

I. QUALIFYING FACILITIES

Rules, Regulations or Extension Policy

A. RULES AND REGULATIONS

1. Applicability


These Rules and Regulations will apply to all qualifying facilities (QFs) of 80 MW or less maximum generation capacity, generally defined as small power production or cogeneration facilities interconnecting with the Association's electric distribution systems and making available power, energy or both to the Association.

2. Definitions

Standard service for purchase from qualifying facilities (QFs) of 25 KW or less nameplate generating capacity is defined for purposes herein as the purchase of all power, energy, or both made available to the Association by QFs interconnected with the Association's electric distribution system. Purchase of power, energy, or both from a qf with a nameplate generating capacity in excess of 25 KW will be in accordance with a contract with the Association's Wholesale Power Supplier.

a. General Definitions

- (1) "Biomass" means any organic material not derived from fossil fuels.
- (2) "Waste" means by-product materials other than biomass.
- (3) "Purchase" means the purchase of electric energy or capacity, or both from a qualifying facility by the Association.
- (4) "Sale" means the sale of electric energy or capacity, or both by the Association to a qualifying facility.
- (5) "System emergency" means a condition on the Association's system which is likely to result in imminent significant disruption of service to consumers or is imminently likely to endanger life or property.
- (6) "Rate" means any price, rate, charge, or classification made, demanded, observed or received with respect to the sale or purchase of electric energy or capacity, or any rule, regulation, or practice respecting any such rate, charge, or classification, and any contract pertaining to the sale or purchase of electric energy or capacity.


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- (7) "Avoided costs" means the costs to this Association of electric energy or capacity or both which, but for the purchase of such energy and/or capacity from a qualifying facility or qualifying facilities, this Association would purchase from another source.
- (8) "Interconnection costs" means the reasonable costs of connection, switching, metering, transmission, distribution, safety provisions and administrative costs incurred by this Association and/or its Wholesale Power Supplier directly caused by the installation and maintenance of the physical facilities necessary to permit interconnected operations with a qualifying facility, including the Association's costs of installing equipment elsewhere on the system necessitated by the interconnection, to the extent such costs are in excess of the corresponding costs which the Association would have incurred if it had not engaged in interconnected operations.
- (9) "Supplementary power" means any electric energy or capacity supplied by this Association and regularly used by a qualifying facility.
- (10) "Sale" means the sale of electric energy or capacity, or both by the Association to a qualifying facility.
- (11) "Interruptible power" means electric energy or capacity supplied by this Association subject to interruption by this Association under specified conditions.
- (12) "Maintenance power" means electric energy or capacity supplied by this Association to a qualifying facility during scheduled outages of the qualifying facility.
- (13) "Supplementary firing" means an energy input to the cogeneration facility used only in the thermal process of a topping-cycle cogeneration facility, or only in the electric generating process of a bottoming-cycle cogeneration facility.
- (14) "Useful power output" of a cogeneration facility means the electric or mechanical energy made available for use, exclusive of any such energy used in the power production process.


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- (15) "Useful thermal energy output" of a topping-cycle cogeneration facility means the thermal energy made available for use in any industrial or commercial process, or used in any heating or cooling application.
- (16) "Total energy output" of a topping-cycle cogeneration facility is the sum of the useful power output and useful thermal energy output.
- (17) "Total energy input" means the total energy of all forms supplied from external sources other than supplementary firing to the facility.
- (18) "Natural gas" means either natural gas unmixed, or any mixture of natural gas and artificial gas.
- (19) "Oil" means crude oil, residual fuel oil, natural gas liquids, or any refined petroleum products; and
- (20) "Energy input" in the case of energy in the form of natural gas or oil is to be measured by the lower heating value of the natural gas or oil.
- (21) "Utility geothermal small power production facility" means a small power production facility which uses geothermal energy as the primary energy resource and of which more than 50% is owned either:
 - (a) By an electric utility, electric utility holding company, or any combination thereof; or
 - (b) By any company 50% or more of the outstanding voting securities of which are directly or indirectly owned, controlled, or held with power to vote by an electric utility, electric utility holding company, or any combination thereof.
- (22) "Cogeneration facility" means equipment used to produce electric energy and forms of useful thermal energy (such as heat or steam), used for industrial, commercial, heating or cooling purposes, through the sequential use of energy.
- (23) "Topping-cycle cogeneration facility" means a cogeneration facility in which the energy input to the facility is first used to produce useful power output, and the reject heat from the power production is then used to provide useful thermal energy.


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- (24) "Bottoming-cycle cogeneration facility" means a cogeneration facility in which the energy input to the system is first applied to a useful thermal energy process, and the reject heat emerging from the process is then used for power production.
- (25) "Small power production facility" means equipment used to produce electrical energy and meets the requirements and criteria contained in these rules for small power production facilities.
- (26) "Firm Generating Capacity" means generating capacity that can be provided by a predetermined schedule and can be brought on line upon request within 30 minutes from a cold shutdown.
- (27) "FERC" means the Federal Energy Regulatory Commission.
- (28) "Association" will mean Mountain View Electric Assn., Inc.
- (29) "Association's Wholesale Power Supplier" will mean Tri-State Generation and Transmission Association, Inc.

b. Definitions of Qualifying Facilities

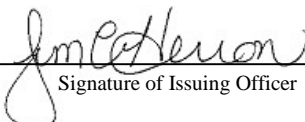
A "qualifying facility" (QF) is any small power production facility or cogeneration facility which is a qualifying facility under Section 201 of the Public Utility Regulatory Policies Act of 1978 (PURPA).

