LANESBORO PUBLIC UTILITY
RESOLUTION 2019-2

A resolution adopting Lanesboro Public Utilities Policy Regarding Distributed Energy Resources and Net Metering and Rules Governing the Interconnection of Cogeneration and Small Power Production Facilities.

WHEREAS, the City is served by Lanesboro Public Utilities, which is committed to providing customers with reliable and affordable power.

WHEREAS, the purpose of this Distributed Energy Resources and Net Metering Policy is to establish the qualification criteria and certain responsibilities for the delivery, interconnection, metering, and purchase of electricity from distributed generation facilities.

WHEREAS, this policy, in accordance with Minnesota Statutes §216B.164, shall be implemented to give the maximum possible encouragement to cogeneration and small power production consistent with protection of the utility's ratepayers and the public.

WHEREAS, the purpose of the Cogeneration and Small Power Production Rules is for Lanesboro Public Utility Commission and the Lanesboro City Council to implement certain provisions of Minnesota Statutes §216B.164, the Public Utility Regulatory Policies Act of 1978, and Federal Energy Regulatory Commission regulations related to customer-owned distributed energy resources.

WHEREAS, the adoption of these rules establishes that the Lanesboro Public Utility Commission and the Lanesboro City Council are the interpreting body and arbiter of the provisions of Minnesota Statutes §216B.164 for Lanesboro Public Utilities.

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WHEREAS, Lanesboro Public Utilities shall annually file a cogeneration and small power production tariff with Lanesboro Public Utility Commission and the Lanesboro City Council under these rules.

WHEREAS, the cogeneration and small power production tariff shall include a calculation of average retail utility energy rates, standard contracts to be used with qualifying facilities, interconnection process and technical requirements, and Lanesboro Public Utilities estimated average incremental energy costs and net annual avoided capacity costs.

WHERAS, all filings under these rules shall be maintained at the Lanesboro Public Utilities offices and shall be made available for public inspection during normal business hours.

THEREFORE, BE IT RESOLVED that the Lanesboro Public Utility Commission and the Lanesboro City Council adopts the following Policy Regarding Distributed Energy Resources and Net Metering and Rules Governing the Interconnection of Cogeneration and Small Power Production Facilities.

Adopted by the Lanesboro Public Utility Commission on October 15th, 2019

Adopted by the Lanesboro City Council on November 4th, 2019

Lanesboro Public Utilities
Policy
Regarding Distributed Energy Resources
and Net Metering

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

The utility recognizes its obligation to provide interconnection to eligible qualifying facilities and will comply with all applicable laws and rules governing distributed energy resources.

For purposes of this policy, the following terms have the meanings 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 utility for sales to the class of customer of which the customer/qualifying facility belongs.
B. **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.
C. **Contract** - the written agreement between the customer/qualifying facility and the utility, as established in the utility's Rules Governing Interconnection of Cogeneration and Small Power Production.
D. **Distributed energy resource (DER)** - a distributed generation system incorporated with or without an electric storage system.
E. **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 contained in the Distributed Energy Resources Interconnection Process adopted by the utility.
F. **Interconnection rules** - any applicable rules developed in accordance with Minnesota Statutes §§216B.164 and 216B.1611. This includes the utility's Rules Governing Interconnection of Cogeneration and Small Power Production. It also includes the utility's Distributed Energy Resources Interconnection Process which includes its Simplified Process, Fast Track Process, and Study Process as well as the technical requirements incorporated therein or any future technical requirements adopted by the utility.
G. **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.
H. **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.
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 kilowatts that has elected in writing to be compensated for excess generation through net metering/net billing.
J. **Total generator nameplate 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 utility's agreement, be limited thought use of control systems, power relays or similar device settings or adjustments as identified in IEEE 1547. 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 capacity.

K. **Qualifying facility** - a cogeneration or small power production facility which satisfies the conditions established in Code of Federal Regulations, title 18, part 292. The qualifying facility must be owned by a customer of the utility and located in the utility service area.

