

Distributed Generation/Net-Metering 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 distributed generation.

The Utility 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. **Net Metering/Net Billing** - the process whereby the customer and the utility compensate each other based on the difference in the amount of energy each sells to the other at the net metered facility.
- B. **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.
- C. **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 utility for sales to the class of customer of which the customer/qualifying facility belong.
- D. **Avoided Costs** - the incremental costs to the utility of electric energy or capacity or both which, but for the purchase from the qualifying facility, the utility would generate itself or purchase from another source.
- E. **Interconnection Rules** - means any applicable Utility Cogeneration Rules developed in accordance with Minnesota Statutes 216B.164 and 216B.1611 that include issues outlined in the State of Minnesota Interconnection Process for Distributed Generation Systems, Distributed Generation Interconnection Requirements, General Interconnection Application, Engineer Data Submittal and Interconnection Agreement.
- F. **Interconnection Application** - the form to be used by the customer to submit its formal request for interconnection to the utility and which shall be substantially similar in form to that Application attached as Exhibit A to this policy. The customer signature on the interconnection application indicated the customer shall follow the steps outlined in the Utility Cogeneration Rules and the State of Minnesota Interconnection Process for Distributed Generation System. The interconnection between the qualifying facility or net metered facility and the utility must comply with the requirements as stated in the State of Minnesota Distributed Generation Interconnection Requirements.
- G. **Contract** - the written agreement between the customer/qualifying facility and the utility, as established in the Utility Cogeneration Rules.
- H. **Total Generator Nameplate Capacity** - the total kW output of a qualifying facility's generator. For purposes of this definition total output is determined by the nameplate capacity rating, or in the event that the nameplate capacity is not less than 40 kW, then the existence of any variable speed drive or other limiting device shall be factored into determining total generator nameplate capacity. The customer must fully, accurately and completely disclose in its interconnection application to the utility, the technical specifications for any capacity limiting device contemplated and the customer shall furnish the utility with any factory manuals or

other similar documents requested from the utility regarding such limiting or other control devices which factor into the calculation of total generator nameplate capacity.

- I. **Measured Capacity** - for purposes of determining capacity, it shall be measured based on the highest fifteen (15) minute average demand of the unit in any one billing period.
- J. 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 customers are eligible for distributed generation, interconnection with the utility's distribution system and application of net metering upon the following terms and conditions.

1. The customer 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 customer shall complete, sign and return to Utility an Interconnection Application in the form prescribed in Exhibit A hereto. The Application shall be approved by Utility prior to the customer beginning the project.
3. The customer shall enter into a written contract with the Utility using the uniform utility contract contained in the Utility Cogeneration Rules.
4. The qualifying facility shall pay the Utility for all reasonable costs of interconnection including those costs outlined in Minnesota Statute 216B.164, the Minnesota Interconnection Process, and the Minnesota Interconnection Technical Requirements as established in PUC Docket CI-01-1023.
5. The qualifying facilities total generator nameplate capacity shall be less than 40 kW and the facility shall operate at a measured capacity of less than 40 kW at all times.
6. The Utility may limit the capacity and operating characteristics of distributed generation 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.
7. The Utility may require the qualifying facility to discontinue parallel generation operations when necessary for system safety.
8. 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.
9. The qualifying facility shall keep in force liability insurance against personal or property damage due to the installation, interconnection, and operation of its electric generating facilities. The amount of insurance coverage shall be the maximum amount of said insurance for a qualifying facility or net metered facility as outlined in the State of Minnesota Distributed Generation Interconnection Requirements.
10. Failure of the qualifying facility to operate its generators at a measured capacity below the 40 kW capacity limit established by M.S. 216B.164, Sub. 3 and as contemplated by this policy, shall result in the following. The Utility will notify the customer/qualifying facility of the fact that its generating equipment has failed to operate below the 40 kW maximum capacity and will provide the customer/qualifying facility with the date, time and kW reading that substantiate this finding.

11. The Utility shall compensate the customer/qualifying facility for all metered electricity produced by said qualifying facility during the thirty (30) day period during which the failure occurred, at the Utility's Generation and Transmission Supplier's avoided cost rate.
12. The Utility shall continue to pay the customer/qualifying facility for subsequent electricity produced and delivered pursuant to this distributed generation agreement, at the Utility's Generation and Transmission Supplier's avoided cost rate until:
 1. The problem with the generator that caused it to operate at or above the statutory maximum capacity has been remedied; and
 2. The Utility has been provided documentation adopted by a Minnesota Professional Engineer that confirms the problem with the generator has been remedied.
13. Any customer 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 Utility.
14. Payment for the purchase of distributed generation electricity herein shall be in the form of a credit on the customer's monthly billing invoice or paid by check or electronic payment to the customer within fifteen (15) days of the billing date, whichever is selected and indicated in the Contract.
15. The customer must be, and continue to be, current with payment on its electric account with Utility.
16. The customer must not enter into any arrangement that violates the Utility's exclusive right to provide electric service in its service area under Minnesota Statutes §216B.40.
17. In the event that the distributed generator fails to meet the requirements of this policy for a Total Generator Nameplate Capacity of less than 40 kW, and fails to satisfy the corrective requirements set forth in Section 12 above, then Utility will have the right to (1) cancel the Contract with the owner of the distributed generator, and (2) enter into a new contract with the owner of the distributed generator that, among other changes, adjusts the distributed generator's rated capacity and specifies avoided cost pricing for the distributed generator's output. To the extent that the Utility does not have the obligation to make purchases from qualifying facilities of 40 kW or greater due to transfer of the obligation to the Utility's wholesale supplier that has been approved by the Federal Energy Regulatory Commission, the new agreement will be between the Utility's wholesale supplier and the distributed generator. In either case, Utility (and as applicable Utility's wholesale supplier) and the owner of the distributed generator will cooperate in the transition from the form of contract set forth in the Utility's adopted cogeneration rules to a new form of contract appropriate to a distributed generator with a capacity of 40 kW or greater.