(1) Small Power Production Facilities

(a) Maximum Size Criteria

A facility where the power production capacity of the facility for which qualification is sought, together with the capacity of all other facilities which use the same energy resource, are owned by the same person, and are located at the same site, may not exceed 25 KW.

For purposes herein, facilities are considered to be located at the same site as the facility for which qualification is sought if they are located within one mile of the facility for which qualification is sought and, for hydroelectric facilities, if they use water from the same impoundment for power generation. The distance between facilities will be measured from the electrical generating equipment of each facility.


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If any qualifying facility obtains a waiver of the criteria of this paragraph from the FERC, a copy of such written waiver will be filed with the Association within 20 days of the receipt of such by the qualifying facility.

(b) Fuel Use Criteria

The primary energy source of the facility must be biomass, waste, renewable resources, geothermal resources, or any combination thereof, and 75% or more of the total energy input must be from these sources. The use of oil, natural gas, and coal by a facility may not in the aggregate, exceed 25% of its total energy input during any calendar.

Any primary energy source, which on the basis of its energy content, is 50% or more biomass will be considered biomass.

(c) Ownership Criteria

A qualifying small power production facility may not be owned by a person primarily engaged in the generation or sale of electric power (other than electric power solely from cogeneration or small power production facilities).

A qualifying small power production facility will be considered to be owned by a person primarily engaged in the generation or sale of electric power, if more than 50% of the equity interest in the facility is held by an electric utility or utilities, or by a public utility holding company, or companies, or any combination thereof. If a wholly or partially owned subsidiary of an electric utility or public utility holding company has an ownership interest in a facility, the subsidiary's ownership interest will be considered as ownership by an electric utility or public utility holding company.

(d) Exceptions

For purposes herein, a company will not be considered to be an "electric utility" if it:

- Is a subsidiary of an electric utility holding company which is exempt by rule or order adopted or issued pursuant to Section 3(a) (3) or 3 (a) (5) of the Public Utility Holding Company Act of 1935, 15 U.S.C. 79c (a) (3), 79c (a) (5); or


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-- Is declared not to be an electric utility company by rule or order of The Securities and Exchange Commission pursuant to Section 2 (a) (3) (A) of the Public Utility Holding Company Act of 1935, 15 U.S.C. subsection 79 b (a) (3) (A).

(2) Cogeneration Facilities

"Cogeneration facility" means equipment which is used to produce electric energy and forms of useful thermal energy (such as heat or steam), used for industrial, commercial, heating, or cooling purposes, through the sequential use of energy. Both topping-cycle and bottoming-cycle cogeneration facilities may qualify.

(a) Operating and Efficiency Standards For Topping and Bottoming-Cycle Facilities

Any cogeneration facility must, in order to qualify, meet the following operating and efficiency standards:

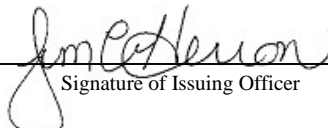
-- Topping-Cycle Cogeneration Facilities

Operating Standard

For any topping-cycle cogeneration facility, the useful thermal energy output of the facility must, during any calendar year, be no less than 5% of the total energy output.

Efficiency Standard

For any topping-cycle cogeneration facility for which any of the energy input is natural gas or oil, and the installation of which began on or after March 13, 1980, the useful power output of the facility plus 1/2 the useful thermal energy output, during any calendar year period, must, subject to the remaining requirements of this paragraph, be no less than 42.5% of the total energy input of natural gas and oil to the facility; or if the useful thermal energy output is less than 15% of the total energy output of the facility, be no less than 45% of the total energy input of natural gas and oil to the facility. For any topping-cycle cogeneration facility not subject to the above provisions of this paragraph, there is no efficiency standard.


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- **Bottoming-Cycle Cogeneration Facilities**

Efficiency Standards for Bottoming-Cycle Facilities

For any bottoming-cycle cogeneration facility for which any of the energy input as supplementary firing is natural gas or oil, and the installation of which began on or after March 13, 1980, the useful power output of the facility must, during any calendar year period, be no less than 45% of the energy input of the natural gas and oil for supplementary firing. For any bottoming-cycle cogeneration facility not covered by the above provisions, there is no efficiency standard.

- **Waiver**

The qualifying facility may apply to the Association for a waiver of the operations or efficiency standards upon a showing that the facility will produce sufficient energy savings.

(b) **Ownership Criteria**

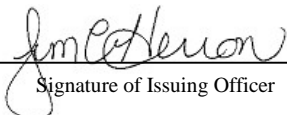
A cogeneration facility may not be owned by a person primarily engaged in the generation or sale of electric power other than electric power solely from cogeneration or small power production facilities.

