

conform, as near as achievable, to the field voltage vs. time criteria specified in American National Standards Institute Standard C50.13-1989 in order to permit adequate field forcing during transient conditions. A power system stabilizer ("PSS") shall be installed on each new generating unit to be interconnected unless specifically exempted from this requirement by ERCOT. Generator shall determine the PSS settings to dampen local area modes with oscillations within the range of 0.2 Hz to 2 Hz. The PSS settings shall be tested and tuned for adequate damping during PSS commissioning. Final PSS settings shall be provided to ERCOT and TSP within thirty (30) days of commissioning. The PSS shall be kept in service and maintained in working order throughout the service life of the Plant. Wind farms are induction in nature and are exempt from the PSS requirement. Each generator's exciter and exciter controls shall have a ride-through capability for significant system voltage disturbances (i.e., utilize UPS or DC design). Generator shall maintain the AVR of each generating unit in service and operable at all times. If the AVR is removed from service for maintenance or repair, TSP shall be notified.

- x) Governor System – Plant governors shall be able to respond to interconnection frequency deviations and help return interconnection frequency to normal following an upset on the ERCOT transmission grid to assist in maintaining interconnection stability.
  - xi) Certain generators are susceptible to Sub-Synchronous Control Interaction ("SSCI") when interconnected within electrical proximity of series capacitor banks on the transmission system. At the discretion of the TSP, the Generator will provide studies and/or a black box PSCAD model of its control system, which analyze the potential of SSCI and demonstrate that SSCI with the transmission system does not occur with any two (2) elements of the transmission system out of service simultaneously. The TSP must be satisfied with the completeness and accuracy of the study prior to energization of the Point of Interconnection. TSP will work with Generator and their selected turbine-generator manufacturer on any system data required for such studies.
- g) Generator shall not energize a de-energized TIF circuit, unless under direction of TSP. The line switch will have dual locks to allow Generator and TSP to lock it for clearances.
- h) Generator shall maintain an operating log at each generating unit at the Plant that, at a minimum, will indicate changes in operating status (available or unavailable), maintenance outages, trip indications, or other unusual conditions found upon inspection. For generators that are "block-loaded" to a specific MW level, changes in this setting shall also be logged. TSP may waive this requirement at its discretion. Reliability

information, as required by ERCOT Requirements applicable to Generator, will be maintained by Generator.

i) TSP considers the energy and power that the Plant and GIF may from time to time consume from the transmission grid through the Point of Interconnection to be a retail transaction and as such, TSP does not intend to be the provider of this retail service. Generator shall make necessary arrangements with the appropriate retail supplier for the energy and power that the Plant and GIF may consume from the transmission grid through the Point of Interconnection.

j) Generator shall notify TSP in writing as to which initial ERCOT Qualified Scheduling Entity the Plant will be scheduling through and any changes made thereafter.

k) Upon written request from TSP, Generator shall supply notification to TSP identifying their retail service provider.

l) Generator shall use commercially reasonable efforts to change the GIF as may be reasonably required by TSP to meet future changes in the TSP System. Generator shall be given reasonable notice by TSP prior to the date that any such required change in the GIF must be made.

m) If this Agreement has been executed prior to ERCOT's approval of the completed Facilities Study, then upon the required ERCOT approval, TSP will establish a new schedule for completion of the TIF if necessary, and the In-service Date, Scheduled Trial Operation Date and Scheduled Commercial Operation Date shall be adjusted accordingly. TSP may, by written notice to Generator, require Generator to execute an amendment to this Agreement to reflect the effect of that Facilities Study and the ERCOT approval on the i) Time Schedule set forth in this Exhibit "B"; ii) the Interconnection Details set forth in Exhibit "C"; and/or iii) the Security Arrangement Details set forth in Exhibit "E". Generator's failure to execute such an amendment within thirty (30) days of receipt of written notice from TSP shall constitute a Default, and in that event, TSP shall have all the rights and remedies set forth in Section 10.6 of Exhibit "A" to this Agreement.

n) Each Party will comply with NERC reliability standards applicable to its facilities.

