

SPECIAL RULES GOVERNING THE APPLICATION OF RATE PAE



By order of the Alabama Public Service Commission dated May 7, 2013 in Docket #18005.

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1. A Customer shall not operate electric generating equipment in parallel with the Company's electric system unless specifically authorized in writing by the Company, consistent with the rules and regulations approved or prescribed by the Alabama Public Service Commission. Such authorization may include an Interconnection Agreement between the Company and the Customer, a parallel generator installation certification signed by the Customer and other documentation satisfactory to the Company.
2. The Company shall not be in any way responsible for the transmission or control of electrical energy beyond the point of connection to the Customer's facilities, and shall not be liable for damages on account of injuries to person (including death) or property resulting in any manner from the receipt, use, or application by the Customer of such electrical energy beyond such point of connection. If deemed necessary by the Company, or the Customer, the Customer shall provide suitable equipment on the Customer's lines to adequately protect the Company's system from lightning discharges originating on the Customer's circuits. The Customer must keep its electric generating equipment, lines, apparatus, and appliances in a safe condition and shall indemnify and save harmless the Company and its employees and contractors from all claims, suits, demands, judgments, settlements, or liability (including reasonable attorneys' fees, and court costs, as well as reasonable fees and costs incurred in enforcement of this indemnity) for injuries to persons (including death) and damage to or loss of property, that may be in anyway caused by, arising from or related to the operation and maintenance of the electric generating equipment, lines, apparatus, and appliances belonging to the Customer or service furnished to the Customer.
3. The Customer's generator output waveform shall be 60 hertz, sinusoidal, and free of harmonic components or fluctuations that may interfere with the quality of electric service to other customers of the Company. Determination of interference shall be made by the Company consistent with generally accepted or prevailing standards in the electric utility industry.
4. The Customer shall provide equipment necessary to disconnect its electric generating equipment from the Company's electric system. All such disconnection equipment and associated relay settings shall be satisfactory to the Company, consistent with generally accepted or prevailing standards in the electric utility industry, prior to operation of the Customer's electric generating equipment in parallel with the Company's electric system. All inverters that meet the requirements of UL Standard 1741 (or its successor in function) will be deemed to satisfy the disconnection equipment requirement set forth in this rule. The Company shall have no obligation to inspect the Customer's disconnection equipment, but may, at its

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option, choose to inspect the disconnection equipment for the purpose of determining that the disconnection equipment provides the necessary protection for the Company's system. The Customer shall be given actual notice before the Company undertakes any such inspection.

5. When required, the Customer shall provide and maintain, at the Customer's expense, synchronizing equipment that is satisfactory to the Company, consistent with generally accepted or prevailing standards in the electric utility industry.
6. All metering equipment necessary to meter two-way electric energy flow in excess of metering necessary for a similar consumer who does not operate electric generating equipment in parallel with the Company's electric system shall be provided, installed, and maintained by the Company at the expense of the Customer. This expense is included in the base charge portion of the rate.
7. Any modification of or additions to the Company's electric system made necessary at any time as a result of the Customer's electric generating equipment operating in parallel with the Company's electric system shall be at the expense of the Customer. If at any time changes in the characteristics of the Company's electric system make modification of, or additions to the Customer's equipment necessary, such modifications and/or additions shall also be at the expense of the Customer. The Customer shall be given actual notice before the Company undertakes any such modification of, or additions to, the Company's electric system.
8. The Customer shall permit the Company, at any time the Company deems necessary, to test the Customer's electric generating equipment, or to install or modify any equipment, facility, or apparatus, in order to insure the accuracy of the Company's metering equipment as a result of the operation of the Customer's electric generating equipment. Any such installation or modification shall be at the expense of the Customer. The Customer shall be given actual notice before the Company undertakes any test or any modification of, or additions to, the Company's electric system.
9. Any charges to and payments by the Customer for any equipment provided by the Company, or for any work performed by the Company, shall not convey title to the Customer for such facilities so required.
10. Neither the operation by the Customer of electric generating equipment in parallel with the Company's system or the inspection by the Company of such equipment or any connected lines, apparatus, or appliances, or the collection by the Company of any information related to

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such equipment, lines, apparatus, or appliances, shall constitute or otherwise be construed to provide the Company with any actual or constructive control over any part of the Customer's facilities or any actual or constructive knowledge of the existence of any existing or future defect, insufficiency or issue with the Customer's facilities, which does or might pose a potential or actual hazard.