A cogeneration facility will be considered to be owned by a person primarily engaged in the generation or sale of electric power, if more than 50% of the equity interest in the facility is held by an electric utility or utilities, or by a public utility holding company, or companies, or any combination thereof. If a wholly or partially owned subsidiary of an electric utility or public utility holding company has an ownership interest in facility, the subsidiary's ownership interest will be considered as ownership by an electric utility or public utility holding company.

(c) **Exceptions**

For purposes of these Rules and Regulations, a company will not be considered to be an "electric utility" company if it:

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- Is a subsidiary of an electric utility holding company which is exempt by rule or order adopted or issued pursuant to section 3 (a) (3) or 3 (a) (5) of The Public Utility Holding Company Act of 1935, 15 U.S.C. 79c (a) (3), 79c a (5); or
- Is declared not an electric utility company by rule or order of the Securities and Exchange Commission pursuant to Section 2 (a) (3) (A) of The Public Utility Holding Company Act of 1935, 15 U.S.C. subsection 79b (a) (3) (A). Copies of such declarations will be delivered to the Association.

3. Procedures For Obtaining Qualifying Status

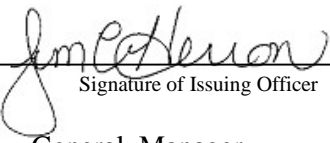
A small power production or cogeneration facility which meets the requirements and criteria for qualification set forth above and Section 2b. of these rules is a qualifying facility.

a. Information To Be Filed

The owner of any facility qualifying under these rules will file the following information with the Association:

- (1) The name and address of all owners and operators, and location of the facility;
- (2) A brief description of the facility, including a statement indicating whether the facility is a small power production or cogeneration facility. If a cogeneration facility, whether it is a topping-cycle or bottoming-cycle facility;
- (3) The primary energy source used or proposed to be used by the facility, and the energy source mix of the facility.
- (4) The power production capacity of the facility; and
- (5) The percentage of ownership of the facility by any electric utility or by any public utility holding company or by any person, corporation or entity owned by either.
- (6) The date installation of the facility began or will begin.

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b. Notification Requirements For Qualifying Facilities of 500 kW or Larger Design Capacity

Neither the Association nor its wholesale power supplier is required to purchase the electric capacity, energy, or both from a facility with a design capacity of 500 kW or more until 90 days after the facility notifies the association that it is a qualifying facility, or until 90 days after the facility has applied to The Federal Energy Regulatory Commission for certification that the facility is a qualifying facility pursuant to section 292.207 (d), FERC rules. The Association's wholesale power supplier and the qualifying facility may alter the above time periods by mutual agreement.

c. Revocation of Qualifying Status

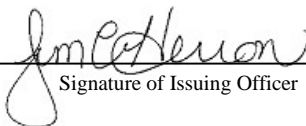
In the event that any QF has its qualifying status revoked by the Federal Energy Regulatory Commission, in accordance with Section 292.207 d of the FERC rules, the QF owner will notify the Association or its wholesale power supplier within 30 days of receipt of such notification from the FERC.

d. Substantial Alteration or Modification of the Qualifying Facility

Any small power production or cogeneration facility which applies to the FERC, pursuant to Section 292.207 (d) (2) FERC rules, for a determination that any proposed alteration or modification will not result in a revocation of qualifying status, will file the FERC determination of the application with the Association or its wholesale power supplier within 30 days after receipt thereof. Any qualifying facility owner who incorporates changes in the QF design will provide the Association or its wholesale power supplier with a revised informational filing (defined in Section 3a) within twenty-five (25) days after such changes are incorporated.

Any alteration or modification of a small power production or cogeneration facility may result in revocation of its qualifying status, if it is established that the facility, from the alteration or modification, is not operating in compliance with these Rules and Regulations, other applicable laws, or in accordance with the required contract for service.

The qualifying facility must notify the Association or its Wholesale Power Supplier of any alteration or modification within twenty-five (25) days after such modification or alteration.


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e. Transmission of Qualifying Facility Power Energy or Both to Other Electric Utilities

If the QF owner agrees, the Association or its Wholesale Power Supplier, which is otherwise obligated to purchase capacity, energy, or both from the qualifying facility, may transmit such capacity, energy, or both to any other electric utility. However, the rate for purchase of QF output by the Association or its Wholesale Power Supplier to which such capacity, energy, or both, is transmitted will be adjusted to reflect line losses. Such adjustments will be determined on a case-by-case basis by computation and will reflect whether the energy and capacity displaces other energy and capacity. The amount of capacity and energy transmitted is subject to the capability of the electric system to accept and deliver such capacity and energy. Charges, if any, for such transmission services, will be subject to agreement between the Association's wholesale power supplier and the qualifying facility owner and incorporated by reference into the associated contract for service required herein.

Any adjustments determined necessary for line losses over the Association's system will be billed or credited to the qualifying facility owner by the Association or its wholesale power supplier.

f. Resale of Capacity, Energy, or Both Provided by the Association to the Qualifying Facility

The qualifying facility owner will not resell any capacity, energy, or both provided by the Association to the qualifying facility back to the Association or to its wholesale power supplier. The Association may inspect the qualifying facility in accordance with these Rules and regulations at any time to determine if any such capacity, energy, or both resales are occurring or have occurred.

g. No Purchases Required by the Association When Excessive Costs Would Result

The Association, giving notice in accordance with the paragraphs below, will not be required to purchase electric power, energy, or both during any period which, due to operational circumstances, purchases from the qualifying facility will result in costs greater than those which the Association would incur if it did not make such purchases, but instead purchased at wholesale an equivalent amount of energy or capacity.