o) Notwithstanding the provision in Article 9 requiring that the Parties obtain and demonstrate maintenance of the insurances described therein as of the Execution Date, the Parties' obligations with respect to obtaining and demonstrating maintenance of the insurances described therein shall commence on the date that is five (5) working days prior to TSP's physical work at the Substation. The Parties agree that the first clause of Section 9.1(I) is hereby revised to provide that the Parties shall provide certification of insurance at least five (5) working days-prior to TSP's physical work at the Substation. TSP shall notify Generator of its expected date of commencement of physical work at the Substation thirty (30) days prior to such commencement; provided, however, failure of

TSP to provide such notice shall not relieve Generator of its obligations to meet the insurance.

p) The Parties acknowledge and agree that with respect to Section 4.1, the Parties have chosen "Option A", and therefore the provisions of Section 4.1(B), including subsections (i) through (v) inclusive, have no force or effect on this Agreement.

q) The Generator acknowledges that this Agreement is dependent on the Phase I Agreement in that (i) the establishment of the temporary Point of Interconnection under the Phase I Agreement is a prerequisite for the establishment of the Temporary Point of Interconnection under this Agreement, and (ii) construction of the permanent interconnection facilities (including security for costs) are primarily covered in the Phase I Agreement. Accordingly, if there is a delay in the completion of facilities, Generator acknowledges that there will be a corresponding delay in completion under this Agreement. Furthermore, if the Phase I Agreement is terminated at any time prior to completion of the Permanent Point of Interconnection, then this Agreement shall automatically terminate. In such event, TSP shall have no further obligations hereunder and Generator shall be responsible for costs as described in Section 2.2 of Exhibit "A" and any Security posted that exceeds such amount shall be returned to Generator as soon as practicable after TSP completes its final accounting for its work.

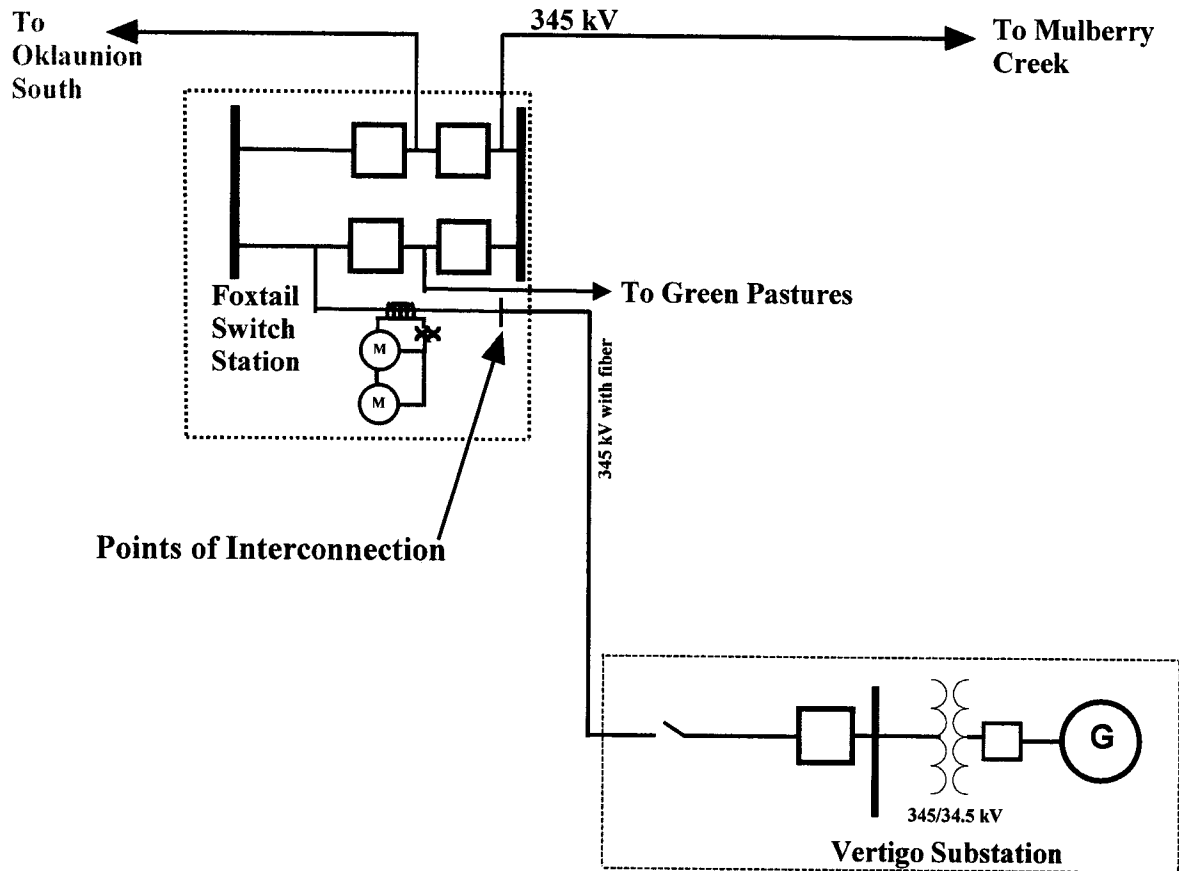
### **13. Special Operating Terms and Conditions:**

