

POLICY NUMBER: 314

EFFECTIVE DATE: October 1985

REVIEW DATE: October 2016

SUBJECT: Distributed Generation/Net-Metering

OBJECTIVE: 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.

POLICY: Federated Rural Electric Association 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.

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

- a) Net Metering/Net Billing - *the process whereby the member and Federated Rural Electric 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 Federated Rural Electric for sales to the class of member of which the member/qualifying facility belong.*
- d) Avoided Costs - *the incremental costs to Federated Rural Electric of electric energy or capacity or both which, but for the purchase from the qualifying facility, Federated Rural Electric would generate itself or purchase from another source.*
- e) Commission Rules - *"Commission Rules" means any applicable Commission Orders that apply to the interconnection of co-generation and small power production including, but not limited to, Minnesota Rules, Chapter 7835, the Commission Order in Docket CI-01-1023. Docket CI-01-1023 includes the State of Minnesota Interconnection Process for Distributed Generation Systems, Distributed Generation Interconnection Requirements, General Interconnection Application, Engineer Data Submittal and Interconnection Agreement.*

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- f) Interconnection Application - *the form to be used by the member to submit its formal request for interconnection to Federated Rural Electric and which shall be substantially similar in form to that Application attached as Exhibit A to this policy.*
- g) Interconnection Plan - *a written submission from the member to Federated Rural Electric that is consistent with that contemplated by Minnesota Rules 7835.2900 and which sets forth the technical specifications for the generating equipment contemplated; the proposed date of interconnection; and projections of net output or consumption by the qualifying facility when available. The utility and qualifying facility or net metered facility shall follow the steps outlined in 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. This Interconnection Plan shall be contained within the Interconnection Application contemplated within Paragraph 2 of this Policy.*
- h) Contract - *the written agreement between the member/qualifying facility and Federated Rural Electric relating to the subject of distributed generation, which is substantially similar in form to that attached as Exhibit B to this policy.*
- i) 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 member must fully, accurately and completely disclose in its interconnection plan to Federated Rural Electric, the technical specifications for any capacity limiting device contemplated and the member shall furnish Federated Rural Electric with any factory manuals or other similar documents requested from Federated Rural Electric regarding such limiting or other control devices which factor into the calculation of total generator nameplate capacity.*
- j) 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.*

In the event an inconsistency exists between terms in this policy and those established by Statute, Rule, Public Utility Commission or Court Order, then the definition so established shall supersede the definition used in this policy and shall govern.

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ELIGIBILITY: All members are eligible for distributed generation, interconnection with Federated Rural Electric'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) *18C.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 Federated Rural Electric an Interconnection Application/Plan in the form prescribed in Exhibit A hereto. The Application shall be approved by Federated Rural Electric prior to the member beginning the project.
3. At Federated Rural Electric's request, the member shall meet with an individual designated by Federated Rural Electric for the purpose of discussing the proposed generator characteristics and allowing Federated Rural Electric's input in sizing the load for the proposed generator.
4. The member shall enter into a written contract with Federated Rural Electric that is in a form substantially similar to that approved by the Minnesota Rules, Chapter 7835.9910 and which is attached as Exhibit B hereto.
5. The qualifying facility shall pay Federated Rural Electric for all reasonable costs of interconnection including those costs outlined in the Minnesota Interconnection Process and the Minnesota Interconnection Technical Requirements as established in PUC Docket CI-01-1023.
6. 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 to qualify for net energy metering.
7. The qualifying facility's distributed generation system shall be installed where the primary purpose of the generator is to offset existing energy use at the established electric service account and not in situations where the primary purpose is to sell the output to Federated Rural Electric.
8. Federated Rural Electric 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.

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9. Federated Rural Electric may require the qualifying facility to discontinue parallel generation operations when necessary for system safety.
10. 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 commission rules and other standard limitations.
11. The qualifying facility shall keep in force liability insurance against personal or property damage due to the installation, inter-connection, 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 and proof of the same shall be furnished prior to interconnection of the qualifying facility to Federated Rural Electric.
12. 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:
 - A) Federated Rural Electric will notify the member/qualifying facility of the fact that its generating equipment has failed to operate below the 40 kW maximum capacity and will provide the member/qualifying facility with the date, time and kW reading that substantiate this finding.
 - B) Federated Rural Electric 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 Federated Rural Electric's Generation and Transmission Supplier's avoided cost rate.
 - C) Federated Rural Electric shall continue to pay the member/qualifying facility for subsequent electricity produced and delivered pursuant to this distributed generation agreement, at Federated Rural Electric'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

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- 2) Federated Rural Electric has been provided documentation adopted by a Minnesota Professional Engineer, that confirms the problem with the generator has been remedied.
 - 3) Federated Rural Electric reserves the right to commission the system after any changes to the qualifying facility.
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13. 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 Federated Rural Electric.
 14. Patronage allocations for purchases under this net-metering relationship shall be based only on the net energy amount purchased from Federated Rural Electric for the year.
 15. Payment for the purchase of distributed generation electricity herein shall be in the form of a credit on the member's monthly billing invoice or paid by check to the member within fifteen (15) days of the billing date, whichever is selected and indicated in the Contract.
 16. The member must be, and continue to be, current with payment on its electric account with Federated Rural Electric.
 17. Federated Rural Electric shall follow the Distributed Generation procedures that may be updated from time to time and are available for the membership to view.

RESPONSIBILITY:

It shall be the responsibility of the General Manager to implement this policy. The Management of Federated Rural Electric supports member owned distributed generation projects and will adhere to the laws, rules and regulations relating thereto for those projects with a capacity less than 40 kW.

Amended and Approved:
Date: 11/21/85 By: Board Action
Date: 10/03/11 By: Board Action
Date: 10/02/14 By: Board Action
Date: 03/28/16 By: Board Action
Date: 10/31/16 By: Board Action