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h. Notice

The Association, upon effecting a cessation of purchase due to operational circumstances causing increased costs, will use its best efforts to notify the interconnected qualifying facility owner in sufficient time for the qualifying facility owner to cease the delivery of capacity, energy, or both to the Association. The Association will use its best efforts to make a telephone notification in advance of the proposed stoppage of purchases. Written notification will also be provided by the Association after the cessation of purchases and will specify the operational circumstances causing the situation. Such written notification will be within one business day after the cessation of purchases.

4. Interconnection Costs

Each qualifying facility owner will be obligated to pay the costs of interconnecting with the Association necessary to effectuate purchases of any capacity, energy, or both made available by the qualifying facility. The Association will establish, prior to the interconnection, to the extent possible, the total costs of interconnection necessary to effectuate such purchases from the qualifying facility and will advise the qualifying facility owner in writing of such costs. Where total interconnection costs cannot be determined in advance of interconnection, the Association will advise the qualifying facility owner promptly of such costs on a case-by-case basis.

At the time an applicant for qualifying status files information with the Association pursuant to paragraph 3a. of this tariff, the applicant will also make a deposit to apply toward any necessary interconnection costs, such deposit not to exceed \$200.00.

The deposit will be deducted from any necessary interconnection costs.

In the event the applicant does not qualify for, as the owner of a qualifying facility, or does not pursue his/her application for qualifying status, the deposit will be refunded, minus any necessary engineering costs incurred by the Association. The qualifying facility owner will make payment of such interconnection costs within 30 days of the invoice date.


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a. Payment Schedule for Interconnection Costs

Necessary interconnection costs incurred by the Association or its wholesale power supplier prior to the agreed interconnection date will be paid to the Association or its wholesale power supplier in full prior to interconnection equipment installation and receipt of service under this schedule. Payment for interconnection costs incurred after the date of interconnection will be paid within 30 days of the qualifying facility owner's receipt of invoice for same unless agreed otherwise in an associated contract.

b. Typical Interconnection Costs

Interconnection costs are generally defined as any costs which, but for the interconnection of the qualifying facility, would not have been incurred by the Association or its wholesale power supplier to accommodate the interconnection. Interconnection costs will typically include, but not be limited to the following:

- (1) On-site inspections prior to construction to verify safe setback and physical clearance distances.
- (2) Pre-engineering costs accrued prior to interconnection to evaluate circuit protection equipment.
- (3) Specific evaluations of qualifying facility interactions with the Association's installed regulation and circuit protection equipment.
- (4) Replacement and recoordination costs associated with the Association's equipment.
- (5) The cost of performing any requested measurements to establish baseline quality of service or subsequent measurements.
- (6) Modifications to electrical grounding necessary to correct any operational or safety problems on the Association's system caused by the qualifying facility.
- (7) Modifications of grounding to reduce electromagnetic interferences, improve radio and television reception, or operation of other electrical devices affected by the qualifying facility.
- (8) The cost for interconnection at any secondary voltage other than presently established levels.

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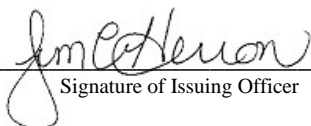
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- (9) Corrections of abnormal power factor caused by the qualifying facility. Such corrections will be made by the Association on its system at the expense of the qualifying facility. Deleterious effects on power factor will be corrected by the qualifying facility on its own system at the qualifying facility's expense.
- (10) Required disconnection equipment installed by the qualifying facility.
- (11) Fused protection of switched interconnections between major components of equipment in the qualifying facility.
- (12) The cost of protective relaying to confine the effects of faults, lightning strikes, or other abnormalities will be installed by the QF at its expense.
- (13) The cost of any equipment to correct phase voltage or load imbalances caused by the qualifying facility is an interconnection cost.
- (14) Cost of meters to measure qualifying facility generation required for billing purposes.
- (15) Liability insurance coverage for the qualifying facility in the amount the Association determines to be adequate and reasonable.
- (16) Operating, maintenance and inspection costs not included elsewhere.

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5. Standards For Operating Reliability

Qualifying facilities interconnecting with the Association's system will comply with the following minimum standards, except for facilities of less than 10 kW design capacity which will, as a minimum, comply with all Sections except 5g, 5q, and parts (3) and (4) of 5u. herein.

a. Filing of Design Information

Any person seeking to establish interconnected operations of the qualifying facility will first file detailed design information of the proposed facility with the Association prior to the interconnection. In addition, the qualifying facility owner will file one copy each of all available manufacturer's literature, equipment operating instructions, and recommendations for installation. If the information filed is not adequate for the Association to assess the impact of the proposed interconnection on its operations and/or system expansion, the Association will notify the qualifying facility owner (in writing) within 25 days of any additional information required. The qualifying facility owner will submit any such additional information requested by the Association within 25 days after receiving the request.

b. No Interconnection Until Compliance

The proposed qualifying facility will not be interconnected with the Association's system until it has established, to the satisfaction of the Association, that it complies with and has met all applicable rules set forth herein.

c. Code Certification

Each prospective qualifying facility owner will obtain, at no cost to the Association, all appropriate certification and present them to the Association to establish that the QF has met all applicable costs and construction standards. If, in the Association's opinion, additional inspections or certifications must be obtained for the qualifying facility, the Association will notify the qualifying facility owner in writing within 25 days of such needed additional certifications. In expressing its opinion regarding such certification, the Association makes no warranty, either express or implied, as to the adequacy of such codes or certifications and accepts no liability for any deficiencies on the part of the qualifying facility owner, his or her agents, representatives, or assigns.


