



CITY OF MARSHALL

COMMISSION AGENDA INFORMATION SHEET:

MEETING DATE: May 24, 2018

PROJECT:

Consider and act on a recommendation to approve entering into an AEP/SWEPCO Load Management Standard Offer Program Agreement to assist in peak electrical demand reduction through an interruption of electric load program in return for monetary incentives. (Public Services Director)

DESCRIPTION:

Once again, we have an opportunity to participate with AEP/SWEPCO in their Load Management Program wherein we schedule as much of our heavy pumping of raw water from our Big Cypress Pump Station into energy off-peak periods. The program is beneficial to AEP/SWEPCO since it reduces high peak loads on the electrical grid. The program is also beneficial to the City of Marshall, as we are compensated for assisting them in reducing their electric grid load requirements.

Our Water Utilities Division always does a great job working with AEP/SWEPCO to reduce our scheduled pumping during peak energy use periods by rescheduling as much of our pumping as possible into off-peak periods. As a result of our participation in the Load Management Program, AEP/SWEPCO has made check presentations to the City each year ranging approximately from \$12,000 to \$18,000. Last year, the check was \$22,040 because of our ability to rearrange our pumping periods. In the past, we have participated in their Option B Program which provides for curtailment of up to twelve (12) unscheduled power interruptions of one to four hours, per interruption. We recommend continuing using Option B.

The 2018 Agreement is attached. The only major change is that they are reducing the incentive payment from \$40/kW to \$25/kW. Our treatment Superintendent, Nancy Pasel, asked why there will be a reduction and the response was that it was the best they could offer under their current budget.

OPTION A – includes up to four (4) Unscheduled Interruptions between one and four hours per Performance Period, no more than one call per month.

OPTION B - includes up to twelve (12) Unscheduled Interruptions between one and four hours per Performance Period, no more than 3 calls per month.

COST:

N/A – Revenue Source

FUNDING:

Acct. Name & No

N/A

Original Budget

N/A

RECOMMENDED

ACTION:

Approve the attached agreement entering into an agreement with AEP/SWEPCO for a Load Management Standard Offer Program Agreement to assist in peak electrical demand reduction through an interruption of electric load program in return for monetary incentives – Option B.

CITY CONTACT: J. C. Hughes, Director of Public Services 903-503-4503

ATTACHMENTS:

2018 AEP/SWEPCO Load Management Standard Offer Program Agreement

2018 Load Management Standard Offer Program



An **AEP** Company

BOUNDLESS ENERGY™

Program Manual

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This manual summarizes the goals, pricing and application process of the American Electric Power (AEP) Southwestern Electric Power Company (SWEPCO) Load Management Standard Offer Program. It includes information about eligibility requirements, incentive payments, the participation process, and descriptions and samples of enrollment materials developed by SWEPCO for participants. The information included in this manual is subject to change. The latest information and application forms can be found on the AEP SWEPCO website <http://www.swepcogridsmart.com/texas/commercial-load-management-program.html>

Summary

The SWEPCO 2018 Load Management Standard Offer Program (“LM SOP”) is designed to provide non-residential customers the opportunity to earn money by making their facilities available to reduce electric power consumption when given at least one hour notice for short periods of time during the summer peak demand season.

The LM SOP is designed to reduce demand during peak periods, defined as weekdays 1-7 p.m. CDT, June through September, excluding Federal holidays. It is a performance-based program that offers incentive payments to participating customers for voluntarily curtailing electric load on notice. This manual outlines the requirements for participation and explains the commitment program participants must make.

Background

The SOP was developed to comply with state energy efficiency goals. The Texas Legislature passed Senate Bill 7 (SB7) in 1999, which restructured the state’s electric utility industry. The law calls for each investor-owned utility to meet certain goal reductions in its growth in system demand annually through savings achieved by energy efficiency programs.

Participation

Project Sponsors¹ can participate in this program through a Five-Step Process described in detail in this Program Manual, which can be accessed on SWEPCO’s energy efficiency website, swepcogridsmart.com. The five steps are (1) Application, (2) Contracting, (3) Performance (4) Measurement and Verification, and (5) Payment of Incentives to the Project Sponsor.

Requirements

The LM SOP is based upon a good-faith agreement between the Project Sponsor and SWEPCO. The SOP will require one scheduled 1-hour test interruption and up to four (4) unscheduled interruptions during any one of the calendar months during the Performance Period. The Unscheduled Interruptions may have duration of a minimum of one hour to a maximum of four hours. The agreement may be terminated by either party without penalty.

Eligibility

Any entity meeting the participation requirements that identifies Interruptible Load at a facility that is served by SWEPCO and that has a minimum demand of **500 kW** or more is eligible to participate in the SOP as a Project Sponsor. Each project site must include total estimated demand savings of at least **50 kW** during the Summer Peak Demand Period. A project site is defined in the SOP as having Interruptible Load with estimated demand savings during the Summer Peak Demand Period. Project Sponsors may include more than one project site in their applications...

¹ Throughout this document, the term “Project Sponsor” is used to refer to either a participating customer (self-sponsor) or a third party sponsor, who might work with various facilities to offer demand reduction into the program.

Each individual project site must be equipped with an Interval Data Recorder (IDR). Customer sites not equipped with either meter may request the installation of an IDR or advanced meter at no cost.

All included project sites must be non-residential customers of SWEPCO taking service at the distribution level, and/or be a non-profit customer or government entity, including educational institutions.

Finally, a customer does not qualify for this program if curtailment presents a safety or health risk or if curtailment would result in building vacancies or the re-location of existing operations to a location outside of the area served by SWEPCO.

Customer Commitments

Participating customers agree to a one-year commitment. While there are no penalties if customers opt out of the program at an earlier time, opting out (or other forms of non-delivery) in a given program year may cause SWEPCO to look unfavorably on applications to participate in subsequent program years. By its participation, the commercial or institutional customer commits to one of the following options:

1. **Option A:** One (1) Scheduled Curtailment of one hour duration, plus up to four (4) Unscheduled Interruptions per Performance Period, no more than one (1) per month.
2. **Option B:** One (1) Scheduled Curtailment of one hour duration, plus up to twelve (12) Unscheduled Interruptions per Performance Period, no more than three (3) per month.

The Performance Period, for which customers commit to making their load available, runs from June 1 through September 30 on weekdays between the hours of 1:00 p.m. and 7:00 PM CDT, excluding Federal holidays.

Financial Benefits

SWEPCO will set aside \$20 per kW for the contracted curtailable load amount (kW) of each Project Sponsor accepted to the program under Option A, and \$25 kW under Option B. Actual payment will be made in November of the program year (2018). For example, a Project Sponsor who contracts for 1,000 kW under Option A and fully meets that obligation would earn \$20,000 for that program year.² Participating customers who deliver load reductions in excess of their committed curtailable load *may* receive an additional payment for some, or all, of the additional amount delivered if additional program budget is available, at SWEPCO's discretion. For further explanation, see Step 5.

² Note: Payments are subject to SWEPCO verification. Information contained in this program description is subject to changes in the rules of the Public Utility Commission of Texas (PUCT).

2018 Load Management Program

The Public Utility Commission of Texas (PUCT) authorized the investor-owned Transmission and Distribution Utilities operating in Texas to implement and manage a demand control program known as the Load Management Standard Offer Program (PUCT 16 TAC § 25.181, Docket No. 33487), and to pay its participating eligible customers for agreeing to curtail pre-determined electrical loads. In the LM SOP, Project Sponsors may be any SWEPCO commercial, governmental, educational, or non-profit customer (or a group of eligible customers represented by a third party) of qualifying load size. Project Sponsors complete a five-step process in order to receive incentive payments:

- **Step One: Application (Appendix A).** Project Sponsor submits the online application in order for SWEPCO to review the proposed project for feasibility and to tentatively reserve incentive funding.
- **Step Two: Contracting (Appendix A p. 31-33).** The qualifying Project Sponsor enters into a Standard Offer Contract with SWEPCO by executing the Contract Cover Sheet.
- **Step Three: Performance Period.** The Project Sponsor performs all Scheduled and Unscheduled Curtailments between June 1 and September 30 of the contracted program year, upon notification from SWEPCO.
- **Step Four: Measurement and Verification.** SWEPCO verifies demand savings from Scheduled and Unscheduled Curtailments (the "Verification Process").
- **Step Five: Incentive Payments.** SWEPCO pays the Project Sponsor for the average of the Unscheduled Curtailments. In the event no Unscheduled Interruptions occur, the Demand Savings used to calculate the Performance Period Payment will be the Verified Demand Savings from the Scheduled Interruption

Each of these steps is covered in detail in subsequent sections of this Program Manual.

