customer Interconnection Facilities for purposes of this Agreement.
10. **Cost Responsibilities of Each Party:**  
  
Each Party shall be responsible for the costs associated with the Interconnection Facilities it owns or rents as described above in items 8 and 9.

**11. Other Terms and Conditions:** By its execution of this agreement, Customer is not waiving any rights that it may have by virtue of the PUCT's Substantive Rule 25.211 relating to the interconnection of on-site distributed generation (DG). Nothing in this agreement shall deprive Customer of applicable regulatory protections provided DG units by the provisions of that rule.



CPL rents to SHTX equipment and apparatus beginning at SHTX's 12kV dead-end structure to the high-side of the 12/69 kV transformer.