

**Medina Electric Cooperative, Inc.**  
**Retail Tariff**  
**Board Approval – April 15, 2009, Revised July 9, 2009**

**Section 8 – Distributed Generation (Small Power Production)**

1. Certain Definitions

a. Small Power Generating Installation, Power Generating Installation, or Generating Installation.

Shall mean a small power production or cogeneration facility which has a design capability of 1 MW or less of connected generation including any generator, and associated equipment, wiring, protective devices, or switches, or switches owned or operated by Producer.

b. Producer.

Shall mean any person, firm, corporation, partnership, or other entity owning or operating a small power generating installation.

2. Small Power Production.

Sections 2 - 7 of this tariff apply to the interconnection and parallel operation of all small power generating installations having a design capacity of one (1) megawatt (MW) or less in accordance with the Cooperative's service rules and regulations and the Cooperative's Procedures and Guidelines for Member Owned Distributed Generation (the "DG Manual"); as well as to electric utility service to such generating installations. If any part of these sections shall be in conflict with any other provision of this tariff, these sections shall control. By written agreement, the Cooperative and Producer may establish additional or different terms, conditions, or rates for the sale or purchase of electricity.

3. Obtaining Interconnection.

Any Producer desiring to interconnect with the Cooperative's system shall:

a. Comply with Tariff.

Become a Member of the Cooperative, provide an easement satisfactory to the Cooperative if required, and otherwise comply with the tariff of the Cooperative.

b. Apply for Interconnection, Pay Application Fee, and Provide Information.

At least sixty (60) days in advance of the desired interconnection date, Producer shall submit the small power generator interconnection application, including payment of any nonrefundable application fee, and provide a general plan of the proposed generating installation showing the electrical design of the generating installation, including all major equipment for interconnection with the Cooperative's system as required by and detailed in the DG Manual. In the case of multiple facilities, a separate application including required application fees shall be submitted by the Producer for each interconnection point desired. Producer shall also provide such additional information as may be reasonably required and requested by the Cooperative to evaluate the installation plan.

If applicable, a nonrefundable application fee will be required to be paid by the Producer before the Cooperative will consider the application. Application fees are as follows:

10 kW or smaller:	\$ 25
11 kW to 50 kW:	\$ 50.00
51 kW to 1 MW:	\$ 250.00
Over 1 MW:	Not Allowed Under This Tariff

The Cooperative may, at its sole discretion, waive the required application fee and other

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provisions of this tariff in the case of a proposed generating installation which is planned (i) to be operated in parallel with the Cooperative's system; (ii) with no intention to export power to the Cooperative; and (iii) that is of standard design and intended entirely as an emergency or backup power supply for a facility.

In the event Producer's plan involves the use of nonstandard equipment or design techniques, the Cooperative may require the Producer to obtain approval of the proposed generating installation plan by a professional engineer licensed in the state of Texas. Any review or acceptance of such plan by the Cooperative shall not impose any liability on the Cooperative and does not guarantee the adequacy of Producer's equipment to perform its intended function. The Cooperative disclaims any expertise or special knowledge relating to the design or performance of generating installations and does not warrant the efficiency, cost effectiveness, safety, durability or reliability of generating installations.

c. Pay for Interconnection Study and Extension/Upgrade of Cooperative's Facilities.

In cases where the generating installation is to be operated in parallel with the Cooperative's system and is intended to export power to the Cooperative's system, the Cooperative at its sole discretion may conduct a full interconnection study to determine the impact of the generating facility on the Cooperative's system as described in the DG Manual. The Producer will be required to reimburse the Cooperative for the full amount of the interconnection study in addition to any application fee(s). The Cooperative will bill the Producer for the exact cost of the study on a biweekly basis, and the Producer will pay the Cooperative upon receipt of any such bill(s). The Cooperative will complete the interconnection study within sixty (60) days following receipt of a completed application and the applicable application fee and shall provide a copy of the study to the Producer. The Cooperative will undertake any interconnection study in the order in which the completed applications have been received by the Cooperative on a nondiscriminatory basis.