11. Since some electric generating equipment requires relatively large amounts of reactive power from the Company's electrical system, the Company may, at its option, determine by test the actual full-load reactive requirements of the Customer's electric generating equipment and require the Customer to provide capacitors to insure unity power factor, consistent with generally accepted or prevailing standards in the electric utility industry.
12. It is the Customer's responsibility to provide for the protection of its equipment from hazards resulting from the operation of its electric generating facilities and equipment in parallel with the Company's electric system. The Company shall not be liable for damage to the Customer's generating or electrical equipment caused by the Customer's failure to provide such protection.
13. (a). For Customers with an electric generating facility that has a nameplate capacity of 25 kW or less (regardless of whether such Customer is a residential, commercial, or industrial Customer), prior to the start of any interconnection work, the Company may recommend that the Customer obtain liability insurance protecting the Customer from liability resulting from any injuries or damages caused by the Customer's installation or operation of such electric generating facilities and equipment or by the Customer's failure to maintain such electric generating facilities and equipment in satisfactory and safe operating condition.

(b). For Customers with an electric generating facility that has a nameplate capacity of more than 25 kW (regardless of whether such Customer is a residential, commercial, or industrial Customer), prior to the start of any interconnection work, the Customer shall furnish to the Company evidence of liability insurance, or equivalent security acceptable to the Company in lieu of insurance, protecting the Company, its officers, employees, agents, and representatives (the "Insured Parties") from any liability resulting from any bodily injuries or damage to or loss of property caused by the installation or operation of the Customer's electric generating facilities and equipment or by the Customer's failure to maintain such electric generating facilities and equipment in satisfactory and safe operating condition. The liability policy shall provide coverage of not less than One Million Dollars (\$1,000,000) for each accident or incident. The liability policy shall be placed with an insurance company whose financial condition and policy forms are acceptable under the standards of the Insurance Code and the Insurance Department of the State of Alabama, and shall either name the Insured Parties as named insureds or be endorsed to add the Insured Parties as additional insureds under the policy. In addition, the

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liability policy shall be endorsed with a provision whereby the insurance company will notify the Company thirty (30) days prior to the effective date of cancellation or material change in the policy.

14. The Customer must comply, and will continue to comply, with all presently existing or future regulations, rules, orders, or decisions of all governmental authorities with jurisdiction over the Customer's generating equipment and its operations.
15. The Company shall have the right to separate its electric system from the Customer's electric generating facilities and equipment for:
 - A. System emergencies and/or maintenance requirements, as determined by the Company in its sole discretion.
 - B. Hazardous conditions existing on the Customer's generating or protective equipment, as determined by the Company, in its sole discretion.
 - C. Adverse effects of the Customer's generation to the Company's other electric consumers and/or system as determined by the Company, in its sole discretion.
 - D. Failure of the Customer to secure and maintain insurance or equivalent security, as required hereunder.
 - E. Failure of the Customer to comply with any existing or future regulations, rules, orders, or decisions of any governmental or regulatory authority having jurisdiction over the Customer's electric generating equipment or the operation of such equipment.

Where possible the Company will attempt to coordinate separation from the Customer's generation and, if feasible, will give notice of the planned separation. However, the Company has the absolute right, without any prior coordination or notice, to separate its electric system from the Customer's electric generating facilities and equipment whenever the situation so warrants, in the Company's sole discretion.

16. In the event the Company separates its electric system from the Customer's generating facilities and equipment, the Customer shall not reconnect its generating facilities and equipment to the Company's system without first receiving specific written permission to do so by appropriate authorities of the Company. In no event will reconnection occur until the Company is satisfied that no conditions currently exist, or are expected to arise in the future, that would warrant separation of its electric system from the Customer's generating facilities and equipment.

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17. All contracts between the Company and customers selling electric energy to the Company under Rate PAE shall remain subject to modification or change pursuant to regulations by the Alabama Public Service Commission or its successor in function.
18. Under these Special Rules Governing Application of Rate PAE, the word "customer" means the operator of any qualifying facility under the Federal Energy Regulatory Commission rules implementing Sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978 and which sells electric energy to the Company under Rate PAE.