

- iv) Harmonics, Telephone Interference, and Carrier Interference - The Plant and GIF shall not introduce excessive distortion of the TSP System waveforms; voltage and current; telephone interference; or carrier interference at the Point of Interconnection. IEEE Standard 519 shall be used as a guide.
- v) Fault and Line Clearing - The Plant and GIF shall be disconnected from the TSP System on occurrence of an outage or fault on the TIF serving the Plant radially. Generator is responsible for the electrical stability of its Plant and providing adequate facilities so that critical fault clearing times are met.
- vi) All generation resources (including self-serve generating units) that have a gross generating unit rating greater than twenty (20) MVA or those units connected at the same Point of Interconnection that have gross generating unit ratings aggregating to greater than twenty (20) MVA, that supply power to the ERCOT transmission grid, shall provide Voltage Support Service (VSS).
- vii) Reactive Power Requirements – Generation resources must be capable of producing a defined quantity of reactive power to maintain a Voltage Profile established by ERCOT Nodal Protocol 3.15. The generator voltage-var schedule, voltage regulator, and transformer ratio settings will be jointly determined by TSP and Generator to ensure proper coordination of voltages and regulator action. The Plant must generate reactive requirements for the Plant and GIF. TSP may, in order to maintain security of the ERCOT power system, request Generator to adjust voltage schedule to accept or supply reactive power.
 - 1. Synchronous Generators shall comply with the following reactive power requirements: an over-excited (lagging) power factor capability of ninety-five hundredths (0.95) or less and an under-excited (leading) power factor capability of ninety-five hundredths (0.95) or less, both determined at the generating unit's maximum net power to be supplied to the ERCOT transmission grid and at the transmission system Voltage Profile established by ERCOT, and both measured at the Point of Interconnection. The reactive power requirements shall be available at all MW output levels.
 - 2. Induction Generators shall comply with the following reactive power requirements: an over-excited (lagging) power factor capability of ninety-five hundredths (0.95) or less and an under-excited (leading) power factor capability of ninety-five hundredths (0.95) or less, both determined at the generating unit's maximum net power to be supplied to the ERCOT transmission grid and at the transmission system Voltage Profile established by ERCOT,

and both measured at the Point of Interconnection. The reactive power requirements shall be available at all MW output levels and may be met through a combination of the Generation Resource's Unit Reactive Limit ("URL"), which is the generating unit's dynamic leading and lagging operating capability, and/or dynamic VAR capable devices. For Wind Generation Resources ("WGR"), the reactive power requirements shall be available at all MW output levels at or above ten percent (10%) of the WGR's nameplate capacity. When a WGR is operating below ten percent (10%) of its nameplate capacity and is unable to support voltage at the Point of Interconnection, ERCOT may require a WGR to disconnect from the ERCOT transmission grid.

3. Other Generators shall comply with the following reactive power requirements: an over-excited (lagging) power factor capability of ninety-five hundredths (0.95) or less and an under-excited (leading) power factor capability of ninety-five hundredths (0.95) or less, both determined at the generating unit's maximum net power to be supplied to the ERCOT transmission grid and at the transmission system Voltage Profile established by ERCOT, and both measured at the Point of Interconnection. The reactive power requirements shall be available at all MW output levels and may be met through a combination of the Generation Resource's URL, which is the generating unit's dynamic leading and lagging operating capability, and/or dynamic VAR capable devices. For Intermittent Renewable Resources ("IRR"), the reactive power requirements shall be available at all MW output levels at or above ten percent (10%) of the IRR's nameplate capacity. When an IRR is operating below ten percent (10%) of its nameplate capacity and is unable to support voltage at the Point of Interconnection, ERCOT may require an IRR to disconnect from the ERCOT transmission grid.
- viii) The dynamic MVAR capability at the current MW generation amount shall be provided in real time. If this dynamic MVAR capability is not available in real time, a dynamic capability curve plotted as a function of MW output shall be provided. The shunt static reactive available, but not in service, shall be provided in sufficient detail to determine the amount of dynamic and static reactive reserve available.
 - ix) Excitation System and Automatic Voltage Regulation – A Plant excitation system response ratio shall not be less than 0.5 (five-tenths). It shall 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. The PSS requirement is not applicable to asynchronous resources including photovoltaic solar and wind generation facilities. 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 Oscillation (“SSO”) 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 a black box PSCAD model of its control system, which analyze the potential of SSO and demonstrate that SSO 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.

12.7. 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.

12.8. 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, will be maintained by Generator.

12.9. 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.

12.10. 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.

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

12.12. 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.

12.13. If this Agreement has been executed prior to ERCOT's approval of the completed Full Interconnection 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 Full Interconnection 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.