L. **Utility –** Lanesboro Public Utilities.

In the event an inconsistency exists between terms in this policy and those established by applicable 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 either the Interconnection Application or the Simplified Process Application in the form prescribed in the utility's Distributed Energy Resources Interconnection Process. The application shall be approved by the utility prior to the customer beginning the project. The customer signature on the application indicates the customer shall follow the steps outlined in the utility's interconnection rules.
3. The customer shall enter into a written contract with the utility using the uniform contract contained in the utility's Rules Governing Interconnection of Cogeneration and Small Power Production.
4. The qualifying facility shall pay the utility for all reasonable costs of interconnection including those costs outlined in Minnesota Statute 216B.164, the utility's DER Interconnection Process, and the State of Minnesota Interconnection Technical Requirements.
5. The qualifying facility's 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 metering/net billing or roll over credit compensation.
6. The utility 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.
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 utility's DER Interconnection Process.
10. Failure of the qualifying facility to operate its distributed energy resource at a measured capacity below the 40 kW AC capacity limit established by Minn. Stat. §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 AC 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 wholesale power supplier's avoided cost rate.
12. The utility shall continue to pay the customer/qualifying facility for subsequent electricity produced and delivered pursuant to the contract, at the utility's wholesale power 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/net billing is not eligible for any other load management discounts unless agreed to by the utility.
14. Payment for the purchase of the qualifying facility's 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.37-44.
17. In the event that the distributed generator fails to meet the requirements of this policy for a total distributed generation capacity of less than 40 kW AC, and fails to satisfy the corrective requirements set forth in Section 12 above, then the utility 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 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

qualifying facility. In either case, the utility (and, as applicable, the utility's wholesale supplier) and the owner of the qualifying facility will cooperate in the transition from the form of contract set forth in the utility's Rules Governing Interconnection of Cogeneration and Small Power Production to a new form of contract appropriate to a qualifying facility with a capacity of 40 kW or greater.

18. Fully executed interconnection contracts for distributed energy resources may be canceled in the event the distributed energy resource fails to interconnect to the utility's distribution system within twelve (12) months of signing of the interconnection contract by the qualifying facility and the utility.

Rules

Governing the Interconnection of

Cogeneration and Small Power Production Facilities

with

Lanesboro Public Utilities

Part A. DEFINITIONS

Subpart 1. Applicability. For purposes of these rules, the following terms have the meanings given them below.

Subp. 2. Average retail utility energy rate. "Average retail utility energy rate" means, for any class of utility customer, the quotient of the total annual class revenue from sales of electricity minus the annual revenue resulting from fixed charges, divided by the annual class kilowatt-hour sales. The computation shall use data from the most recent 12- month period available.

Subp. 3. Backup power. "Backup power" means electric energy or capacity supplied by the utility to replace energy ordinarily generated by a qualifying facility's own generation equipment during an unscheduled outage of the facility.

Subp. 4. Capacity. "Capacity" means the capability to produce, transmit, or deliver electric energy, and is measured by the number of megawatts alternating current at the point of common coupling between a qualifying facility and the utility's electric system during a 15-minute interval period.

Subp. 5. Capacity costs. "Capacity costs" means the costs associated with providing the capability to deliver energy. The utility capital costs consist of the costs of facilities from the utility and the utility's wholesale provider used to generate, transmit, and distribute electricity and the fixed operating and maintenance costs of these facilities.

Subp. 6. Customer. "Customer" means the person named on the utility electric bill for the premises.

Subp. 7. Energy. "Energy" means electric energy, measured in kilowatt-hours.

Subp. 8. Energy costs. "Energy costs" means the variable costs associated with the production of electric energy. They consist of fuel costs and variable operating and maintenance expenses.

Subp. 9. Firm power. "Firm power" means energy delivered by the qualifying facility to the utility with at least a 65 percent on-peak capacity factor in the month. The capacity factor is based upon the qualifying facility's maximum metered capacity delivered to the utility during the on-peak hours for the month.