a) For thermal powered generation, Generator will provide TSP at least thirty (30) minutes prior notice before coming on-line or off-line so TSP can adjust reactive resources.

b) For wind powered generation greater than 50 MW, Generator shall notify TSP with at least thirty (30) minutes in advance anytime the reactive capability is expected to deviate by more than 10% from the reactive capability curves provided in accordance with Section 12 (f)(viii) above or any time Generator expects generation rate changes greater than 25 MW per minute.

## EXHIBIT "C-1"

Conceptual One-Line Drawing of Points of Interconnection (Permanent Facilities)

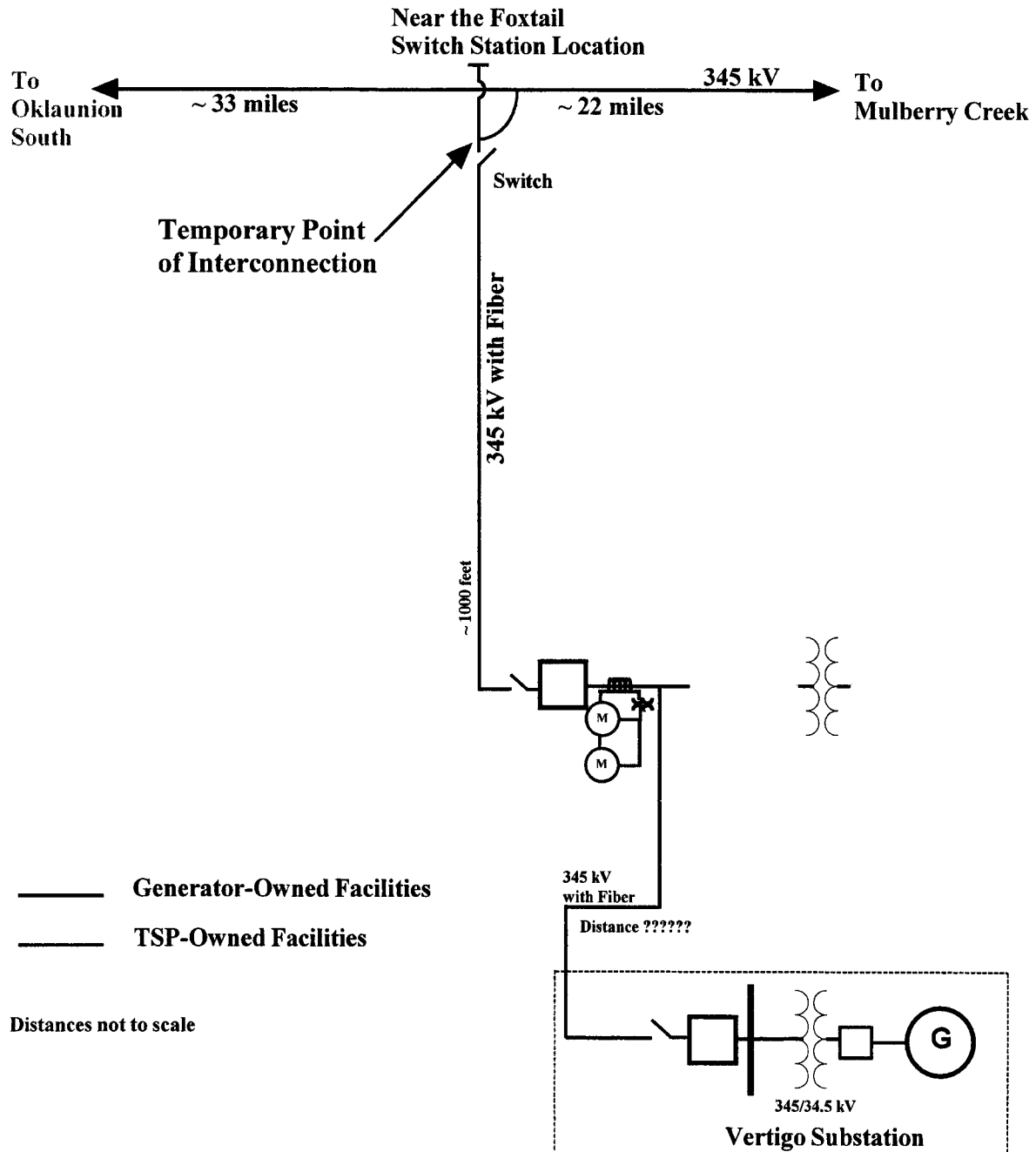


— Generator-Owned Facilities  
 — TSP-Owned Facilities

Distances not to scale

## EXHIBIT "C-2"

### Conceptual One-Line Drawing of Point of Interconnection (Temporary Facilities)



## EXHIBIT "D"

### NOTICE INFORMATION OF THE INTERCONNECTION AGREEMENT

(a) All notices of an operational nature shall be in writing and/or may be sent between the Parties via electronic means including facsimile as follows:

	If to Generator:	If to Transmission Service Provider:
Company Name:	Capital Dynamics	AEP Texas North Company c/o American Electric Power Service Corporation
Attn:	Kathryn Rasmussen	Manager, Transmission Dispatching
Address:	645 Madison Ave Fl 19	5502 Corporate Dr.
City, State, Zip:	New York, NY 10022	Corpus Christi, TX 78403
24 Hour Phone:	+1 650 380 4916	361-289-4003
E-mail:	SRyan@capdyn.com	dkkunkel@aep.com

(b) Notices of an administrative nature:

	If to Generator:	If to Transmission Service Provider:
Company Name:	Capital Dynamics	AEP Texas North Company c/o American Electric Power Service Corporation
Attn:	Kathryn Rasmussen	Director, Transmission & Interconnection Services
Address:	645 Madison Ave Fl 19	212 E. 6 <sup>th</sup> Street
