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## **Cogeneration/Distributed Energy Resources Policy**

To establish the application procedure and qualification criteria for all customers for the delivery, interconnection, metering and purchase of electricity from distributed generation facilities and to comply with applicable laws and rules governing qualifying facilities, distributed generation and distributed energy resources.

The Cooperative recognizes its obligation to provide an interconnection to qualifying facilities that are eligible for distributed generation and will comply with all applicable laws and rules governing distributed generation.

For purposes of this policy, the following terms have the meaning given them:

- A. **Average Retail Energy Rate** - the average of the retail energy rates, exclusive of special rates based on income, age, or energy conservation, according to the applicable rate schedule of the cooperative for sales to the class of member of which the member/qualifying facility belong.
- B. **Avoided Costs** - the incremental costs to the cooperative of electric energy or capacity or both which, but for the purchase from the qualifying facility, the cooperative would generate itself or purchase from another source.
- C. **Contract** - the written agreement between the member/qualifying facility and the cooperative, as established in the Cooperative Cogeneration Rules.
- D. **Distributed Energy Resource** – means for the purpose of this policy a distributed generation system incorporated with or without an electric storage system.
- E. **Interconnection Rules** - means any applicable Cooperative Cogeneration Rules developed in accordance with Minnesota Statutes 216B.164 and 216B.1611. This includes the issues outlined in the Cooperative Minnesota Distributed Energy Resource Interconnection Process, (C-MIP) which includes the Overview Process, the Simplified Process, the Fast Track Process and the Study Process, the Interconnection Agreement. The interconnection rules also include issues outlined in the State of Minnesota Distributed Generation Interconnection Requirements and future interconnection technical requirements that may supersede the existing technical interconnection requirements in the future.
- F. **Interconnection Application** - the form to be used by the member to submit its formal request for interconnection to the cooperative and which shall be substantially similar in form to the Simplified Process Application or Interconnection Application listed in the Cooperative Minnesota Distributed Energy Resources Interconnection Process, (C-MIP). The member signature on the interconnection application indicated the member shall follow the steps outlined in the Cooperative Cogeneration Rules and the C-MIP. The interconnection between the qualifying facility or net metered facility and the utility must comply with the technical requirements as stated in the State of Minnesota Distributed Generation Interconnection Requirements or any future technical interconnection requirements adopted by the Cooperative.
- G. **Measured Capacity** - for purposes of determining capacity, it shall be measured based on the highest fifteen (15) minute average demand of the qualifying facility in any one billing period.

- H. **Net Metering/Net Billing** - the process whereby the member and the Cooperative compensate each other based on the difference in the amount of energy each sells to the other at the net metered facility.
- I. **Net Metered Facility** - an electric generation facility constructed for the purpose of offsetting energy use through the use of renewable energy or high efficiency generation sources with a capacity of less than 40 kW AC.
- J. **Total Generator Capacity** – the nominal voltage (V), current (A), maximum active power (kWac), apparent power (kVA), and reactive power (kVAR) at which a distributed energy resource, (DER), is capable of sustained operation. For a qualifying facility with multiple units, the total generator capacity is equal to the sum of all individual DER units’ nameplate rating in the qualifying facility. The DER system’s total generation capacity may, with the Cooperative’s agreement, be limited through use of control systems, power relays or similar device settings or adjustments as identified in IEEE 1547. The member must fully, accurately and completely disclose in its interconnection application to the Cooperative, the technical specifications for any capacity limiting device contemplated and the member shall furnish the Cooperative with any factory manuals or other similar documents requested from the Cooperative regarding such limiting or other control devices which factor into the calculation of total generator capacity.
- K. In the event an inconsistency exists between terms in this policy and those established by Statute, Rule or Court Order, then the definition so established shall supersede the definition used in this policy and shall govern.

All members are eligible for distributed generation interconnection with the Cooperative's distribution system and application of net metering upon the following terms and conditions.