Project Sponsors must commit ***Curtable Load*** to the program for one summer peak demand period. There are no penalties beyond loss of participation for Project Sponsors who opt out of the program before the end of the performance period; however, opting out (or other forms of non-delivery) in a given program year may cause SWEPCO to look unfavorably on a project sponsor's application to participate in subsequent program years. Curtailments may occur during the summer peak demand period of each year, defined for this program as weekdays, June 1 through September 30, between the hours of 1:00 and 7:00 PM CDT, excluding Federal holidays.

Application: Interested parties can apply to participate in the program by submitting their Project Sponsor Profile and Project Site Information on the LM SOP website.

SWEPCO will accept applications for participation in the 2018 program on its eCurtail website (<http://ecurtail.com/AEP/SWEPCO>) on a rolling basis beginning April 18, 2018, and must be contracted prior to the performance period.

Contracting: SWEPCO will extend Standard Offer Contracts to those applicants accepted for participation. Contracts must be in place prior to June 1 for participants to be eligible for the full payment. If the program is not fully subscribed by June 1, SWEPCO may opt to admit late entrants, but

the payment for which they qualify will be prorated according to the number of days in the peak demand season their load was not available for curtailment.

For the purposes of this program, the Performance Period is defined as the hours between 1:00 and 7:00 p.m. Central Daylight Time, on weekdays, June 1 through September 30, excluding Federal holidays.

Participants will be provided notification of an unscheduled curtailment event with at least one-hour advance notice of the start-time for the interruption. Unscheduled curtailments will have a maximum duration of four hours. Unscheduled Curtailments will be called at the option of SWEPCO.

Program Objectives

The LM SOP seeks to achieve two primary objectives: (1) to create the ability to reduce summer peak demand in the SWEPCO service territory in a cost-effective manner; and, (2) to assist SWEPCO in reaching the demand savings goals established by the legislature and PUCT regulations. In addition, there are secondary program goals that are reflected in the SOP rules and procedures:

1. To create a simple and streamlined program process to stimulate strong program participation from energy efficiency service providers;
2. To minimize the burden of measurement and verification requirements for the SOP by implementation of the process defined by the [Texas Technical Reference Manual \(TRM\) 5.0 Vol. 4](#); and,
3. To develop a market-based mechanism to encourage delivery of electric demand savings during periods of peak demand.

Program Eligibility

Interested parties must identify one or more Project Sites capable of delivering load reduction in response to a one-hour advance notice. Individual facilities, companies with multiple sites within SWEPCO's service territory, and third-party aggregators authorized to represent qualifying sites are all eligible to become a Project Sponsor.

Project Sponsor Requirements

Eligible Project Sponsors include any of the following entities:

- Individual customers that identify curtailable load in their own facility or facilities (self-sponsors).
- Energy Service Companies (ESCOs) and Retail Electricity Providers (REPs).
- Other third-parties with customer agreements.

To ensure that the LM SOP incentive budget is allocated to projects that are likely to meet with success, all Project Sponsors are required to complete an application demonstrating a commitment to fulfilling LM SOP objectives and competency in completing their proposed project. Project Sponsors are required to submit information concerning their loads, operating characteristics, and experience as part of the application process. A complete description of the application requirements are found under Step One of the application process below.

Project and Site Eligibility

A project site is defined in the LM SOP as one or more metered locations having an estimated curtailable load (estimated kW demand savings) during the summer peak demand period of at least 50 kW per meter. Project Sponsors may include more than one project site in their applications to meet the 500 kW minimum provided each project site meets the following requirements:

1. It is a distribution level customer of SWEPCO and/or a non-profit, governmental, or educational institution served by SWEPCO;
2. It can provide total estimated demand savings of at least 50 kW during the 2018 Performance Period; and,
3. Served by an Interval Data Recorder (IDR) or advanced meter that is monitored by SWEPCO.³

If all buildings and meters at a given site are tied to one IDR, then they may be combined into a single project site. If the participating customer (Project Sponsor) has multiple meters that are not tied together, then SWEPCO can aggregate them to the benefit of the customer.

Curtailable Load Eligibility

Curtailable loads must meet the following requirements:

1. Curtailable load must produce demand savings (reduction of electrical consumption during a specified period) as the result of verified savings following a dispatched (noticed) curtailment.
2. Curtailment must begin within one hour of notice, and last for the duration of the requested curtailment event, one hour for the Scheduled Curtailment and a maximum of four hours for any Unscheduled Curtailment, at any time during the performance period.

In general, the LM SOP does not specify limits to the types of loads eligible to be considered curtailable load. This permits Project Sponsors flexibility in determining the level and method of curtailing loads. However, the following sources of curtailable load are excluded from consideration for this SOP:

1. loads for which curtailment would result in negative environmental or health effects, in building vacancies, or the re-location of existing operations to a location outside of the area served by SWEPCO; and,
2. Interruptible Load that receives an incentive through any other energy efficiency program offered by SWEPCO.

Only load listed on the application will be considered eligible curtailable load: incentives will be paid only for demand savings directly related to curtailment of end-use equipment described in the application materials. This may be entire building(s) and/or individual end-use equipment that consumes electric energy during the summer peak demand period. SWEPCO will consider any and all curtailable load that consumes electrical energy for participation in the LM SOP. It is the Customer's (or other Project Sponsor's) responsibility to identify the project and project sites, but SWEPCO may provide advice concerning specific options and load curtailment opportunities upon request, at no direct charge to Proposers.

³ If an otherwise eligible site does not have an IDR currently installed, SWEPCO will install an IDR or advanced meter at no cost to the customer.

Standard Offer Program Review and Approval

The application process for the 2018 program year begins on a rolling basis beginning April 18, 2018. All applications must be contracted prior to the performance period. All LM SOP applications are reviewed on a first-come, first-served basis; however, SWEPCO reserves the right to move an application up or down the priority list based on the quality of the proposed curtailable load, evaluation of the proposed sponsor's ability to implement curtailments or other such reasonable factors as may be applied. Applications will be accepted for the LM SOP until all funds have been committed. Projects placed on the waiting list that are not accepted for a given program year will not be carried over into the next program year, and must be resubmitted by the Project Sponsor. Project Sponsors from the prior year are required to submit a new application each year. **Upon approval of a project application, SWEPCO will notify participants and initiate the contracting process.**

Step 1: the Application Process

A Project Sponsor's first step to participate in the LM SOP is to register online at <http://ecurtail.com/SWEPCO>. The application process requires completion of a Project Sponsor information form and individual site information for each Project Site included in the sponsor's proposed project. Project Sponsors are encouraged to apply as soon as possible after the SWEPCO bid period opens to increase their chances of being awarded a Contract. For 2018, applications will be accepted on a rolling basis beginning April 18, 2018 and must be contracted prior to the Performance Period.

Applications are subject to ranking by SWEPCO based on factors including, but not limited to, the following: the amount and type of load to be curtailed, SWEPCO's perception of the likelihood that the proposer will be able to consistently curtail the offered load, etc. Proposals will be accepted until and after the program goal has been reached. Applications received after the program goal has been reached will be placed on a waiting list, from which they will be drawn in the event previous applications are either rejected or accepted at a lower capacity than their originally-proposed amount.