City, State, Zip:	New York, NY 10022	Tulsa, OK 74119
Fax:	+1 212 798 3499	918-594-3579
Phone:	+1 650 380 4916	918-599-2723
E-mail:	SRyan@capdyn.com	rlpennybaker@aep.com
Copy:		
Company Name:		
Attn:		
Address:		
City, State, Zip:		
Fax:		
Phone:		
E-mail:	krasmussen@capdyn.com	

(c) Notice for statement and billing purposes:

	If to Generator:	If to Transmission Service Provider:
Company Name:	Capital Dynamics	AEP Texas North Company c/o American Electric Power Service Corporation
Attn:	Kathryn Rasmussen	Accounts Receivable
Address:	645 Madison Ave Fl 19	301 Cleveland Ave SW
City, State, Zip:	New York, NY, 10022	Canton, OH 44702

(d) Information concerning Electronic Funds Transfers:

	If to Generator:	If to Transmission Service Provider:
Bank Name:	Lloyds TSB Bank plc	Citibank, N. A.
Address:	125 Colmore Row, 2 <sup>nd</sup> Floor	399 Park Avenue
City, State:	Birmingham, B3 3SF	New York, NY 10043
ABA No.	LOYDGB21660	021000089
for credit to	Capital Dynamics Clean Energy and Infrastructure LP	AEP Texas North Company
Account No.	11741829	30484582

## **EXHIBIT "E"**

### **SECURITY ARRANGEMENT DETAILS**

1. As a condition to TSP's obligation to plan, license, engineer, design, procure equipment and materials, and construct the TIF described in Section 8 of Exhibit "C", Generator will provide a financial security ("Security") in the form of (a) one (1) or more letters of credit ("LC"), (b) corporate guaranty, (c) cash (in immediately available funds) to be held in an account of the TSP at a financial institution determined by TSP, or (d) another form of collateral security reasonably acceptable to TSP in an amount totaling Two Million Seven Hundred Fifty Thousand Dollars (\$2,750,000), as required pursuant to Section 8.3 of this Agreement. Such Security shall be provided within ten (10) business days after the Execution Date.