Should the interconnection study indicate that portions of the Cooperative's electrical power system will require extension or upgrade as a result of the parallel operation of the generating installation, the Cooperative will require the Producer to execute a system upgrade contract covering the full costs of all upgrades or extensions of the Cooperative's transmission, substation, distribution, transformation, metering, protective, or other facilities or equipment which at the sole discretion of the Cooperative are required to serve the generating installation before the Cooperative will interconnect the generating installation. The need for any extensions or upgrades will be determined during the interconnection study on a nondiscriminatory case by case basis.

In the event it is necessary at some future time for the Cooperative in its sole discretion to modify its electric delivery systems in order to serve the Producer's generating installation and/or purchase or continue to purchase the Producer's output, or because the quality of the power provided by the Producer's generating installation adversely affects the Cooperative's delivery system, or the Cooperative desires to change primary voltage or make other change in its electric delivery system, the Producer will reimburse the Cooperative for all costs necessary to modify or change out any electrical equipment required to continue to safely establish the interconnection of the Producer's generating installation with the Cooperative's system upon the receipt by Producer of any invoice(s) for such costs. The determination by the Cooperative to modify its electric delivery system will be made on a nondiscriminatory case by case basis.

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d. Facility Charge.

The Producer may also be responsible for paying a facility charge as determined at the sole discretion of the Cooperative to recover any additional operation and maintenance expenses incurred by the Cooperative as a result of the Producer's generating installation. The facility charge will be determined during the interconnection study on a nondiscriminatory case by case basis.

e. Provide Liability Insurance and Waiver of Subrogation.

When required by law, Producer, at Producer's own expense, shall carry and maintain Worker's Compensation insurance covering Producer's employees. In such cases, Producer, at Producer's own expense, shall be required to carry Employer's Liability insurance. These coverages are to provide for the payment to Producer's employees and/or their dependents Worker's Compensation benefits, including Occupational Disease benefits in accordance with the law of the State of Texas. Producer hereby waives all rights of subrogation that Producer's insurers may have against the Cooperative, and its directors, officers, and employees.

i. Liability Insurance.

Additionally, Producer must comply (at Producer's expense) with the following insurance requirements:

1. For generating facilities smaller than or equal to 10 kW:

- a. At least seven (7) days prior to interconnection, the Producer must provide (at Producer's expense) proof of adequate insurance coverage in a form acceptable to the Cooperative.
- b. The amount of insurance coverage required to be provided by the Producer may be increased at the sole discretion of the Cooperative if the Cooperative considers the nature of the project to warrant such increase.
- c. The insurance policy will not be changed or cancelled during its term without thirty (30) days written notice to the Cooperative.
- d. Following the installation of the interconnection and during the term of the Interconnection Agreement (defined below), the Producer shall provide proof of such insurance to the Cooperative upon request.

2. For generating facilities larger than 10 kW and smaller than or equal to 50 kW:

- a. At least seven (7) days prior to interconnection, the Producer must provide (at Producer's expense) proof of liability insurance coverage of no less than \$500,000 per occurrence in a form acceptable to the Cooperative. The Cooperative may require that the Cooperative be named as an additional insured on such liability insurance.
- b. The amount of insurance coverage required to be provided by the Producer may be increased at the sole discretion of the Cooperative if the Cooperative considers the nature of the project to warrant such increase.

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- c. The insurance policy will not be changed or cancelled during its term without thirty (30) days written notice to the Cooperative.
    - d. Following the installation of the interconnection and during the term of the Interconnection Agreement, the Producer shall provide proof of such insurance to the Cooperative upon request.
  3. For generating facilities larger than 50 kW:
    - a. At least seven (7) days prior to interconnection, the Producer must provide (at Producer's expense) a certificate of insurance showing satisfactory liability insurance, including contractual liability insurance covering indemnity agreements, which insures the Producer against all claims for property damage and for personal injury or death arising out of, resulting from or in any manner connected with the installation, operation, and maintenance of the Producer's generating installation. The certificate shall also provide that the Cooperative is named as an additional insured.
    - b. The amount of insurance coverage required to be provided by the Producer shall be not less than \$1,000,000 per occurrence. The amount of such coverage and the type of insurance coverage required shall be acceptable to the Cooperative and may be amended from time to time by the Cooperative at the sole discretion of the Cooperative. Any such amendments will be made on a nondiscriminatory case by case basis.
    - c. The certificate shall provide that the insurance policy will not be changed or cancelled during its term without thirty (30) days written notice to the Cooperative. The term of the insurance shall be coterminous with the term of the Interconnection Agreement or shall be specified to renew throughout the length of the Interconnection Agreement.
    - d. The Producer shall provide proof of such insurance to the Cooperative upon request and in any event no less frequently than annually.
  - ii. Liability for Injury and Damages.