Subp. 10. Governing body. "Governing body" means Lanesboro Public Utilities and the Lanesboro City Council.

Subp. 11. Interconnection costs. "Interconnection costs" means the reasonable costs of connection, switching, metering, transmission, distribution, safety provisions, and administrative costs incurred by the utility that are directly related to installing and maintaining the physical facilities necessary to permit interconnected operations with a qualifying facility. Costs are considered interconnection costs only to the extent that they exceed the costs the utility would incur in selling electricity to the qualifying facility as a nongenerating customer.

Subp. 12. Interruptible power. "Interruptible power" means electric energy or capacity supplied by the utility to a qualifying facility subject to interruption under the provisions of the utility's tariff applicable to the retail class of customers to which the qualifying facility would belong irrespective of its ability to generate electricity.

Subp. 13. Maintenance power. "Maintenance power" means electric energy or capacity supplied by a utility during scheduled outages of the qualifying facility.

Subp. 14. On-peak hours. "On-peak hours" means either those hours formally designated by the utility as on-peak for ratemaking purposes or those hours for which its typical loads are at least 85 percent of its average maximum monthly loads.

Subp. 15. Point of distributed energy resource (DER) connection. "Point of DER connection" means the point where the qualifying facility's generation system, including the point of generator output, is connected to the customer's electric system and meets the current definition of IEEE 1547.

Subp. 16. Purchase. "Purchase" means the purchase of electric energy or capacity or both from a qualifying facility by the utility.

Subp. 17. Qualifying facility. "Qualifying facility" means a cogeneration or small power production facility which satisfies the conditions established in Code of Federal Regulations, title 18, part 292. The initial operation date or initial installation date of a cogeneration or small power production facility must not prevent the facility from being considered a qualifying facility for the purposes of this chapter if it otherwise satisfies all stated conditions. The qualifying facility must be owned by a Customer and located in the utility service area.

Subp. 18. Sale. "Sale" means the sale of electric energy or capacity or both by the utility to a qualifying facility.

Subp. 19a. Standby charge. "Standby charge" means the charge imposed by the utility upon a qualifying facility for the recovery of costs for the provision of standby services necessary to make electricity service available to the qualifying facility.

Subp. 19b. Standby service. "Standby service" means the service to potentially provide electric energy or capacity supplied by the utility to a qualifying facility greater than 40 kW.

Subp. 20. Supplementary power. "Supplementary power" means electric energy or capacity supplied by the utility which is regularly used by a qualifying facility in addition to that which the facility generates itself.

Subp. 21. System emergency. "System emergency" means a condition on the utility's system which is imminently likely to result in significant disruption of service to customers or to endanger life or property.

Subp. 22. Utility. "Utility" means Lanesboro Public Utilities.

Part B. SCOPE AND PURPOSE

The purpose of these rules is to implement certain provisions of Minnesota Statutes, §216B.164; the Public Utility Regulatory Policies Act of 1978, United States Code, title 16, §824a-3; and the Federal Energy Regulatory Commission regulations, Code of Federal Regulations, title 18, part 292. These rules shall be applied in accordance with their intent to give the maximum possible encouragement to cogeneration and small power production consistent with protection of the ratepayers and the public.

Part C. FILING REQUIREMENTS

Annually the utility shall file for review and approval, a cogeneration and small power production tariff with the governing body. The tariff must contain schedules 1 – 4.

SCHEDULE 1.

Schedule 1 shall contain the calculation of the average retail utility energy rates to be updated annually.

SCHEDULE 2.

Schedule 2 shall contain all standard contracts to be used with qualifying facilities, containing applicable terms and conditions.

SCHEDULE 3.

Schedule 3 shall contain the utility's adopted interconnection process, safety standards, technical requirements for distributed energy resource systems, required operating procedures for interconnected operations, and the functions to be performed by any control and protective apparatus.