2. Depending upon the creditworthiness of the proposed guarantor, a corporate guaranty may or may not be acceptable Security. If Generator chooses to provide a corporate guaranty, it shall provide any financial reports requested by TSP upon execution of this Agreement. If the creditworthiness of the proposed guarantor is acceptable to TSP, the corporate guaranty shall be in a form similar to that shown in Exhibit "E-1" or, if in a form not similar to that shown in Exhibit "E-1" in a form acceptable to TSP. Generator shall provide annual audited financial statements of the guarantor for so long as the guaranty is in effect. In addition, Generator agrees to provide financial information concerning the guarantor as may be requested from time to time by TSP.

3. LC means one (1) or more irrevocable, transferable standby letters of credit issued by a U.S. commercial bank or a foreign bank with a U.S. branch that has a credit rating of at least A- from Standard and Poor's or an A3 credit rating from Moody's Investors Services. The LC will be maintained with a bank having such credit rating for the entire period that the LC is in effect. TSP reserves the right to request multiple LC providers, depending on the amount of security required. The LC shall be in a form substantially similar to that shown in Exhibit "E-2" or, if not in a form similar to that shown in Exhibit "E-2," in a form acceptable to TSP. Such LC shall state that it is issued in favor of TSP and specify as its expiry date the date that follows the Commercial Operation Date indicated in Exhibit "B" by one (1) year. Costs of the LC shall be borne by the Generator.

4. At any time Generator may replace any form of Security that it has provided to TSP ("Original Security") for another form of Security set forth in Section 1 of this Exhibit "E" ("Replacement Security"). Upon Generator providing such Replacement Security to TSP, if such Replacement Security is otherwise in conformance with the terms of this Agreement, the Original Security shall automatically be released and TSP hereby agrees to execute any documentation reasonably requested by Generator to release and terminate such Original Security.

5. TSP may by written notice to Generator require Generator to increase, replenish, or replace the Security from time to time i) if TSP determines in its reasonable discretion that the remaining Security is not adequate to cover the costs that TSP then reasonably estimates could



become payable pursuant to this Agreement, ii) in the case of a letter of credit, if at any time the bank issuing the letter of credit no longer meets the criteria set forth in Section 3 above, or iii) in the case of a guaranty, if at any time the creditworthiness of the guarantor is no longer reasonably acceptable to TSP. Generator will tender any such increase, replenishment, or replacement to TSP within thirty (30) days of such notice. No forbearance or delay on the part of TSP in requiring an increase, replenishment, or replacement of the Security will be a waiver of its right to do so.

**EXHIBIT "E-1"**  
**FORM OF CORPORATE GUARANTY**

**GUARANTY**

THIS GUARANTY is executed as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ between \_\_\_\_\_, a \_\_\_\_\_ (the "Guarantor"), and AEP Texas North Company, a Texas corporation (the "Counterparty").

**RECITAL**

[*Generator name*], a \_\_\_\_\_ (the "Company"), and the Counterparty have entered into an Interconnection Agreement, dated as of \_\_\_\_\_ (the "Agreement"). As an inducement to the Counterparty to enter into the Agreement and for other good and valuable consideration, the receipt, and sufficiency of which are hereby acknowledged, the Guarantor covenants and agrees as follows:

1. Guaranty of Payment. The Guarantor hereby irrevocably and unconditionally guarantees the due punctual and full payment of any and all obligations of the Company to the Counterparty now or hereafter due pursuant to the Agreement or pursuant to applicable laws and regulations in connection with the activities of the parties under the Agreement (the "Guaranteed Obligation"), subject to the limits set forth herein. Upon any failure by the Company to pay any of the Guaranteed Obligation, the Guarantor agrees that it will forthwith on demand pay any amounts which the Company has failed to pay the Counterparty, at the place and in the manner specified in the Agreement. This guaranty is a guaranty of payment and not merely a guaranty of collection. The Guarantor agrees that the Counterparty may resort to the Guarantor for payment of any of the Guaranteed Obligation, whether or not the Counterparty shall have resorted to any collateral security, or shall have proceeded against any other obligor principally or secondarily obligated with respect to any of the Guaranteed Obligation. Guarantor reserves the right to assert defenses, which the Company may have to payment of any Guaranteed Obligation other than defenses based on lack of capacity, lack of authorization, lack of due execution, illegality, or limitations of actions, or arising from the bankruptcy, insolvency, or similar proceeding of the Company and other defenses expressly waived hereby.