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d. Inspections and Access

The Association may perform on-site inspection(s) on the site of the proposed qualifying facility prior to its construction to determine that minimum setback distances and physical clearances have been established. (Cost of these inspections will be included as a qualifying facility interconnection cost.)

The Association's personnel will have rights of access to the qualifying facility owner's premises to repair, maintain, or retrieve any of the Association's equipment which may be affected by the failure of either the Association's or the qualifying facility's equipment, or to make inspections at any time.

e. Coordination of Circuit Protection Equipment

Prior to the interconnection and at the time of filing complete design information, each qualifying facility owner will submit to the Association a detailed electrical and mechanical plan so that the Association may determine the safety and adequacy of the Association's installed service drops and installed circuit protection equipment. Additional interconnection protective equipment needed will be communicated in writing by the Association to the qualifying facility within 25 days.

f. Potential Effects of Operations of the Association's Equipment on the Qualifying Facility's Equipment

The Association will not be liable for the operational effects of the Association's equipment on equipment and/or systems of the qualifying facility. The Association will advise each potential qualifying facility owner within 25 days after receiving the qualifying facility's proposed design information of the necessity to install appropriate protection equipment to accommodate typical known operations of the Association's equipment.

g. Quality of Service

The Association, at the request of the qualifying facility owner, may measure the quality of service available on the premises of the proposed qualifying facility prior to interconnection. Cost of such measurements will be included as interconnection costs. The Association will provide a quality of service after the interconnection equivalent to that existing prior to the interconnection. However, the costs for any changes requested by the qualifying facility owner to improve the quality of service will be paid to the Association as interconnection costs in accordance with the contract for service.


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h. Grounding of Qualifying Facility Equipment

The Association requires that the qualifying facility owner show that certificates establishing compliance with all appropriate grounding codes (subject to the Association's approval) have been obtained prior to the interconnection. Upon request, the Association will provide the qualifying facility owner with information and guidelines regarding grounding requirements, such to be made within 25 days of the qualifying facility's request for same. In the event that improper grounding of any of the qualifying facility equipment contributes to interferences or safety hazards of any kind, it will be the responsibility of the qualifying facility owner to incorporate the necessary modifications at no expense to the Association.

i. Standards for Frequency

No interconnected qualifying facility will generate power at frequencies other than 60 Hz plus or minus .1 Nx.

The Association will not be responsible or liable for the effects of any on-site interferences caused by harmonics produced by the qualifying facility. The costs for any off-site systems equipment needed to neutralize the effects of on-site harmonic production by the qualifying facility will be paid by the qualifying facility owner to the Association as interconnection costs.

j. Interconnected Voltage Levels

The qualifying facility will be interconnected only at presently available secondary voltage levels on the Association's system unless all costs for modified interconnections are paid as a cost of interconnection.

k. Types of Generators and Inverting Equipment

The Association encourages the use of induction generators, line-commutated inverters, or other equipment which provide for a power factor of at least 0.95 leading or lagging.

Any deleterious effects caused by the qualifying facility on the Association's system due to QF equipment power factor being less than 0.95 (lead or lag) will be corrected by the Association on its system at the expense of the qualifying facility. Deleterious effects on the qualifying facility's system caused by abnormal power factor of the qualifying facility owner at no expense to the Association.


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l. Disconnection Equipment

Prior to interconnection, each qualifying facility owner will install suitable disconnection equipment which will automatically and reliably disconnect the generating equipment of the qualifying facility from the Association's lines in the event of a line outage or failure of the generating equipment of the qualifying facility. The Association may require additional protection devices which will be determined on a case-by-case basis.

m. Fused Protection and Relaying Equipment

The qualifying facility owner will install fused protection devices between major components of the equipment of the qualifying facility. Each qualifying facility owner will install sufficient protective relaying equipment to confine the effects of faults, lightning strikes, or other abnormalities within the equipment of the qualifying facility and to protect the equipment of both the qualifying facility and the Association.

n. Phasing

The interconnections of the qualifying facility will be at the present phasing available at the interconnection point unless the qualifying facility owner pays for the cost of any equipment to correct or modify circuit phasing at the point of interconnection. In the event that phase voltage unbalances greater than 7% (phase-phase), or phase power unbalances exceeding 15% from phase to phase are caused by the qualifying facility, the qualifying facility will modify its equipment to maintain phase voltages within 7% and phase loadings within 15% of each other at all times.

o. Meters

The Association will specify, supply, install, and maintain meters at cost suitable for the service rate schedule determined for the qualifying facility. The cost of such meters and their installation is an interconnection cost to be paid prior to interconnection. Costs for maintenance and calibration of the meters will be paid by the qualifying facility owner as they are incurred and billed by the Association. Meter seals will be affixed by the Association and can be removed or reaffixed only by the Association. Service under this service schedule will be provided only while proper meter seals are installed and intact. The costs for specialized meter reading or data processing needed to provide service under the appropriate schedule will be paid to the Association as they are incurred. Standard metering plans are shown in Exhibit 1.