SCHEDULE 4.

Schedule 4 shall contain the estimated average incremental energy costs by seasonal, peak and off-peak periods for the utility's power supplier from which energy purchases are first avoided. Schedule 4 shall also contain the net annual avoided capacity costs, if any, stated per kilowatt-hour and averaged over the on-peak hours and over all hours for the utility's power supplier from which capacity purchases are first avoided. Both the average incremental energy costs and net annual avoided capacity costs shall be increased by a factor equal to 50 percent of the utility and the utility's power supplier's overall line losses due to distribution, transmission and transformation of electric energy.

Part D. AVAILABILITY OF FILINGS

All filings shall be maintained at the utility's general office and any other offices of the utility where rate tariffs are kept. The filings shall be made available for public inspection during normal business hours. The utility shall supply the current year's distributed generation rates, interconnection procedures and application form on the utility website, if practicable, or at the utility office.

Part E. REPORTING REQUIREMENTS

Annually the utility shall report to the governing body for its review and approval an annual report including information in subparts 1-3. The utility shall still comply with other federal and state reporting of distributed generation to federal and state agencies expressly required by statute.

Subpart 1. Summary of average retail utility energy rate. A summary of the qualifying facilities that are currently served under average retail utility energy rate.

Subp. 2. Other qualifying facilities. A summary of the qualifying facilities that are not currently served under average retail utility energy rate.

Subp. 3. Wheeling. A summary of the wheeling undertaken with respect to qualifying facilities.

Part F. CONDITIONS OF SERVICE

Subpart 1. Requirement to purchase. The utility shall purchase energy and capacity from any qualifying facility which offers to sell energy and capacity to the utility and agrees to the conditions in these rules.

Subp. 2. Written contract. A written contract shall be executed between the qualifying facility and the utility.

Part G. ELECTRICAL CODE COMPLIANCE

Subpart 1. Compliance; standards. The interconnection between the qualifying facility and the utility must comply with the requirements in the most recently published edition of the National Electrical Safety Code issued by the Institute of Electrical and Electronics Engineers. The interconnection is subject to subparts 2 and 3.

Subp. 2. Interconnection. The qualifying facility is responsible for complying with all applicable local, state, and federal codes, including building codes, the National Electrical Code (NEC), the National Electrical Safety Code (NESC), and noise and emissions standards. The utility shall require proof that the qualifying facility is in compliance with the NEC before the interconnection is made. The qualifying facility must obtain installation approval from an electrical inspector recognized by the Minnesota State Board of Electricity.

Subp. 3. Generation system. The qualifying facility's generation system and installation must comply with the American National Standards Institute/Institute of Electrical and Electronics Engineers (ANSI/IEEE) standards applicable to the installation.

Part H. RESPONSIBILITY FOR APPARATUS

The qualifying facility, without cost to the utility, must furnish, install, operate, and maintain in good order and repair any apparatus the qualifying facility needs in order to operate in accordance with schedule 3.

Part I. TYPES OF POWER TO BE OFFERED; STANDBY SERVICE

Subpart 1. Service to be offered. The utility shall offer maintenance, interruptible, supplementary, and backup power to the qualifying facility upon request.

Subp. 2. Standby service. The utility shall offer a qualifying facility standby power or service at the utility's applicable standby rate schedule.

Part J. DISCONTINUING SALES DURING EMERGENCY

The utility may discontinue sales to the qualifying facility during a system emergency, if the discontinuance and recommencement of service is not discriminatory.

Part K. RATES FOR UTILITY SALES TO A QUALIFYING FACILITY

Rates for sales to a qualifying facility are governed by the applicable tariff for the class of electric utility customers to which the qualifying facility belongs or would belong were it not a qualifying facility. Such rates are not guaranteed and may change from time to time at the discretion of the utility.