By submitting the project sponsor and site application forms through the LM SOP eCurtil website, the Project Sponsor is requesting that SWEPCO review the application and, if the application is approved, reserve funding for the Project Sponsor based on the proposed level of demand savings in the application, pending execution of the Standard Offer Contract (see Appendix B). The application has an interactive format and includes several sections and attachments that must be completed by the Project Sponsor.

Applications will be ranked and successful candidates will be offered contracts, until the program budget has been reserved. Once approved, SWEPCO will request execution of the Load Management Customer Agreement (see Appendix A) for the project.

Required Project Sponsor Information

The application form includes questions that all Project Sponsors are required to complete. Project Sponsors must provide information about the scope of their proposed project(s). The following fields are to be filled out in the Project Sponsor section of the online application:

- 1. Project Sponsor Contact Name(s) and Information** - Identification and information related to one or more representative(s) of the Project Sponsor who are responsible for implementation of the project.
- 2. Project Sponsor Contact Telephone Numbers** – Primary and secondary telephone numbers are to be provided where SWEPCO can contact the Project Sponsor to provide advance notification of a Scheduled or Unscheduled curtailment. A representative of the Project Sponsor must be available at this number at all times during peak summer demand hours to accept and act on these calls. Contact names and numbers may be changed with proper notice.

The following fields are to be filled out for each Project Site included in a Sponsor's application:

- 1. Customer Information** - Information about the customers associated with all loads that the Project Sponsor proposes to include as curtailable load. If a Project Sponsor's proposed project involves multiple sites, the Project Sponsor should submit separate information for each site on the forms provided.

2. SWEPCO ESI ID – This number can be identified on the customer’s electric bill, and is necessary in order to verify whether a customer is a SWEPCO customer. Project Sponsor should look for the distinguishing number beginning with 101769896..... which represents SWEPCO

3. Site Profile(s) - A profile must be completed for each customer site and shall include estimated demand savings for the site, building type(s), operating schedules, and any additional site information that Project Sponsor believes is appropriate.

4. Curtailable Load - A description of curtailable load and processes for curtailment at each customer site. The description must include estimated kW reductions for each site during a one-hour peak demand period curtailment.

5. Management Plan – Here, the Project Sponsor describes how it will implement the curtailment when SWEPCO executes a call. This information includes the design, implementation, operation, and management of the project.

6. Supporting Documentation - Project Sponsors may submit additional supporting documentation that they determine is relevant for any project, and SWEPCO reserves the right to request additional information during the course of its review of the Application.

As part of the application review, SWEPCO will review the feasibility of the proposed curtailable load and the accuracy of the demand savings estimates. SWEPCO may request clarification of, or additional information about, any item in the application. Project Sponsors must respond to such requests within the time period specified by SWEPCO. If the clarification or additional information is not forthcoming in a timely manner, SWEPCO may choose to discontinue its evaluation of the application.

Information and Application Contacts

| MATERIAL REQUESTS | BEST SOURCE | ADDRESS AND CONTACT |
|--|--------------------|---|
| Program Questions | Email/Phone | Mike Nix, Energy Efficiency Coordinator mrnix@aep.com 903-223-5752 or 903-573-1062 |
| Technical Support, eCurtail website | Email/Phone | Alex Rivera, Frontier Associates arivera@frontierassoc.com 512-372-8778 x. 128 |
| Customer Agreements | Email/Mail | Mike Nix SWEPCO 3708 W. 7th Street Texarkana, TX 75501 mrnix@aep.com |

Confidentiality

This and all Standard Offer Programs are subject to oversight by the PUCT, which may request a copy of any program materials that SWEPCO receives. Sensitive company and project information submitted by the Project Sponsor to SWEPCO such as load information, process descriptions, management information, and financial statements will be treated confidentially to the fullest extent possible, and will not be provided directly to outside parties other than the PUCT and the third party EM&V contractor selected by the PUCT. SWEPCO will have no liability to any Project Sponsor or other party as a result of public disclosure of any submittals.

Submission of False Information

SWEPCO reserves the right to discontinue its evaluation of all submittals and terminate all Agreements of a Project Sponsor if it is determined that any submission or part of the submission contains intentionally false, misleading, or materially incorrect information.

Step 2: The Contracting Process

Once an Application (consisting of the Project Sponsor and Project Site information submitted via the online program tracking system) has been reviewed and approved by SWEPCO, qualifying Project Sponsor Applicants will be asked to complete, execute and return the Load Management Standard Offer Agreement and Attachment A Load Management Customer Agreement attached in Appendix A of this Program Manual. Because this is a Standard Offer Contract authorized by the PUCT, the terms of the Standard Offer Contract are uniform and effectively non-negotiable, except where it can be demonstrated to the satisfaction of SWEPCO that unique circumstances merit and require revision. Once the Contract Cover Sheet is signed by both the Project Sponsor and SWEPCO, the Project Sponsor's primary obligation will be to perform the following:

Respond effectively to calls for Scheduled and Unscheduled Curtailments of the contracted curtailable loads when notified by SWEPCO.

Monitor loads during Scheduled and Unscheduled Curtailments, and maintain the loads at the desired minimum throughout the duration for the event(s).

The primary obligations of SWEPCO will be to perform the following:

1. Perform the Measurement and Verification activities for each Project Sponsor site in order to verify and measure the Demand Savings for each Curtailment according to the process defined by the [Texas Technical Reference Manual \(TRM\) 5.0 Vol. 4 MV Protocols](#).
2. Calculate and issue the Incentive Payment in November of the program year (2018) based on verified Demand Savings relating to the average of the annual Unscheduled Curtailment(s), for as long as the Agreement is in effect.

Step 3: The Performance Period

To achieve the goal of assisting the utility during peak demand periods, SWEPCO has developed two (2) interruption options from which the Customer can choose (Option A or Option B) participation levels. Option A includes up to four (4) Unscheduled Interruptions per Performance Period. Option B includes up to twelve (12) Unscheduled Interruptions per Performance Period. In addition, a separate interruption "Scheduled Interruption" will be conducted prior to the Performance Period for one (1) hour maximum.

The SWEPCO Program Manager will notify Project Sponsors in advance when curtailments will need to be executed. The interruption notice will specify the begin- and end-time for the interruption. Interruptible Load must be able to be curtailed within a minimum of one hour of notification. Unscheduled Interruptions will be required upon request by SWEPCO.

Scheduled Curtailments

The LM SOP requires one Scheduled Curtailment of one hour, which will be called between May 1, 2018 and June 1, 2018. Scheduled Curtailments are for testing the ability of participants to curtail the amount specified in their applications in response to a call from SWEPCO during the peak demand season. The specific time and duration of the event will be coordinated before the event.

Unscheduled Curtailments

The SOP requires program participants to participate in one of the two (2) available options: Option A or Option B. An Unscheduled Interruption may occur upon request by SWEPCO. SWEPCO will notify Project Sponsors of an Unscheduled Interruption with at least one-hour advance notice of the start-time for the interruption.

The duration of an Unscheduled Interruption will be a minimum of one hour and a maximum of four hours (Option A or Option B). Starting times will occur between 1:00 p.m. and 6:00 p.m. Central Standard Time. Ending times will occur between 2:00 p.m. and 7:00 p.m. Central Standard Time.

After completion of all Unscheduled Interruption(s) of Interruptible Load and approval of all IDR data, SWEPCO will pay the Project Sponsor the Performance Period Payment in or before November of the Program Year.

Step 4: Measurement and Verification

SWEPCO will perform the Verification Process after any curtailment (scheduled or unscheduled) occurs. Demand savings and incentive payment amounts will be based on average actual verified curtailment of curtailable load.

Steps of the Verification Process

Following the end of the Performance Period, the interval data will be accessed by the LM SOP program manager (or designee) to verify actual kW demand savings.

SWEPCO will review usage data for each project site, and will establish the baseline as defined by the [Texas Technical Reference Manual \(TRM\) 5.0 Vol. 4 MV Protocols](#).