12.14. Each Party will comply with NERC Reliability Standards applicable to its facilities identified in this Exhibit "C". Each Party shall provide to the other Party all information related to its interconnection facilities that may reasonably be required by the other Party to comply with NERC Reliability Standards applicable to its interconnection facilities, if any. "NERC Reliability Standards" means the mandatory electric reliability standards established and enforced by the North American Electric Reliability Corporation or its successor electric reliability organization.

12.15. The following supplemental terms and conditions are intended to define the real estate requirements set forth in Sections 4.3 and 6.3 of this Agreement. Unless TSP will utilize existing TSP real estate interests or unless TSP notifies Generator in writing that it will be acquiring the real estate interests, the following supplemental terms and conditions shall be applicable if TSP is constructing a new transmission station to interconnect Generator's Plant, or if TSP is constructing a new TSP transmission line to connect Generator's Plant with TSP's transmission facilities:

- i) Generator shall purchase the real estate and transfer to TSP the acreage designated for the Station development, at no cost to TSP, in fee. Once Generator obtains title to the property, it will execute TSP's standard

Option Contract, providing TSP at least two (2) months to conduct its due diligence. The due diligence period will begin after: 1) the Option Contract is fully executed; and 2) TSP has received project approval from its Board of Directors. To expedite the title search, Generator will provide TSP with the original owner's and Generator's vesting deeds, the title policy insuring Generator's purchase, and any exception documents enumerated on that policy. Generator will provide TSP with the most current American Land Title Association ("ALTA") survey of the property. TSP will conduct its own environmental analysis, and purchase an updated ALTA survey with all current title exceptions and easements documented. TSP will purchase, at its option, an updated title search and policy, for fair market value, with all standard exceptions and arbitration provisions removed. Generator will transfer the property designated for the Station site from Generator to TSP, using TSP's standard General Warranty Deed. TSP will bear the cost of drafting the Option Contract and General Warranty Deed. The Parties agree that no changes will be made from the standard Option Contract or General Warranty Deed, except those approved in writing by TSP, as deemed appropriate by TSP.

- ii) If the Station site does not abut a public roadway, Generator will provide TSP with legal access to the premises. Access will be either in fee, or in a perpetual easement for ingress/egress, or series of such easements, at TSP's discretion, which must include specific rights to build and maintain a roadway. The width necessary for access may vary, depending upon the terrain, but must be twenty-five (25) feet wide, at a minimum, to accommodate vehicle access for maintenance and future upgrades. If the site access is purchased in fee, the appropriate provision for that additional land will be included in TSP's standard Option Contract. If a perpetual easement is acceptable to TSP, Generator will utilize TSP's standard Access Easement. TSP will bear the cost of drafting the Option Contract or Access Easement(s). The Parties agree that no changes will be made from the standard Access Easement, except those approved in writing by TSP, as deemed appropriate by TSP.
- iii) Generator will grant easements and rights-of-way upon and across the lands owned by Generator for the lines which will connect Generator's facilities with TSP's transmission facilities, or will purchase such easements and rights-of-way across lands owned by third parties. If applicable, Generator will be responsible for obtaining all appropriate easements and rights-of-way for connection of TSP's Station facilities with the power transmission lines in the area. Generator shall pay the cost of acquiring all easements which are deemed necessary by TSP, including the cost of all title examinations and surveys as TSP may deem reasonably necessary. Generator will utilize TSP's standard Easement and Right of Way Agreement for these transfers. TSP will bear the cost of drafting the Easement and Right of Way Agreement(s). The Parties agree that no

changes will be made from the standard Easement and Right of Way Agreement, except those approved in writing by TSP, as deemed appropriate by TSP.

12.16. Generator shall construct the GIF in accordance with TSP's "Requirements for Connection of New Facilities or Changes to Existing Facilities Connected to the AEP Transmission System" (or its successor) in effect at the time Generator provides authorization to commence construction per Exhibit "B" above. If Generator modifies the GIF, Generator shall comply with TSP's "Requirements for Connection of New Facilities or Changes to Existing Facilities Connected to the AEP Transmission System" (or its successor) in effect at the time of such modifications. Where the "Requirements for Connection of New Facilities or Changes to Existing Facilities Connected to the AEP Transmission System" are in conflict with this Agreement, this Agreement shall prevail.

12.17. Generator shall provide information in accordance with TSP's "Data and Modeling Requirements for Conventional Resource Entities" or "Data and Modeling Requirements for Solar and Wind Resource Entities" as applicable (or its successor) in effect at the time Generator provides authorization to commence construction per Exhibit "B" above. If Generator modifies the GIF, Generator shall provide TSP the modified GIF information in accordance with TSP's "Data and Modeling Requirements for Conventional Resource Entities" or "Data and Modeling Requirements for Solar and Wind Resource Entities" as applicable (or its successor).