Part L. STANDARD RATES FOR PURCHASES FROM QUALIFYING FACILITIES

Subpart 1. Qualifying facilities with 100-kilowatt capacity or less. For qualifying facilities with capacity of 100 kilowatts or less, standard purchase rates apply. The utility shall make available four types of standard rates, described in parts M, N, O, and P. The qualifying facility with a capacity of 100 kilowatts or less must choose interconnection under one of these rates, and must specify its choice in the written contract required in part V. Any net credit to the qualifying facility must, at its option, be credited to its account with the utility or returned by check or comparable electronic payment service within 15 days of the billing date. The option chosen must be specified in the written contract required in part V. Qualifying facilities remain responsible for any monthly service charges and demand charges specified in the tariff under which they consume electricity from the utility.

Subp. 2. Qualifying facilities over 100-kilowatt capacity. A qualifying facility with more than 100-kilowatt capacity has the option to negotiate a contract with the utility or, if it commits to provide firm power, be compensated under standard rates.

Subp. 3. Grid access charge. A qualifying facility shall be assessed a monthly grid access charge to recover the fixed costs not already paid by the customer through the customer's existing billing arrangement. The additional charge shall be reasonable and appropriate for the class of customer based on the most recent cost of service study defining the grid access charge. The cost of service study for the grid access charge shall be made available for review by the customer of the utility upon request.

Part M. AVERAGE RETAIL UTILITY ENERGY RATE

Subpart 1. Applicability. The average retail utility energy rate is available only to customer-owned qualifying facilities with capacity of less than 40 kilowatts which choose not to offer electric power for sale on either a time-of-day basis, a simultaneous purchase and sale basis or roll-over credit basis.

Subp. 2. Method of billing. The utility shall bill the qualifying facility for the excess of energy supplied by the utility above energy supplied by the qualifying facility during each billing period according to the utility's applicable retail rate schedule.

Subp. 3. Additional calculations for billing. When the energy generated by the qualifying facility exceeds that supplied by the utility to the customer at the same site during the same billing period, the utility shall compensate the qualifying facility for the excess energy at the average retail utility energy rate.

Part N. SIMULTANEOUS PURCHASE AND SALE BILLING RATE

Subpart 1. Applicability. The simultaneous purchase and sale rate is available only to qualifying facilities with capacity of less than 40 kilowatts which choose not to offer electric power for sale on average retail utility energy rate basis, time-of-day basis or roll- over credit basis.

Subp. 2. Method of billing. The qualifying facility must be billed for all energy and capacity it consumes during a billing period according to the utility's applicable retail rate schedule.

Subp. 3. Compensation to qualifying facility; energy purchase. The utility shall purchase all energy which is made available to it by the qualifying facility. At the option of the qualifying facility, its entire generation must be deemed to be made available to the utility. Compensation to the qualifying facility must be the energy rate shown on schedule 4.

Subp. 4. Compensation to qualifying facility; capacity purchase. If the qualifying facility provides firm power to the utility, the capacity component must be the utility's net annual avoided capacity cost per kilowatt-hour averaged over all hours shown on schedule 4, divided by the number of hours in the billing period. If the qualifying facility does not provide firm power to the utility, no capacity component may be included in the compensation paid to the qualifying facility.

Part O. TIME-OF-DAY PURCHASE RATES

Subpart 1. Applicability. Time-of-day rates are required for qualifying facilities with capacity of 40 kilowatts or more and less than or equal to 100 kilowatts, and they are optional for qualifying facilities with capacity less than 40 kilowatts. Time-of-day rates are also optional for qualifying facilities with capacity greater than 100 kilowatts if these qualifying facilities provide firm power.

Subp. 2. Method of billing. The qualifying facility must be billed for all energy and capacity it consumes during each billing period according to the utility's applicable retail rate schedule.

Subp. 3. Compensation to qualifying facility; energy purchases. The utility shall purchase all energy which is made available to it by the qualifying facility. Compensation to the qualifying facility must be the energy rate shown on schedule 4.