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A. RULES AND REGULATIONS (Continued)

p. Inspections

The Association may inspect the qualifying facility from time to time at the Association's convenience to verify proper operation of all protective equipment, including relays, circuit breakers at the interconnection, and tripping breakers at the protective relays.

If, from inspection, the Association finds that the qualifying facility owner has been reselling Association energy or capacity or the protective equipment is not operating properly, the Association may immediately disconnect the qualifying facility, or may give the qualifying facility a 10-day notice of disconnection.

Association inspections to determine whether the qualifying facility has been reselling energy or capacity, or for safety, may be accomplished without prior notice and without the presence of the QF owner. At an inspection to determine safety, or if the qualifying facility owner is reselling energy or capacity, the Association may invite the qualifying facility owner to witness the inspection, but such inspection may also be conducted without the presence of the qualifying facility owner should he or she decline to participate.


The qualifying facility owner will maintain complete maintenance records, and the Association will have the right to inspect such records.

q. Qualifying Facility Generation Schedules

For all qualifying facilities other than those depending on intermittent sources of energy the QF owner will file a planned generation schedule with the Association and its wholesale power supplier for its use in coordinating normal maintenance of the distribution facilities and for generation dispatch coordination with the Association's Wholesale Power Supplier. This schedule will be received by the Association prior to the qualifying facility's first interconnected operations.

r. Siting of Qualifying Facility Equipment

All QF equipment (including interconnection devices) will be located such that the failure of any component will not cause abnormal or unsafe electrical contact with any of the Association's transmission, distribution, transformation, service drop, meters, or other utility equipment. The Association may inspect the qualifying facility equipment at any time to verify compliance with this requirement.



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A. RULES AND REGULATIONS (Continued)

s. Insurance

The QF owner agrees, at no cost to the Association to secure and maintain in effect the following insurance to protect the QF owner and the Association during the performance of the qualifying facility operation hereunder:

Comprehensive General Liability Insurance including Contractual Liability coverage for liability assumed by the QF owner in the amount of not less than \$1 million Combined Single Limit for Bodily Injury and Property Damage.

Property loss insurance in the amount of \$250,000 or greater.

Certificates of insurance evidencing such coverages and provisions required above will be furnished to the Association by the QF owner prior to interconnection and will provide that written notice be given to the Association at least thirty (30) days prior to cancellation or reduction of any coverage. The QF owner agrees to provide the Association with copies of renewals of the insurance coverage required hereunder. The Association will have the right, but not the obligation, to inspect the original policies of such insurance.

t. Indemnification

The QF owner will indemnify and hold harmless the Association and its directors, officers, and employees or authorized agents from any and all liability, damages, costs, losses, claims, demand, action and causes of action including attorney's fees and expenses for damage to the property of any person or entity, and liability arising from the death of or injury to a person or entity which is attributable in whole or in part, to the negligence or willful actions of the QF owner, its agents or employees, and which directly or indirectly results from or arises out of or in connection with the operation of the qualifying facility.


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I. QUALIFYING FACILITIES
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A. RULES AND REGULATIONS (Continued)

u. System Emergencies

(1) Qualifying Facility Energy or Capacity During an Emergency

The qualifying facility is required to provide capacity, energy, or both to the Association or its wholesale power supplier during a system emergency only to the extent:

- Provided by agreement between the qualifying facility and the Association or its wholesale power supplier or
- Ordered under Section 202(c) of the Federal Power Act.


(2) Emergency Disconnections

During any system emergency, as defined above, the Association or its wholesale power supplier may discontinue:

- Purchases from a qualifying facility if such purchases would contribute to the emergency.
- Sales to the qualifying facility, if such sales would contribute to the emergency and provided that the discontinuance is on a nondiscriminatory basis.

(3) Notification During Emergency Discontinuance

Should a discontinuance of purchases or sales to the qualifying facility be necessary due to an emergency, the Association or its wholesale power supplier will use reasonable efforts to notify the qualifying facility owner prior to the discontinuance. The qualifying facility owner will be entitled to telephone notification under this rule only if a current telephone number is provided to the Association. The Association or its wholesale power supplier will also provide written notice of the emergency discontinuance no later than three business days subsequent to the termination of the emergency causing the discontinuance. The written notice will describe the emergency, and its duration, and the reasons for the discontinuance. If the Association or its wholesale power supplier are unable to give telephone notice to the qualifying facility owner prior to the emergency



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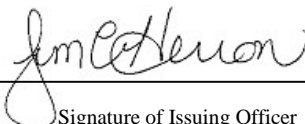
discontinuance, the Association or its wholesale power supplier will notify the qualifying facility owner by telephone by no later than the end of the next business day subsequent to the termination of the emergency, if the emergency occurs during after normal business hours. If the emergency is terminated during normal business hours, the Association or its Wholesale Power Supplier will use its best efforts to notify the qualifying facility owner by telephone no later than 2 hours subsequent to the termination of the emergency.