Producer assumes full responsibility for electric energy furnished to Producer at and past the point of interconnection, and Producer shall hold the Cooperative harmless from any and all claims for injuries to persons or for damage to property happening by reason of any negligence on the part of the Producer or any of the Producer's agents, employees, or in the case of a residential Member/Producer, any members of the household. Producer further agrees and understands that Cooperative assumes no liability for the safety of the person or property of Producer or Producer's servants, agents, employees, or members of Producer's household, and Producer further agrees to release Cooperative from any liability for damages or injury to the person and/or property of Producer or Producer's servants, agents, employees, or members of the household. Cumulative of the foregoing, Producer agrees to indemnify and hold Cooperative harmless from any and all actions or causes of actions, claims, demands, liabilities, loss,

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damage, injury, cost or expense of whatever kind of nature, including costs of litigation, attorney's fees and reasonable expenses in connection therewith, for injury to Producer and/or Producer's servants, agents, employees, or members of the household whether or not such actions, claim, demand, loss, injury or damage claim shall be valid or groundless. The term "injury" as used herein also covers death; and the release and indemnification provisions of this paragraph are binding upon the successor and assigns and estate of Producer. In addition to other matters covered hereby, the release and indemnification provisions of this paragraph also cover all claims for wrongful death under the Texas Civil Practice and Remedies Code. Producer expressly confirms that it is Producer's intent that all indemnity obligations and liabilities assumed by Producer shall be without monetary limit. PRODUCER EXPRESSLY AGREES TO RELEASE AND INDEMNIFY THE COOPERATIVE FROM AND AGAINST THE CONSEQUENCES OF THE COOPERATIVE'S OWN NEGLIGENCE (WHETHER SUCH NEGLIGENCE IS ACTIVE OR PASSIVE AND WHETHER SUCH NEGLIGENCE IS THE SOLE PROXIMATE CAUSE OR A PROXIMATE CAUSE JOINTLY AND CONCURRENTLY WITH THE NEGLIGENCE OF PRODUCER OR OTHERS) RESULTING IN THE DAMAGES OR INJURY TO THE PERSON AND/OR PROPERTY OF PRODUCER OR PRODUCER'S SERVANTS, AGENTS, EMPLOYEES, OR MEMBERS OF THE HOUSEHOLD.

- f. Sign Contract.  
Sign and deliver to the Cooperative an Agreement for Interconnection and Parallel Operation of Distributed Generation (an "Interconnection Agreement") for each interconnection point as detailed in the DG Manual. An Interconnection Agreement is required in all cases.
- g. Complete Construction.  
Construct the small power generating installation and install a disconnect switch and other protective equipment as may be required by the Cooperative to protect its personnel, facilities, and operations in accordance with the provisions of the DG Manual.
- h. Comply with Laws.  
Comply with all federal, state, and local laws, ordinances and regulations applicable to the power generating installations being installed by the Producer.
- i. Notify Cooperative.  
Notify the Cooperative in writing and permit the Cooperative or its agents to inspect and test any or all protective equipment required for the interconnection at least fourteen (14) days in advance of energizing the small power generating installation.
- j. Eliminate Conditions Preventing Interconnection.  
In the event that it comes to the attention of the Cooperative that there are conditions preventing the safe interconnection and proper parallel operation of the Producer's generating installation, the Cooperative shall immediately notify Producer, and Producer shall not be allowed to interconnect and/or initiate parallel operation until such conditions are corrected to the Cooperative's satisfaction and the Cooperative has provided the Producer with written confirmation of the Cooperative's satisfaction with such correction.
- k. Notice of Change in Installation.  
Producer will notify the Cooperative in writing at least thirty (30) days in advance of making any change affecting the characteristics, performance, or protection of the

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generating installation. If the Cooperative determines, in its sole discretion, that the modification will create or has created conditions which may be unsafe or may adversely affect the Cooperative's system, then the Cooperative shall notify Producer, and Producer shall comply with the provisions set forth in Subsection 3(j) above.