1. The member must meet the eligibility requirements set forth in the federal Public Utility Regulatory Policies Act of 1978 (PURPA) \*18 C.F.R. 292.303, 292.304 and Minnesota's distributed generation laws. Minn. Stat. §216B.164.
2. The member shall complete, sign and return to Cooperative either the Simplified Process Application or the Interconnection Application in the form prescribed in the Cooperative Minnesota Distributed Energy Resource Interconnection Process, (C-MIP). The Application shall be approved by Cooperative prior to the member beginning the project.
3. At the Cooperative's request, the member shall meet with an individual designated by the Cooperative for the purpose of discussing the proposed generator characteristics and allowing the Cooperatives input in sizing the load for the proposed distributed generation.
4. The member shall enter into a written contract with the Cooperative using the uniform cooperative contract contained in the Cooperative Cogeneration Rules.
5. The qualifying facility shall pay the Cooperative for all reasonable costs of interconnection including those costs outlined in Minn. Stat. §216B.164, the C-MIP, and the State of Minnesota Interconnection Technical Requirements.
6. The qualifying facility’s total generator capacity shall be less than 40 kW AC and the facility shall operate at a measured capacity of less than 40 kW AC at all times to qualify for net energy billing or roll over credit compensation.
7. The Cooperative may limit the capacity and operating characteristics of qualifying facility single phase generators in a manner consistent with the utility limitations for single phase

- motors, when necessary to avoid a qualifying facility from causing problems with the service of other customers.
8. The Cooperative may require the qualifying facility to discontinue parallel generation operations when necessary for system safety.
  9. The power output from the qualifying facility must be maintained so that frequency and voltage are compatible with normal utility service and do not cause that service to fall outside the prescribed limits of interconnection rules and other standard limitations.
  10. The qualifying facility shall keep in force liability insurance against personal or property damage due to the installation, interconnection, and operation of its electric distributed generation facilities. The amount of insurance coverage shall be the maximum amount of said insurance for a distributed energy resource as outlined in the C-MIP.
  11. Failure of the qualifying facility to operate its distributed energy resources at a measured capacity below the 40 kW AC capacity limit established by Minn. Stat. §216B.164, Sub. 3 for qualification of net-energy billing compensation and as contemplated by this policy, shall result in the following. The Cooperative will notify the member/qualifying facility of the fact that its generating equipment has failed to operate below the 40 kW AC maximum capacity and will provide the member/qualifying facility with the date, time and kW reading that substantiate this finding.
  12. The Cooperative shall compensate the member/qualifying facility for all metered electricity produced by said qualifying facility during the thirty (30) day period during which the failure occurred, at the Cooperative's Generation and Transmission Supplier's avoided cost rate.
  13. The Cooperative shall continue to pay the member/qualifying facility for subsequent electricity produced and delivered pursuant to the qualifying facility agreement, at the Cooperative's Generation and Transmission Supplier's avoided cost rate until:
    1. The problem with the qualifying facility that caused it to operate at or above the statutory maximum capacity has been remedied; and
    2. The Cooperative has been provided documentation adopted by a Minnesota Professional Engineer that confirms the problem with the qualifying facility has been remedied.
  14. Any member account eligible for net metering and the net billing rate may not be eligible for any other load management discounts unless agreed to by the Cooperative.
  15. Patronage allocations for purchases under this net-metering relationship shall be based only on the net energy amount purchased from the Cooperative for the year.
  16. Payment for the purchase of qualifying facility electricity herein shall be in the form of a credit on the member's monthly billing invoice or paid by check or electronic payment to the member within fifteen (15) days of the billing date, whichever is selected and indicated in the Contract.
  17. The member must be, and continue to be, current with payment on its electric account with Cooperative.
  18. In the event that the qualifying facility fails to meet the requirements of this policy for a total generator capacity of less than 40 kW AC, and fails to satisfy the corrective requirements set forth in Section 12 above, then Cooperative will have the right to (1) cancel the Contract with the owner of the qualifying facility, and (2) enter into a new

contract with the owner of the qualifying facility that, among other changes, adjusts the qualifying facility's rated capacity and specifies avoided cost pricing for the qualifying facility's output. To the extent that the Cooperative does not have the obligation to make purchases from qualifying facilities of 40 kW or greater due to transfer of the obligation to the Cooperative's wholesale supplier that has been approved by the Federal Energy Regulatory Commission, the new agreement will be between the Cooperative's wholesale supplier and the qualifying facility. In either case, Cooperative (and as applicable Cooperative's wholesale supplier) and the owner of the qualifying facility will cooperate in the transition from the form of contract set forth in the Cooperative's adopted cogeneration rules to a new form of contract appropriate to a qualifying facility with a capacity of 40 kW or greater.

19. Fully executed Interconnection contracts for qualifying facilities may be canceled in the event the qualifying facility fails to interconnect to Cooperative's distribution system within twelve months of signing of the interconnection contract by the qualifying facility and the Cooperative.

**RESPONSIBILITY:**

It shall be the responsibility of the CEO to implement this policy. The Management of Cooperative supports member owned distributed energy resource projects and will adhere to the laws, rules and regulations relating thereto for those projects.