Subp. 4. Compensation to qualifying facility; capacity purchases. If the qualifying facility provides firm power to the utility, the capacity component must be the capacity cost per kilowatt shown on schedule 4 divided by the number of on-peak hours in the billing period. The capacity component applies only to deliveries during on-peak hours. If the qualifying facility does not provide firm power to the utility, no capacity component may be included in the compensation paid to the qualifying facility.

Part P. ROLL-OVER CREDIT PURCHASE RATES

Subpart 1. Applicability. The roll-over credit rate is available only to qualifying facilities with capacity of less than 40 kilowatts which choose not to offer electric power for sale on average retail utility energy rate basis, time-of-day basis or simultaneous purchase and sale basis.

Subp. 2. Method of billing. The utility shall bill the qualifying facility for the excess of energy supplied by the utility above energy supplied by the qualifying facility during each billing period according to the utility's applicable retail rate schedule.

Subp. 3. Additional calculations for billing. When the energy generated by the qualifying facility exceeds that supplied by the utility during a billing period, the utility shall apply the excess kilowatt hours as a credit to the next billing period kilowatt hour usage. Excess kilowatt hours that are not offset in the next billing period shall continue to be rolled over to the next consecutive billing period. Any excess kilowatt hours rolled over that are remaining at the end of each calendar year shall cancel with no additional compensation.

Part Q. CONTRACTS NEGOTIATED BY CUSTOMER

A qualifying facility with capacity greater than 100 kilowatts must negotiate a contract with the utility setting the applicable rates for payments to the customer of avoided capacity and energy costs.

Subpart 1. Amount of capacity payments. The qualifying facility which negotiates a contract under part Q must be entitled to the full avoided capacity costs of the utility. The amount of capacity payments will be determined by the utility and the utility's wholesale power provider.

Subp. 2. Full avoided energy costs. The qualifying facility which negotiates a contract under part Q must be entitled to the full avoided energy costs of the utility. The costs must be adjusted as appropriate to reflect line losses.

Part R. WHEELING

Qualifying facilities with capacity of 30 kilowatts or greater, are interconnected to the utility's distribution system and choose to sell the output of the qualifying facility to any other utility, must pay any appropriate wheeling charges to the utility. Within 15 days of receiving payment from the utility ultimately receiving the qualifying facility's output, the utility shall pay the qualifying facility the payment less the charges it has incurred and its own reasonable wheeling costs.

Part S. NOTIFICATION TO CUSTOMERS

Subpart 1. Contents of written notice. Following each annual review and approval by the utility of the cogeneration rate tariffs the utility shall furnish in the monthly newsletter or similar mailing, written notice to each of its customers that the utility is obligated to interconnect with and purchase electricity from cogenerators and small power producers.

Subp. 2. Availability of information. The utility shall make available to all interested persons upon request, the interconnection process and requirements adopted by the utility, pertinent rate schedules and sample contractual agreements.

Part T. DISPUTE RESOLUTION

In case of a dispute between a utility and a qualifying facility or an impasse in the negotiations between them, either party may request the governing body to determine the issue.

Part U. INTERCONNECTION CONTRACTS

Subpart 1. Interconnection standards. The utility shall provide a customer applying for interconnection with a copy of, or electronic link to, the utility's adopted interconnection process and requirements.

Subp. 2. Existing contracts. Any existing interconnection contract executed between the utility and a qualifying facility with capacity of less than 40 kilowatts remains in force until terminated by mutual agreement of the parties or as otherwise specified in the contract. The governing body has assumed all dispute responsibilities as listed in existing interconnection contracts. Disputes are resolved in accordance with Part T.

Subp. 3. Renewable energy credits; ownership. Generators own all renewable energy credits unless other ownership is expressly provided for by a contract between a generator and the utility.

Part V. UNIFORM CONTRACT

The form for uniform contract that shall be used between the utility and a qualifying facility having less than 40 kilowatts of capacity is as shown in subpart 1.