The average kW throughout the curtailment period is subtracted from the Baseline to determine the Demand Savings for that curtailment event.

1. Demand Savings used to calculate the Incentive Payment will be based on the results of all Unscheduled Curtailment(s) during the summer peak demand period.
2. SWEPCO fully expects and intends to call at least one Unscheduled Curtailment each year. However, in the event no unscheduled curtailments occur, the Demand Savings used to calculate the Incentive Payment will be the verified Demand Savings from the yearly Scheduled Curtailment.

Step 5: Incentive Budget and Payments

SWEPCO will pay Project Sponsors the Incentive Payment in a single lump sum installment in November of the program year (2018). In the event a Project Sponsor fails materially to produce the demand savings as proposed in its Application, SWEPCO reserves the right to decline to make any incentive payment and to terminate the Standard Offer Contract. Failure by Project Sponsor to deliver any required notice, submittal, or material within the applicable period specified in the Agreement shall be deemed a material breach of the Agreement.

Available Budget

The LM SOP an incentive budget of \$225,000. SWEPCO retains the right to increase this budget in the case that it receives sufficient eligible applications to exceed this goal.

Incentive Payment

For each project site, SWEPCO will not be obligated to pay the Project Sponsor for verified demand savings that exceed the amount of estimated demand savings proposed in the Project Sponsor's Application, although at SWEPCO's sole discretion and provided funds are available, SWEPCO may elect to include additional incentive for over-performance.

SWEPCO will make the Incentive Payment in November of the program year (2018), at the conclusion of the Performance Period and after SWEPCO's approval of the interval data for the agreement year. The amount of the Incentive Payment shall be calculated using the following formula:

| | | | | |
|-------------------------------|----------|---|----------|--|
| Incentive Payment (\$) | = | Total Program Incentive Rate (\$/kW) | * | Average of Unscheduled curtailments |
|-------------------------------|----------|---|----------|--|

SWEPCO fully expects and intends to call at least one unscheduled curtailment each year. However, in the event no unscheduled curtailments occur, the Demand Savings used to calculate the Incentive Payment will be the verified Demand Savings from the yearly scheduled curtailment.

Appendices

APPENDIX A

STANDARD OFFER PROGRAM AGREEMENT

LOAD MANAGEMENT STANDARD OFFER PROGRAM AGREEMENT

This Load Management Standard Offer Program Agreement (the “Agreement”) is made and entered into by and between **SOUTHWESTERN ELECTRIC POWER COMPANY**, a Delaware corporation (hereinafter “SWEPCO”), and _____, (hereinafter “Project Sponsor”). Project Sponsor and SWEPCO are sometimes referred to in this Agreement individually as a “Party” and collectively as the “Parties.”

WHEREAS, SWEPCO has developed a Load Management Standard Offer Program (the “LMSOP”); and

WHEREAS, the LMSOP seeks to procure peak demand reduction through the interruption of electric load; and

WHEREAS, Project Sponsor has developed a plan for participation in the LMSOP through a set of proposed curtailments of interruptible load to produce a controllable and predictable amount of peak demand reduction for the current year performance period.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I: DEFINITIONS

- 1.1 “Baseline Demand Usage” is the benchmark used for calculating the Demand Savings during a Scheduled or Unscheduled Interruption. The Baseline Demand Usage shall be calculated according to the [Texas Technical Reference Manual \(TRM\) 5.0 Vol. 4 MV Protocols](#).
- 1.2 “Agreement Documents” shall mean 1) Project Sponsor’s approved on-line application (“Application”) and Customer Agreement, attached hereto as Attachment A and incorporated by reference herein, 2) the LMSOP Manual (“LMSOP Manual”), which is incorporated by reference herein, and 3) this Agreement together with any and all other exhibits, addenda, or amendments referenced in the Agreement Documents or made a part thereof in accordance with this Agreement; as the same may be amended from time to time. To the extent of any conflict between this Agreement and other Agreement Documents, the terms of this Agreement shall prevail.
- 1.3 “Capacity Interruption Incentive Rate” shall mean \$20/kW (Option A) or \$25/kW (Option B) per demand (kW) Interrupted.
- 1.4 “Customer” shall mean a SWEPCO distribution customer that owns or leases facilities at a Project Site.
- 1.5 “Demand Savings” shall mean the difference between Baseline Demand Usage and Interruption Demand Usage. For the purpose of this Agreement, the use of

the term Demand Savings may refer to Unscheduled Interruption Demand Savings and/or Scheduled Interruption Demand Savings, as appropriate.

- 1.6** “Estimated Demand Savings” shall mean: 1) the amount of demand that Project Sponsor proposes in the Application to save in a one-hour period during Summer Peak Demand Period through Interruptions that are implemented pursuant to the LMSOP and that SWEPCO approves after review of the Application and receipt of all Customer Agreements, or 2) the amount of approved Scheduled or Unscheduled Interruption Demand Savings from the Interruption, whichever is less.
- 1.7** “IDR” shall mean interval data recorder.
- 1.8** “Incentive Budget” shall mean the amount of money budgeted by SWEPCO in each calendar year of the LMSOP.
- 1.9** “Interruptible Load” shall mean the equipment, material, or systems at a Project Site that is identified in the Application as electric load that will be interrupted by the Customer at the request of SWEPCO pursuant to the LMSOP.
- 1.10** “Interruption” shall mean shutting down the electrical operation of Interruptible Load at the request of SWEPCO pursuant to the LMSOP.
- 1.11** “Interruption Demand Usage” shall mean the average demand that occurs during any one-hour (four 15-minute interval) period of an Interruption.
- 1.12** “Option A” shall include up to four (4) Unscheduled Interruptions per Performance Period.
- 1.13** “Option B” shall include up to twelve (12) Unscheduled Interruptions per Performance Period.
- 1.14** “Performance Period” shall mean the period from June 1 through September 30 of each calendar year of the LMSOP.
- 1.15** “Performance Period Payment” shall mean the payment made by SWEPCO to Project Sponsor for Demand Savings, as calculated pursuant to Article 7.3 of this Agreement.
- 1.16** “Program Manager” shall mean the SWEPCO representative assigned as the point of contact for the LMSOP as identified in Section 13.1 of this Agreement.
- 1.17** “Project Site” shall mean the location of a Customer’s Interruptible Load, as identified in the Application. For the purposes of this Agreement, multiple facilities representing Interruptible Load may be combined into one Project Site as long as they are connected to a single IDR meter. The total Interruptible Load at a Project Site must have a recorded demand history pattern of 500 kW or more and when interrupted in operation must result in a measurable and verifiable reduction in peak demand of at least 50 kW or more.

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- 1.18** “Project Sponsor’s Contact Telephone Number(s)” shall be the telephone number(s) identified in the Application as the telephone number(s) that SWEPCO will call to notify Project Sponsor of a required Interruption.
- 1.19** “PUCT” shall mean the Public Utility Commission of Texas.
- 1.20** “Scheduled Interruption” shall mean an Interruption that is pre-scheduled by SWEPCO to occur at the beginning of the Performance Period in every calendar year of the LMSOP as a test to determine the magnitude of interruptible load available at the Project Site. A Scheduled Interruption shall be for a maximum duration of one (1) hour.
- 1.21** “Scheduled Interruption Demand Savings” shall mean the difference between the Baseline Demand Usage for a Scheduled Interruption and the Interruption Demand Usage for the same Scheduled Interruption.
- 1.22** “Summer Peak Demand Period” shall mean 1 p.m. Central Standard Time to 7 p.m. Central Standard Time on Monday through Friday during the months of June through September, excluding federal holidays.
- 1.23** “Unscheduled Interruption” shall mean an Interruption that is requested by SWEPCO. Such request shall include start and end times of the Unscheduled Interruption. An Unscheduled Interruption shall be for a minimum duration of one (1) hour and shall not exceed a maximum duration of four (4) hours. There shall be no more than four (4) Unscheduled Interruptions during any one calendar month of the Performance Period.
- 1.24** “Unscheduled Interruption Demand Savings” shall mean the amount of peak demand reduction used to calculate the Performance Period Payment in every LMSOP calendar year. The Unscheduled Interruption Demand Savings for each LMSOP calendar year will be calculated the same as a scheduled Interruption using the [Texas Technical Reference Manual \(TRM\) 5.0 Vol. 4 MV Protocols](#).
- 1.25** If no Unscheduled Interruption occurs during a LMSOP calendar year, then the Unscheduled Interruption Demand Savings for that LMSOP calendar year will mean the Estimated Demand Savings amount.
- 1.26** “Verification Process” shall mean the process described in Article VI of this Agreement wherein SWEPCO calculates and verifies Baseline Demand Usage, Interruption Demand Usage, and Demand Savings.