Unless otherwise required by contract, any qualifying facility owner discontinuing sales or purchases to the Association or its Wholesale Power Supplier will make reasonable efforts to notify the Association or its Wholesale Power Supplier by telephone prior to such discontinuance. The written notification by the qualifying facility owner will also be provided to the Association or its Wholesale Power Supplier no later than 3 business days subsequent to the termination of the emergency causing the termination of the emergency causing the discontinuance.

The written notice provided by the qualifying facility owner to the Association or its Wholesale Power Supplier will describe the emergency, its duration, and the reasons for discontinuance of operation. If the qualifying facility owner was unable to give prior telephone notice to the Association or its Wholesale Power Supplier of such discontinuance, the qualifying facility owner will notify the Association or its Wholesale Power Supplier by telephone no later than 2 hours subsequent to the termination of the emergency during normal business hours, and by the end of and no later than one business day after the termination of the emergency, if the emergency occurs during outside of normal business hours.

(4) Other Discontinuances

Prior to any other temporary discontinuance of purchases or sales, the Association or its Wholesale Power Supplier or the qualifying facility owner will notify the other party in the manner set forth in the paragraph above. Such notification will not be required if discontinuance has been previously agreed upon by the parties, or is less than 15 minutes in duration. Unless otherwise required by contract, when discontinuances are 15 minutes or less, the Association or its Wholesale Power Supplier or qualifying facility owner will provide the information required above in this rule to the other party only upon written request.


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I. QUALIFYING FACILITIES

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A. RULES AND REGULATIONS (Continued)

In the process of restoring service during an unforeseen emergency due to, for example, acts of nature, vehicular accidents, or equipment failure, the Association may exercise its right to open the disconnect switch to the qualifying facility. If so, the Assoc will, to the best of its ability, notify its Wholesale Power Supplier and the qualifying facility owner within 2 hours after the termination of the service discontinuance by telephone that the causes for the emergency have been remedied, and the Association will return its portion of the disconnect switch to the closed position.

In the event that the Association plans a service discontinuance of greater than 15 minutes in duration associated with schedule maintenance, line improvements, construction, or other common utility operations, the Association will use its best efforts to advise its Wholesale Power Supplier and all known qualifying facility owners in writing prior to the discontinuance. Such notice will include the expected duration of the discontinuance, the reasons therefore, and telephone number where a representative of the Association may be reached regarding status of the extended discontinuance. After service has been restored due to a foreseen or planned discontinuance of service, the Association will use its best efforts to advise its Wholesale Power Supplier and all known qualifying facilities of service restoration within 2 hours of same, if the restoration occurs during normal business hours, or by the close of the subsequent business day if the service restoration occurs outside of normal business hours. For such scheduled discontinuance, the Association will not be required to notify the known qualifying facility owners in writing of the restoration of service.

6. Implementation of Interconnection

The Association is party to an All Requirements Power Contract with its Wholesale Power Supplier, Tri-State Generation and Transmission Association, Inc. ("Tri-State"). The provisions of this contract require that Tri-State be involved in certain purchases by the Association of power and energy from a qualifying facility.

a. Purchaser of Qualifying Facilities Electric Capacity and Energy.

The Association will purchase electric capacity and energy from all qualifying facilities with a nameplate capacity of 25 kw or less. Tri-State will contract with the Association and the qualifying facility for purchase of electric capacity and energy from all qualifying facilities with a nameplate capacity greater than 25 kw at any one site.


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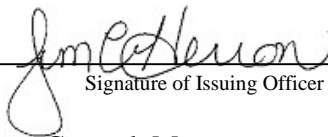
Rules, Regulations or Extension Policy

A. RULES AND REGULATIONS (Continued)

Contracts for purchase of electric capacity and energy by Tri-State will be controlled by Tri-State Board of Directors Policy No. 050, a copy of which is available from the Association or directly from Tri-State. Arrangements for facilities larger than one megawatt of installed capacity will be negotiated on a case by case basis.

b. Contract and Notification Requirements for Qualifying Facilities with Greater than 25 KW Nameplate Capacity

All qualifying facilities with a nameplate capacity greater than 25 KW will initially make application with the Association. The Association will forward a copy of the application to Tri-State, and a contract for purchase executed by the qualifying facility, the Association and Tri-State will be required before interconnection. All notification s, as set forth in these rules and regulations, will be to the Association, to Tri-State, or to both, as set forth in the contract.