The foregoing are conditions precedent to any obligations of the Cooperative to interconnect the Producer's proposed generating installation.

4. Parallel Operation and Technical Requirements.

The following Section 4 outlines some of the technical requirements for interconnecting a small power producing installation with the Cooperative's system. The DG Manual contains a complete description of the Cooperative's technical interconnection and parallel operation standards and requirements.

a. Installation.

With the exception of only the Cooperative's meter(s), the Producer shall own and solely be responsible for all expense, installation, maintenance and operation of the small power generating installation at and beyond the point where Producer's generating installation shall be designed, installed and maintained, at all times, in accordance with all applicable guidelines, codes, regulations, the Cooperative's standards as provided in the DG Manual, and prudent engineering practice.

b. Self Protected Generating Installation.

The Producer (at Producer's expense) will furnish, install, operate, and maintain in good order and repair all equipment necessary for the safe operation of the small power generating installation in parallel with the Cooperative's electric system. The equipment will have the capability to both establish and maintain synchronism with the Cooperative's system and to automatically disconnect and isolate the generating installation from the Cooperative's system in the event of an outage of the Cooperative's system or a malfunction of the small power generating installation.

The Producer's small power generating installation will also be designed, installed and maintained to be self-protected from normal and abnormal conditions in the Cooperative's electric system. The conditions for which the power generating installation shall be self-protected shall include, but not be limited to, overvoltage, undervoltage, overcurrent, frequency deviation, and faults. The self protection will be compatible with the Cooperative's system protection arrangements and operating policies. Specialized protective functions may be required by the Cooperative when, in the sole judgment of the Cooperative, the particular generating installation characteristics and/or electric power system characteristics so warrant. The Producer shall be responsible for the costs of any specialized protective functions. The determination by the Cooperative to require any specialized protective functions will be made on a nondiscriminatory case by case basis.

c. Quality of Service.

Producer's generating installation will provide power at the nominal voltage of the Cooperative's electric system at the Producer's delivery point plus or minus five percent (5%) at the nominal system frequency of 60 Hz plus or minus one-tenth (1/10) Hz. Producer shall interconnect at a power factor that is at or as near one hundred percent (100%) as is practicable. In the event the Producer's power factor is less than ninety-five percent (95%) lagging or leading, the Producer will provide proper power factor correction (within five percent (5%) of unity) or reimburse the Cooperative the cost of any necessary

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correction. The overall quality of the power provided by Producer including, but not limited to, the effects of harmonic distortion, voltage regulation, voltage flicker, switching surges and power factor, will be such that the Cooperative's electric system is not adversely affected in any manner. In the event that the adverse effects are caused in whole or in part by Producer's power generating installation, the Producer will correct the cause of such effects or reimburse the Cooperative for the cost of any required correction.

d. Safety Disconnect.

The Producer or the Cooperative shall provide and install, at the Producer's expense, a visible break disconnect switch. The disconnect switch will be located so as to be readily accessible to Cooperative personnel at all times in a location acceptable to both the Producer and the Cooperative. It shall be the type of switch which can be secured in an open position by a Cooperative padlock. The Cooperative shall have the right to lock the switch open whenever, in the judgment of the Cooperative, (1) it is necessary to maintain safe electrical operating or maintenance conditions, (2) the Producer's power generating installation adversely affects the Cooperative's electric system, or (3) there is a system emergency or other abnormal operating condition which warrants disconnection. The Cooperative reserves the right to operate the disconnect for the protection of the Cooperative's system even if it affects Producer's generating installation. The determination by the Cooperative to operate the disconnect will be made on a nondiscriminatory case by case basis. In the event the Cooperative opens and closes the disconnect switch the Cooperative shall not be responsible for energization or restoration of parallel operation of the generating installation. The Cooperative will make reasonable efforts to notify the Producer in the event the disconnect switch has been operated. The Producer will not bypass the disconnect switch at any time for any reason.

e. Access.