ARTICLE II - TERM AND TERMINATION

- 2.1** The term of this Agreement shall commence on the date of execution by SWEPCO (the “Effective Date”) and, unless otherwise terminated as set forth herein, shall continue in force and effect until September 30, 2018 or until payment by SWEPCO of the Performance Period Payment due pursuant to Article VII of this Agreement, whichever is later; provided, however, that the provisions in this Agreement related to confidentiality, warranties, indemnity, audits and records, and intellectual property will survive termination.

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- 2.2** Notwithstanding anything to the contrary, SWEPCO reserves the right to terminate this Agreement and the LMSOP at any time, for any reason. Termination at will by SWEPCO shall not relieve the parties of any obligations occurring prior to the date of termination.

ARTICLE III - WARRANTIES AND REPRESENTATIONS

- 3.1** By executing this Agreement, Project Sponsor warrants and represents that it is aware of, is in compliance with, and will continue to comply for the term of this Agreement with, all of the Agreement Documents and all applicable laws and regulations related to the LMLMSOP.
- 3.2** Project Sponsor warrants and represents that the Project meets all federal, state, and local regulatory requirements, including:
- The Project will result in consistent and predictable peak demand savings over the contract term period;
 - The Application disclosed all potential adverse environmental or health effects associated with the Project, if any;
 - The Project will not result in negative environmental or health effects; and
 - The Project would not have been implemented in the absence of the LMSOP.
- 3.3** Project Sponsor acknowledges that it received a copy of the LMSOP Manual prior to submission of its Application. Project Sponsor warrants and represents that its participation in the LMSOP has at all times been in compliance with, and will continue to comply for the term of this Agreement with, the procedures and conditions set forth in the LMSOP Manual and that any failure to comply therewith may be treated as a breach of this Agreement notwithstanding the fact that such failure occurred prior to the execution of this Agreement. Project Sponsor also acknowledges that it meets or exceeds all of the qualifications required to participate in the LMLMSOP as described in the LMLMSOP Manual and that failure to meet the qualifications therein may be treated as a breach of this Agreement. Procedures or conditions set forth in the LMLMSOP Manual may only be waived or modified by written agreement of the parties. Any such Agreement shall be attached hereto and incorporated herein for all purposes.
- 3.4** Project Sponsor warrants and represents it may be limited to 35% of the Incentive Budget for any calendar year of the LMSOP.
- 3.5** Project Sponsor warrants and represents that any relevant Agreement(s) between a Customer and the Customer's retail electric provider concerning electric service to Interruptible Load do not prohibit or inhibit Interruptions.
- 3.6** Project Sponsor agrees to verify that the Curtailable Load that is being used in this Application will not be used in any other Curtailable Load or demand response program during the Summer Peak Demand Period of the Customer Agreement. This can include, without limitation, any SPP, PUCT, or any other program that is currently available. Project Sponsor will notify SWEPCO within 15 business days of any change in the status of the Curtailable Load or its

inclusion in another demand response program. Failure to notify SWEPCO of any changes in the contracted load can result in the termination of the Program participation. This does not prohibit a Project Sponsor from contracting their existing and/or future electric loads into other programs. SWEPCO reserved the right to cancel any Program participation when that contracted load has been enrolled in any other competing Curtailable Load or demand response program.

ARTICLE IV - CUSTOMER AGREEMENT

- 4.1** The receipt by SWEPCO of a Customer Agreement concerning every Customer associated with every Project Site is a condition precedent to the effectiveness of this Agreement. SWEPCO will not award incentive payments related to an Interruption at a Project Site if every Customer associated with that Project Site did not sign a Customer Agreement prior to the Interruption.

ARTICLE V - PROJECT IMPLEMENTATION

- 5.1** Project Sponsor agrees on and after the Effective Date to use all reasonable efforts to implement the Project without undue delay and otherwise in accordance with the terms of the Agreement Documents. To the extent of any conflict between this Agreement and other Agreement Documents, the terms of this Agreement shall prevail.
- 5.2** The Project will be implemented in calendar year 2018 and may be continued or discontinued after that date.
- 5.3** One (1) Scheduled Interruption shall be required to be implemented by Project Sponsor at each Project Site at the beginning of the Performance Period in each calendar year of the LMSOP. The Scheduled Interruption shall be for a maximum duration of one (1) hour.
- 5.4** All Interruptions shall be implemented at the time and for the duration specified by SWEPCO.
- 5.5** SWEPCO will notify Project Sponsor at least one (1) hour prior to the required start-time of any Interruption by calling the Project Sponsor's Contact Telephone Number(s). SWEPCO may utilize a messaging system to provide the notice required by this Article 5.5. A representative of Project Sponsor must be available to personally answer calls made to the Project Sponsor's Contact Telephone Number(s) during the Summer Peak Demand Period.
- 5.6** Project Sponsor may change the Project Sponsor's Contact Telephone Number(s) by providing notice to the Program Manager of the new Project Sponsor's Contact Telephone Number(s) a minimum of two business days prior to the date that the new Project Sponsor's Contact Telephone Number(s) is to become effective. In order for notice of a new Project Sponsor's Contact Telephone Number(s) to be valid, Project Sponsor must verify that Program Manager has actually received such notice by the above-mentioned deadline.

- 5.7** An Unscheduled Interruption shall be for a minimum duration of one hour to a maximum duration of four hours (Option A or Option B). There shall be no more than four (4) Unscheduled Interruptions during any one calendar month of the applicable Performance Period.

ARTICLE VI - VERIFICATION PROCESS

- 6.1** SWEPCO shall calculate and verify the Baseline Demand Usage, Interruption Demand Usage, and Demand Savings for each Interruption after the Program Manager receives the IDR data related to the Interruption.
- 6.2** The data used to calculate the Baseline Demand Usage, Interruption Demand Usage, and Demand Savings will be the data from IDR meters that are read, reviewed, and approved by SWEPCO.

ARTICLE VII - INCENTIVE PAYMENTS

- 7.1** SWEPCO agrees to make an incentive payment to the Project Sponsor based upon the Demand Savings derived from the Project, as further discussed in this Article.
- 7.2** The applicable incentive rates and cap on Demand Savings and the possible incentive cap are as follows:

| Capacity Interruption Incentive Rate per kW (\$/kW) | | | |
|---|---|-----------------------|-------------------------|
| Option | Performance Period Payment Incentive Rate | Demand Savings Cap | Capacity Payment Cap |
| A | \$20.00/kW | 3935 kW | \$78,750 |
| B | \$25.00/kW | 3150 kW | \$78,750 |

- 7.3** Unscheduled Interruptions - After the conclusion of the Performance Period and completion of the Verification Process for the LMSOP Year, SWEPCO shall pay the Project Sponsor the Performance Period Payment. SWEPCO will typically make the Performance Period Payment within thirty (30) days after the completion of the final Verification Process of the Performance Period. If the Unscheduled Interruption Demand Savings are equal to or less than the Estimated Demand Savings, then the Performance Period Payment will be calculated using the following equation:

$$\text{Performance Period Payment} = \text{Performance Period Payment Incentive Rate} \times \text{Unscheduled Interruption Demand Savings}$$

If the Unscheduled Interruption Demand Savings are greater than the Estimated Demand Savings, then the Performance Period Payment will be calculated using the following equation:

$$\text{Performance Period Payment} = \text{Performance Period Payment Incentive Rate} \times \text{Estimated Demand Savings}$$

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- 7.4** Notwithstanding anything to the contrary, SWEPCO may, in its sole discretion, revise the calculation of the Performance Period Payment to allow payment to Project Sponsor for an amount of Peak Demand Reduction that exceeds the amount of Estimated Demand Savings.
- 7.5** The Performance Period Payment in a LMSOP year may be limited to 35% of the Incentive Budget for that LMSOP year.
- 7.6** SWEPCO's Incentive Payment to the Project Sponsor is expressly and specifically conditioned upon SWEPCO receiving all required notices, submittals and materials from Project Sponsor within the applicable period specified in this Agreement. Failure by Project Sponsor to deliver any required notice, submittal, or material within the applicable period specified in this Agreement shall be deemed a material breach of this Agreement.