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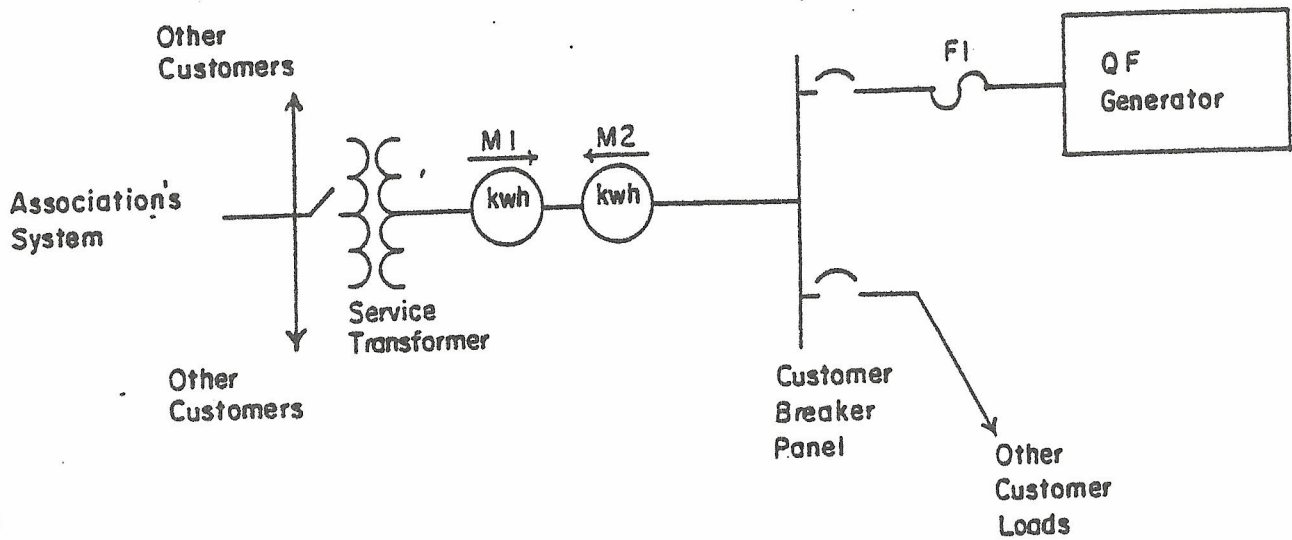
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A. RULES AND REGULATIONS (Continued)

EXHIBIT 1 A STANDARD METERING REQUIREMENT FOR QUALIFYING FACILITIES OF 100 KW OR LESS MAXIMUM GENERATING CAPACITY PROVIDING ENERGY ONLY (Interconnection at 600 Volts or Less)



M1, M2: kWh (energy) meters with detents as indicated

F1: Fuse(s) at no more than 125% of maximum in-rush current.

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Jim Peterson
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General Manager
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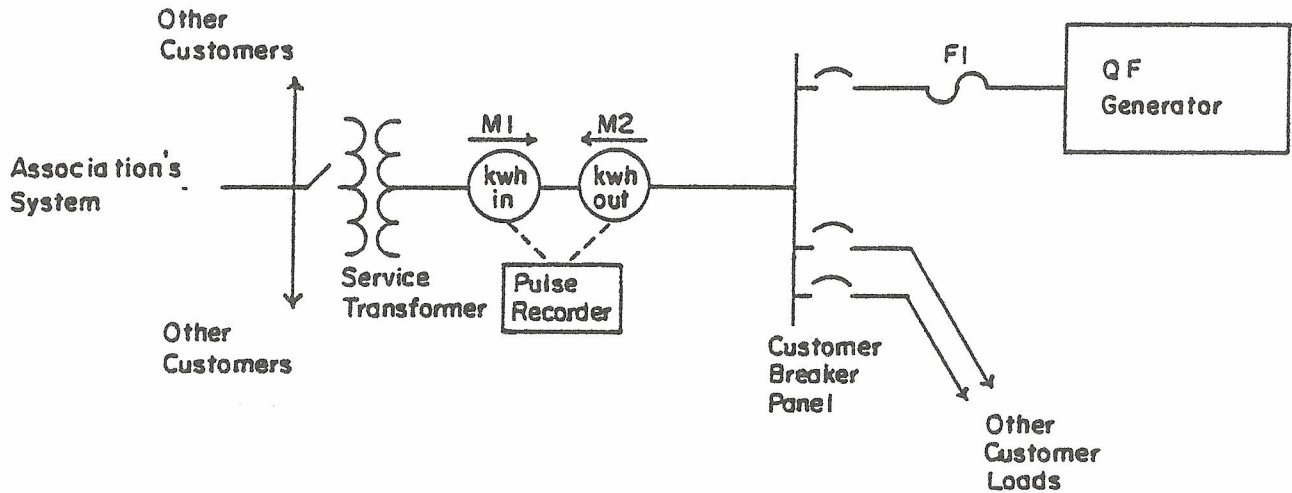
Effective Date July 1, 1985

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I. QUALIFYING FACILITIES
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A. RULES AND REGULATIONS (Continued)

EXHIBIT 1 B STANDARD METERING REQUIREMENT FOR QUALIFYING FACILITIES OF 100 KW OR LESS MAXIMUM GENERATING CAPACITY PROVIDING BOTH ENERGY AND POWER GENERATING CAPACITY (Interconnection at 600 Volts or Less)



M1, M2: Detented kWh meters with pulse indicators and detents as indicated

F1: Fuse(s) at no more than 125% of maximum in-rush current

Jim Peterson
Signature of Issuing Officer

Effective Date July 1, 1985

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General Manager
Title

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