13. Special Operating Terms and Conditions:

13.1. 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.

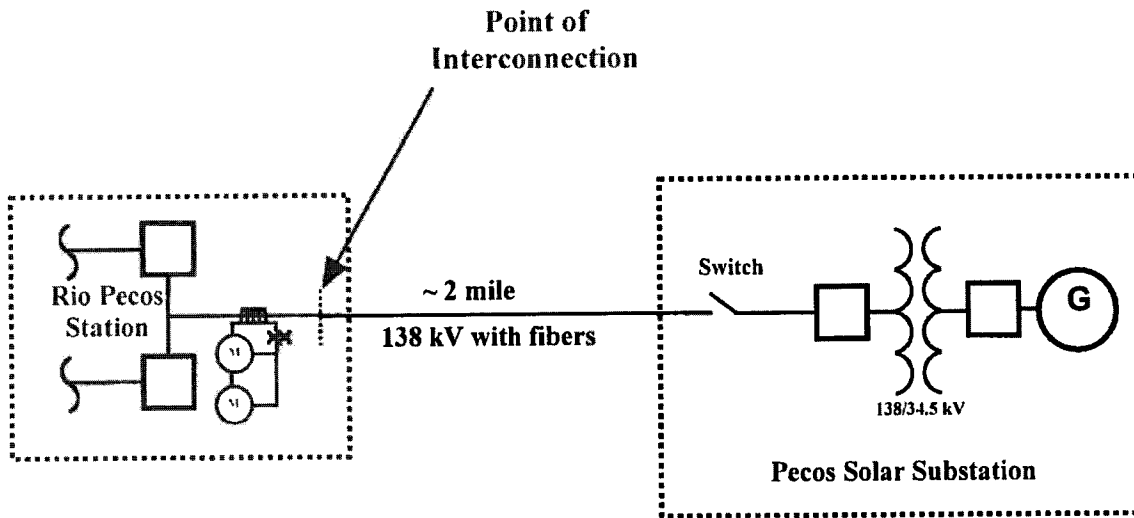
13.2. For wind powered generation greater than 50 MW, Generator shall notify TSP at least thirty (30) minutes in advance anytime the reactive capability is expected to deviate by more than 10% from the reactive capability curves provided in accordance with Section 12.6(viii) above or any time Generator expects generation rate changes greater than 20% per minute of the Plant's nameplate MW rating.

13.3. For solar powered generation greater than 10 MW, Generator shall notify TSP 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 12.6(viii) above; TSP will coordinate the deviation in entire-site reactive disconnections of fifteen (15) minutes between solar farms in the same area, if any, for daily planned disconnections.

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EXHIBIT "C-1"

Conceptual One-Line Drawing of Point of Interconnection



— Generator-Owned Facilities

— TSP-Owned Facilities

Distances not to scale

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: | Duke Energy Renewables Solar, LLC | AEP Texas North Company c/o American Electric Power Service Corporation |
| Attn: | Michael Butler | Manager, Transmission Dispatching |
| Address: | 550 South Caldwell Street, Mail Drop NAS06 | 5502 Corporate Dr. |
| City, State, Zip: | Charlotte, NC 28202 | Corpus Christi, TX 78403 |
| 24 Hour Phone: | 513-233-1501 | 361-289-4003 |
| E-mail: | michael.butler@duke-energy.com | dkkunkel@aep.com |

(b) Notices of an administrative nature:

| | If to Generator: | If to Transmission Service Provider: |
|-------------------|--|--|
| Company Name: | Duke Energy Renewables Solar, LLC | AEP Texas North Company c/o American Electric Power Service Corporation |
| Attn: | Graham Furlong | Director, System Interconnections Services |
| Address: | 550 South Caldwell Street, Mail Drop NAS06 | 212 E. 6th Street |
| City, State, Zip: | Charlotte, NC 28202 | Tulsa, OK 74119 |
| Fax: | | 918-599-3003 |
| Phone: | 704-382-1911 | 918-599-2723 |
| E-mail: | graham.furlong@duke-energy.com AND interconnect@duke-energy.com | rlpennybaker@aep.com |
| Copy: | | |
| Company Name: | Duke Energy Renewables Solar, LLC | |
| Attn: | George Dwight | |
| Address: | 139 East Fourth Street, Mail Code 1212-Main | |
| City, State, Zip: | Cincinnati, OH 45202 | |

| | | |
|---------|-------------------------------|--|
| Fax: | 513-287-4386 | |
| Phone: | 513-287-4327 | |
| E-mail: | george.dwight@duke-energy.com | |