ARTICLE VIII - INSURANCE

- 8.1** Project Sponsor represents and agrees that it and its subcontractors will carry all statutorily required insurance for the protection of its employees and that each of its subcontractors will carry such insurance for the protection of their respective employees.

ARTICLE IX - INDEMNITY

- 9.1** Each Party shall indemnify, defend and hold harmless, to the fullest extent permitted by law, the other party and its affiliates, as well as its respective Directors, Officers, and Employees from and against all claims, liabilities, damages, losses, and expenses, including reasonable Attorney's fees and costs, arising out of third party claims to the extent caused by or resulting from any negligent, wrongful or willful act or omission of the Indemnifying Party or of any Officer, Agent, or Employee of the Indemnifying Party in the performance of its obligations under this Agreement.

ARTICLE X - COMPLIANCE WITH LAWS

- 10.1** Project Sponsor represents and warrants that prior to commencing implementation of the Project, Project Sponsor will, at its own cost and expense, obtain any and all permits, licenses, and/or other authorizations from governmental authorities as then may be required to in order to perform its obligations under this Agreement. If requested by SWEPCO, Project Sponsor shall furnish to SWEPCO copies of each such permit, license or other approval promptly following receipt thereof. Project Sponsor shall maintain in full force and effect all such governmental permits, licenses and other authorizations as may be necessary for the implementation of the Project in accordance herewith. Failure to maintain licenses, permits and other authorizations required to perform the work detailed in this Agreement constitutes a material breach of Project Sponsor's obligations under this Agreement
- 10.2** Project Sponsor shall be responsible for all royalties, fees, or claims for any licensed, copyrighted or similarly protected intellectual property, device, process

or procedure used, installed, or provided by it. To the fullest extent permitted by law, Project Sponsor shall defend any suit that may be brought against SWEPCO and shall hold SWEPCO harmless from any liability, damages and costs, including without limitation attorneys' fees, incurred by SWEPCO arising from or related to infringement or alleged infringement of any intellectual property used by Project Sponsor or a Customer in the implementation of the Project.

- 10.3** All work performed by Project Sponsor or a Customer in connection with the implementation of the Project shall conform to all applicable laws, statutes, ordinances, rules, regulations, and decrees of any governmental or administrative body having jurisdiction over the LMSOP or any portion of the Project.

ARTICLE XI - DEFAULT AND REMEDIES

- 11.1** Each of the following events will be deemed to be an Event of Default hereunder:
- (a) Failure of Project Sponsor to perform its responsibilities in a timely manner or implement the Project in compliance with the Agreement Documents;
 - (b) Failure of a representative of Project Sponsor to be available during all Summer Peak Demand Hours to personally answer a call from SWEPCO to the Project Sponsor Contact Telephone Number concerning notice of an Interruption.
 - (c) Project Sponsor's submission to SWEPCO of any false, misleading or inaccurate information or documentation with respect to the Application, this Agreement, or Project Sponsor's implementation of the Project, when Project Sponsor knew or reasonably should have known that such information was false, misleading or inaccurate;
 - (d) Project Sponsor's assignment or subcontracting of all or part of the duties required under the Agreement Documents without the prior written consent of SWEPCO; or
 - (e) Failure of either party in a material fashion to perform or observe any of the material terms, conditions or provisions of the Agreement Documents, which failure materially adversely affects the other party.

If an Event of Default occurs, the non-defaulting party shall be entitled to exercise any and all remedies provided for by law or in equity, including the right to terminate this Agreement upon written notice to the other party. Termination shall be effective upon the receipt of properly served notice. Termination of this Agreement will not relieve the defaulting party of any obligations accruing prior to the event of termination.

ARTICLE XII - LIMITATION OF LIABILITY

12.1 EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY NOR ANY INDIVIDUAL, CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY, ASSOCIATION, TRUST, OR OTHER BUSINESS ORGANIZATION OF ANY KIND DIRECTLY OR INDIRECTLY CONTROLLING, CONTROLLED BY, OR UNDER COMMON CONTROL WITH A PARTY AND ITS AND THEIR RESPECTIVE SHAREHOLDERS, MEMBERS, PARTNERS, OFFICERS, DIRECTORS, MANAGERS, TRUSTEES, INCORPORATORS, AGENTS, ATTORNEYS, CONSULTANTS, SERVANTS, REPRESENTATIVES, AND EMPLOYEES SHALL NOT BE LIABLE TO THE OTHER PARTY OR ANY CUSTOMER FOR ANY LOSSES, COSTS, INJURIES, LIABILITIES, EXPENSES (INCLUDING ATTORNEY'S FEES), OR CLAIMS FOR INCIDENTAL, SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES OF ANY NATURE CONNECTED WITH OR RESULTING FROM

- (i) NEGOTIATION, EXECUTION, OPERATION, OR TERMINATION OF THIS AGREEMENT;**
- (ii) PERFORMANCE OR NON-PERFORMANCE OF ANY COMMITMENT; OR**
- (iii) ANY ACTS, OMISSIONS, OR REPRESENTATIONS MADE BY THE OTHER PARTY IN CONNECTION WITH PERFORMING ANY OBLIGATION UNDER THIS AGREEMENT,**

INCLUDING WITHOUT LIMITATION, CLAIMS IN THE NATURE OF LOST REVENUES, INCOME OR PROFITS, IRRESPECTIVE OF WHETHER SUCH CLAIMS ARE BASED UPON WARRANTY, NEGLIGENCE, STRICT LIABILITY, CONTRACT, OPERATION OF LAW OR OTHERWISE AND EACH PARTY SHALL, TO THE FULLEST EXTENT OF THE LAW, PROTECT, INDEMNIFY, AND HOLD THE OTHER PARTY HARMLESS FROM SAME.

12.2 BOTH PARTIES AGREE THAT, IN THE EVENT OF (i) ANY DISPUTE THAT ARISES OUT OF THE NEGOTIATION, EXECUTION, OPERATION, OR TERMINATION OF THIS AGREEMENT AND ITS SUBJECT MATTER, WHETHER THE DISPUTE SOUNDS IN CONTRACT OR TORT, OR AS A RESULT OF A CLAIMED STATUTORY OR REGULATORY VIOLATION, OR (ii) ANY OTHER CLAIM THAT MAY ARISE OUT OF THE RELATIONSHIP OF THE PARTIES, THE PREVAILING PARTY SHALL BE ENTITLED TO RECOVER REASONABLE ATTORNEYS' FEES, EXPERT WITNESS FEES, LITIGATION EXPENSES, AND COSTS OF COURT AND/OR ALTERNATIVE DISPUTE RESOLUTION FROM THE LOSING PARTY.

ARTICLE XIII - NOTICES

- 13.1** All notices from one party to the other will be deemed to have been delivered on the date actually delivered if hand delivered or sent by United States certified mail, return receipt requested, postage prepaid or sent or delivered by such other method as will ensure evidence of its receipt to the following addresses:

AEP:

Southwestern Electric Power Company
 Attn: Mike Nix
 3708 West 7th St
 Texarkana, TX 75501

Project Sponsor:

- 13.2** Either party may change its address by written notice to the other in accordance with this Article XIII.