Persons authorized by the Cooperative will have the right to enter the Producer's property for the purpose of operating or inspecting the disconnect switch or metering at any time. Such entry onto the Producer's property may be without notice. If the Producer erects or maintains locked gates or other barriers, the Producer will furnish the Cooperative with convenient means to circumvent the barrier for access to the disconnect switch and meter(s).

f. Metering.

If the output of the Producer's generating installation is to be purchased by the Cooperative, it will be measured by meter(s) as required for the metering option chosen by the Cooperative. Any necessary meter(s) or meter modification in addition to one standard service meter will be installed, maintained and operated by the Cooperative at the Producer's expense. A connection will be provided for the meter(s) at the Producer's expense in a location that is acceptable to both the Cooperative and the Producer. The Cooperative may, at its own expense, supply, install and maintain load research metering for the purpose of monitoring and evaluating the Producer's generating installation.

g. Data Access – Communications Link.

In addition to all other charges, if requested by the Cooperative, the Producer will provide the Cooperative at Producer's expense a communications link as approved at the sole discretion of the Cooperative for remotely obtaining meter readings at a time or times of the month as determined by the Cooperative.

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5. Monthly Distributed Generation (DG) Service Charge.

Each billing period, the Producer shall be obligated to pay the applicable DG Service Charge(s) in addition to all charges indicated on the applicable retail rate:

DG Service Charge

10 kW or smaller	@	no charge
11 kW to 50 kW	@	\$ 10.00 per meter/month
51 kW to 1 MW	@	\$ 50.00 per meter/month

An additional charge for meter reading by Cooperative personnel in any situation where the Cooperative-required remote access to meter reading is not feasible.

@	\$ 45.00 per meter/month
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6. Sales to Producer.

All sales of electric power and energy by the Cooperative to the Producer shall be consistent with the applicable retail rate schedule established by the Cooperative as if there were no small power generating installation at the Producer's premise, including any additional charges provided for small power generating installations described in Section 5. The Producer shall also pay all rates and charges so listed in the applicable tariff sections.

7. Purchases from Producer.

a. Purchases from Producer – All Small Power Generating Installations.

Determination of billing shall be accomplished by interconnection through two meters, with one measuring all energy supplied by the Cooperative and the other measuring all energy supplied by the Producer, or through a single meter with multiple registers, with one measuring all energy supplied by the Cooperative and the other measuring all energy supplied by the Producer.

During each billing period, the Producer shall be compensated for energy supplied by the Producer, if any, at the Cooperative's avoided wholesale power cost as defined in Section 7(c). The Cooperative shall bill the Producer for the energy supplied by the Cooperative during each billing period according to the Cooperative's applicable retail rate schedule in addition to the DG Service Charge described in Section 5.

The Producer shall be subject to and solely responsible for any market charges related to the Producer's generating installation, including but not limited to scheduling, dispatching, and energy imbalance or any other fee or charge which may be imposed by ERCOT relating to the operation of small power generating facilities.

b. Avoided Wholesale Power Cost.

For the purposes of this small power production tariff, the Cooperative's avoided wholesale power cost will be calculated by dividing the prior 12 months' total wholesale power purchase cost (excluding demand costs, transmission costs, ERCOT and related fees, and distribution costs) by the prior 12 months' total kWh's purchased.

c. Refusal to Purchase.

The Cooperative shall not be required to make any purchases that will cause the Cooperative to no longer be in compliance with any applicable contracts or all power contract requirements with its power supplier(s).

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The Cooperative may at certain times and as operating conditions warrant reasonably refuse to accept part or all of the output of the Producer's facility. Such refusal shall be based on system emergency constraints, special operating requirements, and adverse effects of the Producer's facility on the Cooperative's system or violation by the Producer of the terms of the Interconnection Agreement or this small power production tariff.