The Guarantor agrees that, in the event of the dissolution or bankruptcy of the Company, if such event shall occur at a time when any of the Guaranteed Obligation may not then be due and payable, the Guarantor will pay the Counterparty forthwith the full amount which would be payable hereunder by the Guarantor if all such Guaranteed Obligations were then due and payable and in default.

2. Guaranty Unconditional and Absolute. The obligations of the Guarantor hereunder shall be unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

(A) any extension, renewal, settlement, compromise, waiver, discharge, or release in respect of any Guaranteed Obligation of the Company;

(B) the existence, or extent of, any release, exchange, surrender, non-perfection, or invalidity of any direct or indirect security for any of the Guaranteed Obligation;

(C) any modification, amendment, waiver, extension of or supplement to the Agreement or any of the Guaranteed Obligation agreed to from time to time by the Company and the Counterparty;

(D) any change in the corporate existence (including its constitution, laws, rules, regulations or powers), structure or ownership of the Company or the Guarantor, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Company or its assets, the Guarantor or any other guarantor of any of the Guaranteed Obligation;

(E) the existence of any claim, set-off or other rights which the Guarantor may have at any time against the Company, the Counterparty or any other corporation or person, whether in connection herewith or in connection with any related or unrelated transaction; provided that nothing herein shall prevent the assertion of any such claim by separate suit or compulsory counterclaim if such claim, set off or other right arose in connection with the Guaranteed Obligation.

3. Term: Reinstatement in Certain Circumstances. This Guaranty shall remain in full force and effect until the date on which the Company is entitled by the Agreement to a release of its Security provided thereunder. Such termination shall not release Guarantor from liability for any Guaranteed Obligation arising prior to the effective date of such termination (even if the amount of such Guaranteed Obligation is not then fully determined). If at any time any payment of any of the Guaranteed Obligation is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy, or reorganization of the Company, the Guarantor's obligations hereunder with respect to such payment shall be reinstated at such time as though such payment had not been made.

4. Waivers by the Guarantor. The Guarantor irrevocably waives acceptance hereof, diligence, presentment, demand, protest, notice of dishonor, notice of any sale of collateral and any notice not provided for herein, and any requirement that at any time any person exhaust any right to take any action against the Company or its assets or any other guarantor or person. Without limitation of the foregoing, Guarantor expressly waives and agrees to waive its rights under Chapter 43 of the Texas Civil Practice and Remedies Code and releases and agrees to release the Counterparty from its obligations thereunder.

5. Subrogation. Upon making any payment hereunder, the Guarantor shall be subrogated to the rights of the Counterparty against the Company with respect to such payment; provided that the Guarantor shall not enforce any right or receive any payment by way of subrogation until all of the Guaranteed Obligation then due shall have been paid in full and Counterparty agrees to take at Guarantor's expense such steps as the Guarantor may reasonably request to implement such subrogation.

6. Stay of Acceleration Ineffective with Respect to Guarantor. In the event that acceleration of the time for payment of any amount payable by the Company under the Agreement is stayed upon the insolvency, bankruptcy or reorganization of the Company, all such amounts otherwise subject to acceleration or required to be paid upon an early termination pursuant to the terms of the Agreement shall nonetheless be payable by the Guarantor hereunder forthwith on demand by the Counterparty.

7. Assignment: Successors and Assigns. The Guaranty shall be binding upon and inure to the benefit of the Guarantor and its successors and assigns and the Counterparty and its successors and assigns. Guarantor may not assign its rights and obligations hereunder without the prior written consent of the Counterparty, and any such purported assignment without such written consent will be void.

8. Amendments and Waivers. No provision of this Guaranty may be amended, supplemented, or modified, nor any of the terms and conditions hereof waived, except by a written instrument executed by the Guarantor and the Counterparty.

9. Remedies Cumulative. The rights, powers, remedies, and privileges provided in this Guaranty are cumulative and not exclusive of any rights, powers, remedies, and privileges provided by law and any other agreement.

10. Limitation. Notwithstanding anything in this Guaranty to the contrary, Guarantor's liability under this Guaranty and the Counterparty's right of recovery under the same shall be limited to an aggregate amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_). In no event shall Guarantor be subject hereunder to consequential, exemplary, equitable, loss of profits, punitive, or any other damages, except to the extent specifically provided in the Agreement to be due from Company. In the event Counterparty engages in litigation to enforce this Guaranty, Guarantor agrees to pay, in addition to any amounts of Debtor, which Guarantor has otherwise guaranteed to pay hereunder, any and all costs and expenses incurred by Counterparty (including reasonable attorney's fees) in enforcing this Guaranty provided Counterparty is successful in such litigation.