ARTICLE XIV - AMENDMENT

- 14.1** No amendment or modification of this Agreement shall be binding on either party unless it is in writing and signed by both parties. Amendments to this Agreement will be attached hereto and made a part hereof for all purposes.

ARTICLE XV - ALTERNATIVE DISPUTE RESOLUTION

- 15.1** **BOTH PARTIES AGREE TO RESOLVE ANY AND ALL DISPUTES THAT ARISE OUT OF THE NEGOTIATION, EXECUTION, OPERATION OR TERMINATION OF THIS AGREEMENT AND ITS SUBJECT MATTER, WHETHER THE DISPUTE SOUNDS IN CONTRACT OR TORT, OR AS A RESULT OF A CLAIMED STATUTORY OR REGULATORY VIOLATION, OR ANY OTHER CLAIM WHICH MAY ARISE OUT OF THE RELATIONSHIP OF THE PARTIES, THROUGH ALTERNATIVE DISPUTE RESOLUTION TECHNIQUES. BOTH PARTIES AGREE TO FIRST ATTEMPT TO RESOLVE DISPUTES THROUGH MEDIATION. IF, HOWEVER, SUCH DISPUTES CANNOT BE RESOLVED THROUGH MEDIATION, BOTH PARTIES AGREE TO SUBMIT SUCH DISPUTES FOR RESOLUTION THROUGH BINDING ARBITRATION, TO BE CONDUCTED BY ONE QUALIFIED INDEPENDENT ARBITRATOR THAT IS MUTUALLY SELECTED BY BOTH PARTIES, IN ACCORDANCE WITH THE COMMERCIAL ARBITRATION RULES (“RULES”) OF THE AMERICAN ARBITRATION ASSOCIATION (“AAA”) THEN IN EFFECT. IF THE PARTIES CANNOT AGREE UPON THE SELECTION OF THE ARBITRATOR, THEN EITHER PARTY MAY FILE ITS DEMAND WITH THE AAA AND THE ARBITRATION SHALL BE ADMINISTERED IN ACCORDANCE WITH ITS RULES. VENUE OF THE ARBITRATION SHALL BE THE VENUE SET FORTH IN SECTION 19.5 UNLESS THE PARTIES AGREE OTHERWISE. THIS BINDING ARBITRATION PROVISION SHALL NOT PROHIBIT OR RESTRICT EITHER PARTY FROM SEEKING EMERGENCY INJUNCTIVE OR OTHER EQUITABLE RELIEF IN THE DISTRICT COURTS OF THE COUNTY OF VENUE TO PRESERVE THE STATUS QUO. IF ANY SUCH RELIEF IS SOUGHT AND OBTAINED, THE MATTER WILL THEN BE IMMEDIATELY REFERRED TO ARBITRATION IN ACCORDANCE WITH THE**

TERMS OF THIS PROVISION FOR A HEARING ON THE MERITS OF THE RELIEF SOUGHT.

15.2 BOTH PARTIES AGREE THAT THE TERMS OF ANY AGREEMENT, SETTLEMENT, JUDGMENT OR AWARD RESULTING FROM ANY MEDIATION OR ARBITRATION PROCEEDINGS DESCRIBED IN SECTION 15.1 SHALL BE CONFIDENTIAL, AND THE PARTIES AGREE NOT TO DISCLOSE SUCH TERMS, OR ANY DRAFTS OR COMMUNICATIONS CONCERNING SUCH TERMS, TO ANY THIRD-PARTY EXCEPT AS FOLLOWS:

15.2.1 THE TERMS MAY BE DISCLOSED, BUT ONLY TO THE EXTENT REASONABLY NECESSARY, TO A PARTY'S ATTORNEYS, INSURERS, AGENTS, EMPLOYEES, AND ACCOUNTANTS, PROVIDED THAT THOSE PERSONS HAVE AGREED TO KEEP SUCH INFORMATION CONFIDENTIAL AND NOT DISCLOSE IT TO ANY OTHER PERSON OR ENTITY; OR

15.2.2 THE TERMS MAY BE DISCLOSED TO A COURT OR TRIBUNAL IN CONNECTION WITH AN ACTION TO ENFORCE ANY AGREEMENT, SETTLEMENT, JUDGMENT OR AWARD RESULTING FROM ANY MEDIATION OR ARBITRATION PROCEEDING DESCRIBED IN SECTION 15.1; OR

15.2.3 THE TERMS MAY BE DISCLOSED TO OTHERS (i) PURSUANT TO AN APPROPRIATE COURT ORDER ENTERED AFTER EVERY OTHER PARTY TO THE AGREEMENT HAS BEEN GIVEN REASONABLE NOTICE AND AN OPPORTUNITY TO BE HEARD, OR (ii) IF REQUIRED BY A GOVERNMENTAL AGENCY AFTER EVERY OTHER PARTY TO THE AGREEMENT HAS BEEN GIVEN REASONABLE NOTICE AND AN OPPORTUNITY TO BE HEARD, OR (iii) WITH THE PRIOR WRITTEN APPROVAL OF EVERY OTHER PARTY TO THE AGREEMENT.

15.2.3 THE PARTIES TO THIS AGREEMENT EACH ACKNOWLEDGE AND AGREE THAT PROJECT SPONSOR IS A GOVERNMENTAL BODY SUBJECT TO THE TEXAS PUBLIC INFORMATION ACT (CHAPTER 552 OF THE TEXAS GOVERNMENT CODE) AND THAT, IN THE CASE OF ANY CONFLICT BETWEEN THE PROVISIONS OF THIS AGREEMENT AND PROVISIONS OF THE TEXAS PUBLIC INFORMATION ACT, THE PROVISIONS OF THE TEXAS PUBLIC INFORMATION ACT SHALL CONTROL.

ARTICLE XVI - FORCE MAJEURE

- 16.1** Should either Party be rendered unable, either wholly or in part, by an event of Force Majeure, to fulfill its obligations under this Agreement, the obligation of the Party so rendered, that is affected by the event of Force Majeure, will be suspended only during the continuance of that inability. The Party so affected will give written notice of the existence, extent and nature of the Force Majeure to the other Party within forty-eight (48) hours after the occurrence of the event. The Party so affected will use its best efforts to remedy its inability as soon as possible and will provide the other Party with prompt notice when it is able to resume the performance of its obligations. Failure to give notice will result in the continuance of the affected Party's obligation regardless of the extent of any existing Force Majeure.
- 16.2** The term "Force Majeure" as used in this Agreement will mean acts of God (except as excluded herein), strikes, lockouts, or other industrial disturbances, acts of public enemies, wars, blockades, insurrections, riots, epidemics, earthquakes, fires, priority allocations of pipe or other materials or orders, restraints or prohibitions by any court, board, department, commission or agency of the United States or of any State, any arrests and restraints, civil disturbances, explosions, and inability despite reasonable diligence to obtain materials essential to this Agreement. Rain, snow, ice or other adverse weather conditions will not be considered events of Force Majeure.
- 16.3** The term "Force Majeure" does not include: events or circumstances that affect the Project but do not prevent performance, including, but not limited to, requirements, actions or failures to act on the part of governmental authorities (including the adoption or change in any rule or regulation or environmental constraints lawfully imposed by federal, state or local governmental bodies); changes in market conditions; and events or conditions attributable to normal wear and tear or flaws randomly experienced in materials and equipment and their assembly and operation, unless such events and conditions are caused by an occurrence which would fit the definition of Force Majeure set forth in Article 16.2 of this Agreement.
- 16.4** In no event will any Force Majeure extend this Agreement beyond its stated term.
- 16.5** If any Force Majeure causes a reduction in the Estimated Demand Savings, the Parties may mutually at any time agree to reduce the Estimated Demand Savings for the duration of the Force Majeure event.