Subpart 1. Uniform Contract for Cogeneration and Small Power Production Facilities. (See attached contract form.)

UNIFORM CONTRACT FOR COGENERATION AND SMALL POWER PRODUCTION FACILITIES

THIS CONTRACT is entered into _____, ___, by _____ _____, a municipal utility under Minnesota law, (hereafter called "Utility") and _____ (hereafter called "QF").

RECITALS

The QF has installed electric generating facilities, consisting of _____ _____ (Description of facilities), rated at ____kilowatts AC of electricity, on property located at _____ _____.

The QF is a customer of the Utility located within the assigned electric service territory of the Utility.

The QF is prepared to generate electricity in parallel with the Utility.

The QF's electric generating facilities meet the requirements of the rules adopted by the Utility on Cogeneration and Small Power Production and any technical standards for interconnection the Utility has established that are authorized by those rules.

The Utility is obligated under federal and Minnesota law to interconnect with the QF and to purchase electricity offered for sale by the QF.

A contract between the QF and the Utility is required.

AGREEMENTS

The QF and the Utility agree:

1. The Utility will sell electricity to the QF under the rate schedule in force for the class of customer to which the QF belongs.

2. The Utility will buy electricity from the QF under the current rate schedule filed with the city council or city-appointed governing body of the utility. The QF elects the rate schedule category hereinafter indicated:

____ a. Average retail utility energy rate.

- QF capacity must be less than 40 kW.

____ b. Simultaneous purchase and sale billing rate.

- QF capacity must be less than 40 kW.

____ c. Roll-over credits.

- QF capacity must be less than 40 kW.

____ d. Time-of-day purchase rates.

- QF capacity must be 40 kW or more and less than or equal to 100 kW.

A copy of the presently approved rate schedule is attached to this contract.

3. The rates for sales and purchases of electricity may change over the time this contract is in force, due to actions of the Utility or the State of Minnesota, and the QF and the Utility agree that sales and purchases will be made under the rates in effect each month during the time this contract is in force.

4. The Utility will compute the charges and payments for purchases and sales for each billing period. Any net credit to the QF, other than kilowatt-hour credits under clause 2(c), will be made under one of the following options as chosen by the QF.

____ a. Credit to the QF's account with the Utility.

____ b. Paid by check or electronic payment service to the QF within fifteen (15) days of the billing date.

5. Renewable energy credits associated with generation from the facility are owned by:

_____.

6. The QF must operate its electric generating facilities within any rules, regulations, and policies adopted by the Utility not prohibited by the rules governing Cogeneration and Small Power Production on the Utility's system which provide reasonable technical connection and operating specifications for the QF and are consistent with the Minnesota Public Utilities Commission's rules on Cogeneration and Small Power Production, as required under Minnesota Statutes §216B.164, subdivision 9.

7. The QF will not enter into an arrangement whereby electricity from the generating facilities will be sold to an end user in violation of the Utility's exclusive right to provide electric service in its service area under Minnesota Statutes, §216B.37-44.

8. The QF will operate its electric generating facilities so that they conform to the national, state, and local electric and safety codes, and will be responsible for the costs of conformance.

9. The QF is responsible for the actual, reasonable costs of interconnection which are estimated to be $_____. The QF will pay the Utility in this way:

_____

_____.

10. The QF will give the Utility reasonable access to its property and electric generating facilities if the configuration of those facilities does not permit disconnection or testing from the Utility 's side of the interconnection. If the Utility enters the QF's property, the Utility will remain responsible for its personnel.

11. The Utility may stop providing electricity to the QF during a system emergency. The Utility will not discriminate against the QF when it stops providing electricity or when it resumes providing electricity.

12. The Utility may stop purchasing electricity from the QF when necessary for the Utility to construct, install, maintain, repair, replace, remove, investigate, or inspect any equipment or facilities within its electric system. The Utility may stop purchasing electricity from the QF in the event the generating facilities listed in this contract are documented to be causing power quality, safety or reliability issues to the Utility’s electric distribution system.

