

- 4) switch contact shall be referenced to the switch development if development is shown on a separate drawing.
  - 5) switch developments and escutcheons where the majority of contacts are used where contacts of a switch are used on a separate drawing, that drawing should be referenced adjacent to the contacts in the switch development. Any contacts not used should be referenced as spare.
  - 6) all switch contacts are to be shown open with each labeled to indicate the positions in which the contact will be closed with explanatory notes defining switch coordination and adjustment where mis-adjustment could result in equipment failure or safety hazard
  - 7) auxiliary relay contacts shall be referenced to the coil location drawing if coil is shown on a separate drawing where all contacts of auxiliary relays should be shown and the appropriate drawing referenced adjacent to the respective contacts
  - 8) device auxiliary switches (circuit breakers, contactor) should be referenced to the drawing where they are used.
  - 9) any interlocks electromechanical, key, etc., associated with the generation or interconnection substation.
  - 10) ranges of all timers and setting if dictated by control logic
  - 11) all target ratings; on dual ratings note the appropriate target tap setting
  - 12) complete internal for electromechanical protective relays where microprocessor type relays may be shown as a "black box", but manufacturer's instruction book number shall be referenced and terminal connections shown
  - 13) isolation points (states links, PK-2 and FT-1 blocks), etc., including terminal identification
  - 14) all circuit elements and components, with device designation, rating and setting where applicable and where coil voltage is shown only if different from nominal control voltage
  - 15) size, type, rating and designation of all fuses
  - 16) phase sequence designation as ABC or CBA
  - 17) potential transformers – nameplate ratio, polarity marks, rating, primary and secondary connections
  - 18) current transformers (including aux. CT's) – polarity marks, rating, tap ratio and connection
- e) Generator may not commence parallel operation of the Plant until consent has been given by TSP, which consent shall not be unreasonably withheld. TSP reserves the right to inspect the GIF and witness testing of any equipment or devices associated with the Point of Interconnection.
- f) The Plant and GIF shall not cause objectionable interference with the electric

service provided to other customers by TSP nor jeopardize the security of the ERCOT power system. In order to minimize objectionable interference of the Plant and GIF, the Plant and GIF shall meet the following criteria:

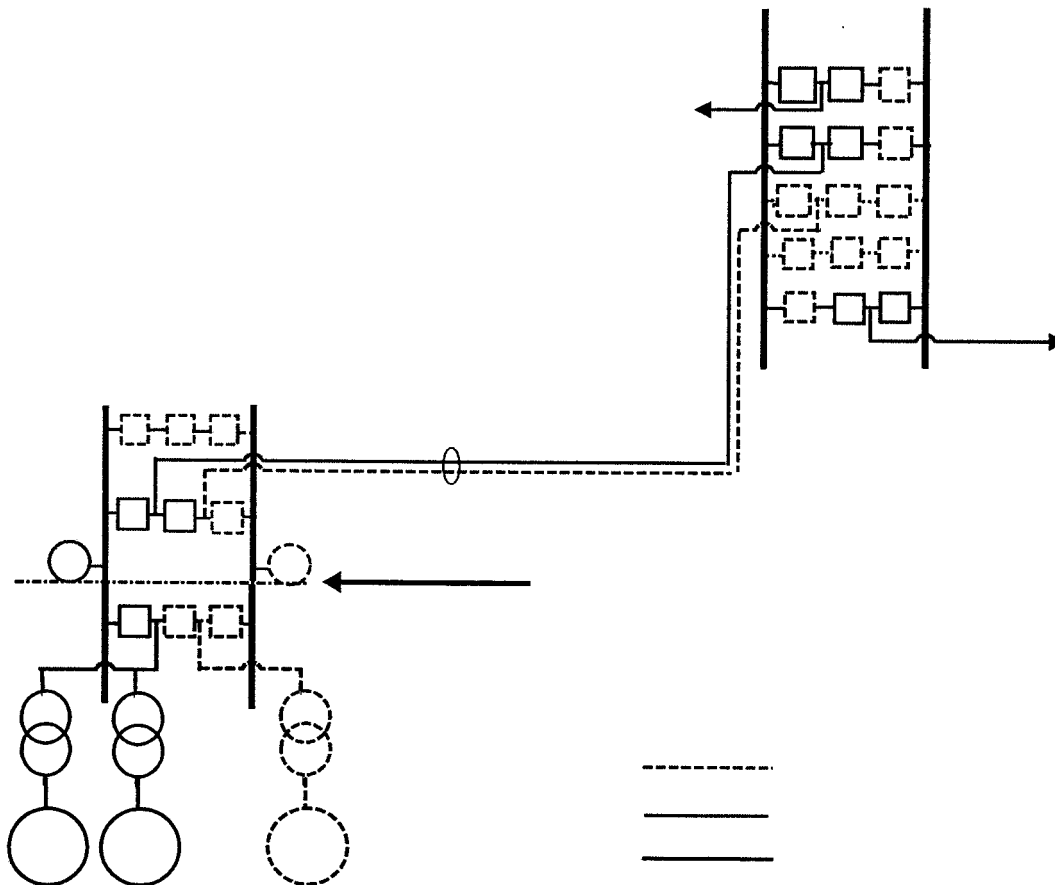
- i) Voltage - The Plant and GIF shall not cause excessive voltage excursions. Generator shall operate its Plant and GIF in such manner that the voltage levels on the TSP System are in the same range as if the Plant and GIF were not connected to the TSP System. Generator shall provide an automatic method of disconnecting its Plant and GIF from the TIF to protect against excessive voltage excursions.
  - ii) Flicker - The Plant and GIF shall not cause excessive voltage flicker on the TSP System. Flicker is to be measured at the Point of Interconnection and shall not exceed 1.5% or the Borderline of Visibility Curve Voltage Flicker Chart of ANSI/IEEE Standard 141-1993, whichever is less.
  - iii) Frequency - The operating frequency of the Plant shall not deviate from the frequency of the TSP System. Plant under frequency relays shall be set the same as TSP's under frequency relays, so that the Plant will not separate from the TSP System during under frequency conditions until all of TSP's under frequency load shedding equipment has operated.
  - 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) Power Factor - The power factor of synchronous generators will be at least 0.85 lag and 0.95 lead. 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 accept or supply reactive power. The power factor of induction generators of renewable resources will be limited by the design of the generator and the quantity of reactive power that the Plant will be required to supply will be limited to that which it can produce at its rated capability using procedures and criteria as described by ERCOT Requirements. Current ERCOT Requirements require induction generators shall operate at least 0.95 lag and 0.95 lead at the Point of Interconnection.
- g) Generator shall not energize a de-energized TIF circuit, unless under direction of TSP.