ARTICLE XVII

- 17.1** If either Party hereto provides confidential information to the other in writing and identified as such, the receiving Party shall protect the confidential information from disclosure to third parties. Neither Party shall be required to hold confidential any information which (i) becomes publicly available other than through the recipient; (ii) is required to be disclosed by a governmental or judicial order, rule or regulation; (iii) is independently developed by the receiving Party as

evidenced by written records; or (iv) becomes available to the receiving Party without restriction from a third party. These obligations shall survive expiration or termination of this Agreement.

- 17.2** Should any person or entity seek to legally compel a receiving Party (by oral questions, interrogations, requests for information or documents, subpoena, civil investigative demands, regulation, statute or otherwise) to disclose any confidential information, the receiving Party will provide the disclosing Party prompt written notice so that the disclosing Party may seek a protective order or other appropriate remedy (including participating in any proceeding to which the receiving Party is a party, which receiving Party will use its reasonable business and legal efforts to permit). If, in the absence of a protective order, the receiving Party is, in the opinion of its legal counsel, compelled to disclose the confidential information, the receiving Party may disclose only such of the confidential information to the person or entity compelling disclosure as is required by applicable law, order, regulation or rule.

ARTICLE XVIII - INDEPENDENT CONTRACTOR

- 18.1** Project Sponsor will act as and be deemed to be an independent contractor. Project Sponsor will not act as, nor be deemed to be, an agent or employee of SWEPCO. Project Sponsor will have the sole right to control and directly supervise the method, manner and details of the Project providing it is in accordance with the Agreement Documents.

ARTICLE XIX - MISCELLANEOUS

- 19.1** Project Sponsor will not assign, transfer or otherwise dispose of any of its obligations or duties without the prior written approval of SWEPCO. Any assignment or transfer made without the express written approval of SWEPCO will be null and void.
- 19.2** The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by either party shall not preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise. No waiver by the parties hereto of any default or breach of any term, condition or covenant of this Agreement shall be deemed to be a waiver of any other breach of the same or any other term, condition or covenant contained herein.
- 19.3** The Agreement Documents constitute the entire Agreement between the parties with respect to the subject matter hereof and there are no express or implied warranties or representations upon which any party may rely beyond those set forth therein. The execution of this Agreement supersedes all previous agreements, discussions, communications and correspondence with respect to such subject matter.
- 19.4** In the event any provision of this Agreement is held to be void, unlawful, or otherwise unenforceable, that provision will be severed from the remainder of

the Agreement and replaced automatically by a provision containing terms as nearly like the void, unlawful, or unenforceable provision as possible; and the Agreement, as so modified, will continue to be in full force and effect.

19.5 This Agreement will be governed by, construed and enforced in accordance with the laws of the State of Texas. Except for matters and disputes with respect to which the PUCT is the sole proper venue for dispute resolution pursuant to applicable law or this Agreement, the Parties agree that the proper venue and jurisdiction for any cause of action relating to the Agreement will be in Travis County, Texas and the Parties hereto submit to the exclusive jurisdiction of the federal and state courts located in such county with respect to such matters and disputes.

19.6 Project Sponsor shall not use SWEPCO’s corporate name, trademark, trade name, logo, identity or any affiliation for any reason, including to solicit customers for participation in the Project, without SWEPCO’s prior written consent. Notwithstanding anything to the contrary, Project Sponsor may use SWEPCO’s corporate name in the Customer Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives.

**SOUTHWESTERN ELECTRIC
POWER COMPANY**

(PROJECT SPONSOR)

By: _____

By: _____

Name: Paul E Pratt

Name: _____

Title: EE & Consumer Programs Manager

Title: _____

Date: _____

Date: _____

ATTACHMENT A

SOUTHWESTERN ELECTRIC POWER COMPANY

LOAD MANAGEMENT
STANDARD OFFER PROGRAM
CUSTOMER AGREEMENT

I. Customer Information

Customer Name _____

Project Site Name _____

Project Site Address _____

City, Zip Code _____

Customer ESID _____

II. Customer Relationship with Project Sponsor

I, Customer, hereby acknowledge the following (check appropriate box):

I have entered into an Agreement with _____
(the "Project Sponsor") for interruption of interruptible load at the Project Site(s)
identified above (the "Project"). The Project Sponsor is implementing the Project
pursuant to the Southwestern Electric Power Company ("SWEPCO") Load Management
Standard Offer Program.

I am acting as my own Project Sponsor and am participating in the SWEPCO
Load Management Standard Offer Program.

III. Program Option Selection

I, Customer, hereby acknowledge I have selected to participate in the following
Program Option (check appropriate box):

OPTION A – includes up to four (4) Unscheduled Interruptions between one
and four hours per Performance Period, no more than one call per month.

OPTION B - includes up to twelve (12) Unscheduled Interruptions between
one and four hours per Performance Period, no more than 3 calls per month.

IV. Customer Agreement

CUSTOMER ACKNOWLEDGES THAT ANY REVIEW OR ACCEPTANCE BY SWEPCO OF THE PROJECT IS SOLELY FOR THE INFORMATION OF SWEPCO AND THAT, IN PERFORMING ANY SUCH REVIEW OR IN ACCEPTING THE PROJECT, SWEPCO MAKES NO REPRESENTATIONS OR WARRANTY WHATSOEVER AS TO THE ECONOMIC OR TECHNICAL FEASIBILITY, CAPABILITY, SAFETY OR RELIABILITY OF THE PROJECT.

Customer acknowledges that the Project Sponsor is an independent contractor with respect to SWEPCO and the SOP, and that the Project Sponsor is not authorized to make representations or incur obligations on behalf of SWEPCO.

Customer acknowledges that SWEPCO is not a party to this Customer Agreement or any other agreement (if any) between the Project Sponsor and the Customer and that the Project Sponsor is solely responsible for performance hereunder.

Customer agrees that SWEPCO is an intended third-party beneficiary of this Customer Agreement and, as such, may rely on representations made herein by the Customer and enforce Customer's obligations hereunder to the extent same are applicable to SWEPCO.

Customer acknowledges that SWEPCO makes no warranty or representation regarding the qualifications of the Project Sponsor and that the Customer is solely responsible for the selection of the Project Sponsor.

Customer acknowledges that it may file a complaint with the Public Utility Commission of Texas concerning the Project Sponsor, but that SWEPCO will play no role in resolving any disputes that arise between the Customer and the Project Sponsor.

Customer agrees to provide SWEPCO with access to and/or copies of Customer's utility bills, Project documentation, and any other information related to the Project that is necessary for calculation and/or verification of demand savings associated with the Project.

CUSTOMER AGREES TO RELEASE SWEPCO, ITS OFFICERS, DIRECTORS, AGENTS AND EMPLOYEES, AND EACH OF SWEPCO'S AFFILIATES AND EACH OF THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES (COLLECTIVELY REFERRED TO AS "SWEPCO"), FROM ANY AND ALL CLAIMS, LOSSES, EXPENSES, ATTORNEYS' FEES, DAMAGES, DEMANDS, JUDGMENTS, CAUSES OF ACTION, SUITS, AND LIABILITY IN TORT, AGREEMENT, OR ANY OTHER BASIS AND OF EVERY KIND AND CHARACTER WHATSOEVER (COLLECTIVELY REFERRED TO AS "CLAIMS"), REGARDLESS OF ANY STRICT LIABILITY OR NEGLIGENCE OF SWEPCO, WHETHER ACTIVE OR PASSIVE, EXCEPTING ONLY SUCH CLAIMS, DEMANDS, LOSSES, DAMAGES, COSTS, EXPENSES, LIABILITY, OR VIOLATION OF LAW OR REGULATION AS MAY BE CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SWEPCO.

IN WITNESS WHEREOF, Customer causes this Agreement to be executed by its duly authorized representative.

Signature: _____

Printed Name: _____

Title: _____

Company Name: _____

Date: _____