(c) Notice for statement and billing purposes:

| | | |
|-------------------|---|--|
| | If to Generator: | If to Transmission Service Provider: |
| | | |
| Company Name: | Duke Energy Renewables Solar, LLC | AEP Texas North Company c/o American Electric Power Service Corporation |
| Attn: | Cari Gongwer | Accounts Receivable |
| Address: | 139 East Fourth Street, Mail Code 300-Annex | 301 Cleveland Ave SW |
| City, State, Zip: | Cincinnati, OH 45202 | Canton, OH 44702 |

(d) Information concerning Electronic Funds Transfers:

| | | |
|---------------|--------------------------------|--------------------------------------|
| | If to Generator: | If to Transmission Service Provider: |
| | | |
| Bank Name: | PNC Bank | Citibank, N. A. |
| Address: | 201 East Fifth Street | 111 Wall Street |
| City, State: | Cincinnati, OH 45202 | New York, NY 10043 |
| ABA No. | 041000124 | 021000089 |
| for credit to | Pecos SolarPower I (15INR0059) | AEP Texas North Company |
| Account No. | 4000365227 | 30489599 |

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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 provided financial security ("Security") in the form of one (1) or more letters of credit ("LC"), corporate guaranty or other form of collateral security reasonably acceptable to TSP in an amount totaling Two Million Dollars (\$2,000,000), as required pursuant to Section 8.3 of this Agreement. Such Security was provided within ten (10) business days after receipt of written notice from TSP that TSP has executed the Original Agreement.

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. 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

Duke Energy Renewables Solar, LLC, a Delaware limited liability company (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 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 authority, lack of due execution, or arising from the bankruptcy, insolvency, or similar proceeding of the Company and other defenses expressly waived hereby.

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. Neither the Guarantor nor the Counterparty may assign its rights or obligations under this Guaranty without the prior written consent of the other, which consent may not be unreasonably withheld or delayed, except that:

(i) the Guarantor may make such an assignment without such consent if (a) in conjunction with the assignment by the Company of all of its rights and obligations under the Agreement and the assignee's long-term senior unsecured debt has an investment grade rating by Standard and Poor's ("S&P") or Moody's Investor Services, Inc. ("Moody's"), or if the assignee does not have a long-term senior unsecured debt rating, then the rating assigned to such entity as its Corporate Credit Rating by S&P or Issuer Rating by Moody's shall be investment grade; (b) the Company ceases to be a person or entity controlled by, controlling or under common control with the Guarantor and the assignee's long-term senior unsecured debt has an investment grade rating by S&P or Moody's, or if the assignee does not have a long-term senior unsecured debt rating, then the rating assigned to such entity as its Corporate Credit Rating by S&P or Issuer Rating by Moody's shall be investment grade; provided that in regard to any assignment contemplated under this subsection 7(i), Guarantor must provide written notice of any assignment, Guarantor's obligations hereunder must be expressly assumed in writing, in a form reasonably acceptable to the Counterparty; and Counterparty reserves the right to evaluate the current financial condition of any assignee and must acknowledge and accept such assignee before any assignment can take effect; provided further that such assumption shall be deemed to release the Guarantor from all of its obligations arising after the effective date of such assignment under this Guaranty automatically and without further action by the Guarantor or the Counterparty, and

(ii) the Counterparty may make such an assignment without such consent if in conjunction with any assignment of the Agreement by the Counterparty permitted under the Agreement.

(iii) any purported assignment in violation of this Section 7, shall be void and without effect.

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 (\$ _____). Guarantor's liability hereunder shall be and is specifically limited to payments expressly required to be made under the Agreement (even if such payments are deemed to be damages). 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 Company, 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. Waiver of Jury Trial. The Guarantor and the Beneficiary, through acceptance of this Guaranty, waive all rights to trial by jury in any action, proceeding or counterclaim arising or relating to this Guaranty

12. 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.

13. 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:

Duke Energy Corporation
Attn: Assistant Treasurer
550 South Tryon Street
Mail Code DEC40A
Charlotte, NC 28201
Fax: (980) 373-4723

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. Notice shall be deemed given (a) when received, as evidenced by signed receipt, if sent by hand delivery, overnight courier or registered mail or (b) when received, as evidenced by transmission confirmation report, if sent by facsimile and received on or before 4 pm local time of recipient, or (c) the next business day, as evidenced by transmission confirmation report, if sent by facsimile and received after 4 pm local time of recipient.

14. 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.

15. 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.

16. Entire Agreement; Amendments. This Guaranty integrates all of the terms and conditions mentioned herein or incidental hereto and supersedes all oral negotiations and prior writings in respect to the subject matter hereof. This Guaranty may only be amended or modified by an instrument in writing signed by each of the Guarantor and the Beneficiary.

17. Headings. The headings of the various Sections of this Guaranty are for convenience of reference only and shall not modify, define or limit any of the terms or provisions hereof.

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

(_____)

By: _____

Name:

Title:

Date:

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]