- 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, will be maintained by Generator.
- i) The 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, the 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) Upon written request from TSP, Generator shall notify the TSP in writing as to which ERCOT Qualified Scheduling Entity the Plant will be scheduling through.
- k) Upon written request from TSP, Generator shall supply notification to the TSP identifying their retail service provider.
- l) Upon written request from either Party, the other Party shall provide the requesting Party any necessary land easements required for the construction, operation and maintenance of the Plant, TIF or GIF at no cost to the requesting Party.
- m) Generator shall use 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.
- n) At Generator's request this Agreement was executed without analyses to determine any possible adverse affects of the interaction of the Plant's converter controls and series compensated transmission lines. TSP will be performing initial sub-synchronous resonance (SSR) analyses to determine any adverse affects. If upon completion of such initial analyses it is discovered that SSR will adversely affect the ERCOT System, Generator agrees to provide TSP detailed control system models of the Plant converters not considered by the wind turbine or converter manufacturers to be confidential so that further analyses can be conducted. Generator will be responsible at its cost to perform analyses to determine any adverse affects of SSR and self excitation upon its Plant. TSP will provide Generator any necessary transmission system data not considered by ERCOT to be confidential. Generator is responsible , at its cost, to modify Plant's control system to mitigate any adverse affects discovered in its analyses or TSP's analyses. Generator agrees to hold TSP and its affiliates harmless for any adverse affects upon the Plant that are discovered in either the Generator's or TSP's analyses.

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

None.

**EXHIBIT "C-1"**  
Conceptual One-Line Drawing of the TIF



**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:

Company Name: Texas Gulf Wind LLC  
Corp.  
Attn: Julio Reyna  
Address:  
City, State, Zip  
24 Hour Telephone: (214) 515-1110  
E-mail: Julio.reyna@babcockbrown.com

If to Transmission Service Provider:

American Electric Power Service  
Manager, Transmission Dispatching  
5502 Corporate Dr  
Corpus Christi, TX 78403  
(361) 289-4003  
dkkunkel@AEP.com

(b) Notices of an administrative nature:

If to Generator:

Company Name: Texas Gulf Wind LLC  
Corp.  
Attn: Kim Sachtleben  
Address: 1600 Smith Street  
Suite 4025  
City, State, Zip: Houston, TX 77002  
Fax: 713-571-8004  
Phone: 713-571-8900  
E-mail: kim.sachtleben@babcockbrown.com