11. Representations and Warranties.

(A) The Guarantor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has full corporate power to execute, deliver and perform this Guaranty.

(B) The execution, delivery, and performance of the Guaranty have been and remain duly authorized by all necessary corporate action and do not contravene any provision of law or of the Guarantor's constitutional documents or any contractual restriction binding on the Guarantor or its assets.

(C) All consents, authorizations and approvals of, and registrations, and declarations with, any governmental authority necessary for the due execution, delivery and performance of this Guaranty have been obtained and remain in full force and effect and all

conditions thereof have been duly complied with, and no other action by and no notice to or filing with, any governmental authority is required in connection with the execution, delivery, or performance of this Guaranty.

(D) This Guaranty constitutes the legal, valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles.

12. Notices. All notices or communications to the other party may be faxed and shall be followed in writing by registered or certified mail, or overnight delivery service to:

**To Guarantor:**

\_\_\_\_\_  
Attn: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Fax: ( )

**To Counterparty:**

AEP Texas North Company  
c/o American Electric Power Service Corporation  
Attn: Managing Director, Credit Risk Management  
155 West Nationwide Blvd, Suite 500  
Columbus, OH 43215  
Fax: (614) 324-4591

or such other address as each party shall from time to time specify.

13. GOVERNING LAW AND JURISDICTION. THIS GUARANTY WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO CHOICE OF LAW DOCTRINE.

14. Third Party Beneficiaries. This Guaranty shall not be construed to create any third party beneficiary relationship as to or with any person or entity other than the Counterparty.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be duly executed as of the date first above written.

(\_\_\_\_\_)

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

**EXHIBIT "E-2"**  
**FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT**

DATE OF ISSUANCE: \_\_\_\_\_

[Address]

RE: Credit No. \_\_\_\_\_

We hereby establish our Irrevocable Standby Letter of Credit in your favor for the account of \_\_\_\_\_ (the "Account Party"), for the aggregate amount not exceeding \_\_\_\_\_ United States Dollars (\$ \_\_\_\_\_), available to you for payment at sight upon demand at our counters at [Location] on or before the expiration hereof against presentation to us of the following document, dated and signed by a representative of the beneficiary:

"The Account Party has become obligated to pay to the Beneficiary or its assigns an amount equal to or exceeding [\$ \_\_\_\_\_] USD. Wherefore, the undersigned does hereby demand payment of such dollar amount."

Partial and multiple drawings are permitted hereunder.

We hereby agree with you that documents drawn under and in compliance with the terms of this Letter of Credit shall be duly honored upon presentation as specified.

This Letter of Credit shall be governed by the Uniform Customs and Practice for Documentary Credits, 2007 Revision, International Chamber of Commerce Publication No. 600 (the "UCP"), except to the extent that the terms hereof are inconsistent with the provisions of the UCP, including but not limited to Articles 14(b) and 36 of the UCP, in which case the terms of this Letter of Credit shall govern. With respect to Article 14(b) of the UCP, the Issuing Bank shall have a reasonable amount of time, not to exceed three (3) banking days following the date of its receipt of documents from the Beneficiary, to examine the documents and determine whether to take up or refuse the documents and to inform the Beneficiary thereof accordingly.

In the event of an Act of God, riot, civil commotion, insurrection, war or any other cause beyond our control that interrupts our business (collectively, an "Interruption Event") and causes the place for presentation of this Letter of Credit to be closed for business on the last day for presentation, the expiry date of this Letter of Credit will be automatically extended without amendment to a date thirty (30) calendar days after the place for presentation reopens for business.

It is a condition of this Letter of Credit that it will be automatically extended without amendment for one (1) year from the expiration date hereof, or any future expiration date, unless at least ninety (90) days prior to any expiration date we notify you at the above address by registered mail or hand delivered courier that we elect not to consider this Letter of Credit renewed for any such period.

All commissions, expenses, and charges incurred with this Letter of Credit are for the account of the Account Party.

{Note: Must note the Expiry Date in the format}

[BANK SIGNATURE]