If to Transmission Service Provider:

American Electric Power Service  
Manager,  
Transmission & Interconnection Services  
P.O. Box 201  
212 E. 6th St  
Tulsa, OK 74102  
(918) 599-2723  
(918) 594-3579  
rlpennybaker@aep.com

(c) Notice for statement and billing purposes:

If to Generator:

Company Name: Texas Gulf Wind LLC  
Attn: Kim Sachtleben  
Address: 1600 Smith Street  
Suite 4025  
City, State, Zip: Houston, TX 77002

If to Transmission Service Provider:

American Electric Power Service Corp.  
Accounts Receivable  
301 Cleveland Ave SW  
Canton, OH 44702

(d) Information concerning Electronic Funds Transfers:

If to Generator:

Bank Name: To be provided later  
City, State:  
ABA No.  
for credit to  
Account No.

If to Transmission Service Provider:

Citibank NA  
New York, NY  
021000089  
AEP Texas Central  
30489767

## **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 and System Upgrades described in Item 8 of Exhibit "C", Generator will provide a financial security (Security) either as a letter of credit (Letter of Credit), corporate guaranty or other form of collateral security acceptable to TSP in an amount totaling \$44.8 million, as required pursuant to Section 8.3 of this Agreement. Such Security may be provided in up to as many as 4 installments where the first installment of \$5.8 million was provided by Generator prior to this Agreement. A second installment of no less than \$29.6 million (for a total combined amount no less than \$35.4 million) shall be provided within 10 days of execution of this Agreement; a third installment of no less than \$0.8 million (for a total combined amount no less than \$36.2 million) or the remaining amount, whichever is less, shall be provided prior to October 1, 2007; and a fourth installment of no less than \$8.6 million (for a total combined amount no less than \$44.8 million) or the remaining amount, whichever is less, shall be provided prior to November 1, 2007.
2. Depending upon the creditworthiness of Generator, 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. If creditworthiness of Generator 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.
3. Letter of Credit means one or more irrevocable, transferable standby letters of credit issued by a U.S. commercial bank or a foreign bank with a U.S. branch with a credit rating of at least A- from Standard and Poor's or an A3 credit rating from Moody's Investors Services. It shall be in a form 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 Letter of Credit shall state that it is issued in favor of TSP. Costs of the Letter of Credit shall be borne by the applicant for such Letter of Credit.
4. Upon receipt of the second installment of such Security, TSP shall continue the work required to meet the In-Service Date. Failure of Generator to provide any installment of such Security by the schedule identified above shall be subject to the same terms and conditions of this Agreement as the failure of Generator to provide any Security.



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

**GUARANTY**

THIS GUARANTY is executed as of the \_\_\_\_ day of \_\_\_\_\_, 2005 between \_\_\_\_\_, a \_\_\_\_\_ corporation (the "Guarantor"), and \_\_\_\_\_, a \_\_\_\_\_ company (the "Counterparty")

**RECITAL**

\_\_\_\_\_, a \_\_\_\_\_ corporation (the "Company"), and the Counterparty have entered into an Interconnection and Operation Agreement, dated as of \_\_\_\_\_ hereof (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 (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 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:

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

(iii) 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;

(iv) 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;

(v) 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 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 earlier of (i) expiration or termination of the Agreement, (ii) \_\_\_\_\_. Such termination shall not release Guarantor from liability for any Guaranteed Obligation arising prior to the effective date of such termination. 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. Waiver 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.

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 (\$\_\_\_\_\_). 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); and 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 AEP 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 AEP (including reasonable attorney's fees) in enforcing this Guaranty provided AEP 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:**

American Electric Power Service Corporation  
Attention: Frank Hilton  
One Riverside Plaza  
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 not performed in accordance with an agreement and is in default . Wherefore, the undersigned does hereby demand payment of USD. [Beneficiary fills in the amount not to exceed the full value of the letter of credit]"

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, 1993 Revision, International Chamber of Commerce Publication No. 500 (the "UCP"), except that should an event of the type referred to in Article 17 of the UCP interrupts our business (each, 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.

This Letter of Credit shall be deemed automatically extended without an amendment for one year period beginning on the present expiration date hereof, and upon each anniversary of such date, unless at least 90 days prior to any such expiration date we have sent you notice by courier service or overnight mail that we elect not to permit this Letter of Credit to be so extended beyond, and will expire on its then current expiry date. No presentation made under this Letter of Credit after such expiry date will be honored.

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]