The Utility will notify the QF before it stops purchasing electricity in this way:

_____

_____.

13. The QF will keep in force general liability insurance against personal or property damage due to the installation, interconnection, and operation of its electric generating facilities. The amount of insurance coverage will be $ _____. (The amount must be consistent with the distributed generation tariff adopted by the Utility pursuant to Minnesota Statutes §216B.1611, subdivision 3, clause 2.)

14. The QF and the Utility agree to attempt to resolve all disputes arising hereunder promptly and in a good faith manner.

15. The city council or city-appointed body governing the Utility has authority to consider and determine disputes, if any, that arise under this contract in accordance with procedures in the rules it adopts implementing Minnesota Statute §216B.164, pursuant to §216B.164, subdivision 9.

16. This contract becomes effective as soon as it is signed by the QF and the Utility. This contract will remain in force until either the QF or the Utility gives written notice to the other that the contract is canceled. This contract will be canceled thirty (30) days after notice is given. If the listed electric generating facilities are not interconnected to the Utility's distribution system within twelve months of the contract being signed by the QF and the Utility, the contract terminates. The QF and the Utility may delay termination by mutual agreement.

17. Neither the QF nor the Utility will be considered in default as to any obligation if the QF or the Utility is prevented from fulfilling the obligation due to an act of God, labor disturbance, act of public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, an order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities, or other cause beyond the QF's or Utility's control. However, the QF or Utility whose performance under this contract is hindered by such an event shall make all reasonable efforts to perform its obligations.

18. This contract can only be amended or modified by mutual agreement in writing signed by the QF and the Utility.

19. The QF must notify the Utility prior to any change in the electric generating facilities' capacity size or generating technology according to the interconnection process adopted by the Utility.

20. Termination of this contract is allowed (i) by the QF at any time without restriction; (ii) by Mutual Agreement between the Utility and the QF; (iii) upon abandonment or removal of electric generating facilities by the QF; (iv) by the Utility if the electric generating facilities are continuously non-operational for any twelve (12) consecutive month period; (v) by the Utility if the QF fails to comply with applicable interconnection design requirements or fails to remedy a violation of the interconnection process; or (vi) by the Utility upon breach of this contract by the QF unless cured with notice of cure received by the Utility prior to termination.

21. In the event this contract is terminated, the Utility shall have the rights to disconnect its facilities or direct the QF to disconnect its generating facilities.

22. This contract shall continue in effect after termination to the extent necessary to allow either the Utility or the QF to fulfill rights or obligations that arose under the contract.

23. Transfer of ownership of the generating facilities shall require the new owners and the Utility to execute a new contract. Upon the execution of a new contract with the new owners this contract shall be terminated.

24. The QF and the Utility shall at all times indemnify, defend, and save each other harmless from any and all damages, losses, claims, including claims and actions

relating to injury or death of any person or damage to property, costs and expenses, reasonable attorneys' fees and court costs, arising out of or resulting from the QF's or the Utility's performance of its obligations under this contract, except to the extent that such damages, losses or claims were caused by the negligence or intentional acts of the QF or the Utility.

25. The Utility and the QF will each be responsible for its own acts or omissions and the results thereof to the extent authorized by law and shall not be responsible for the acts or omissions of any others and the results thereof.

26. The QF's and the Utility's liability to each other for failure to perform its obligations under this contract shall be limited to the amount of direct damage actually occurred. In no event, shall the QF or the Utility be liable to each other for any punitive, incidental, indirect, special, or consequential damages of any kind whatsoever, including for loss of business opportunity or profits, regardless of whether such damages were foreseen.

27. The Utility does not give any warranty, expressed or implied, to the adequacy, safety, or other characteristics of the QF's interconnected system.

28. This contract contains all the agreements made between the QF and the Utility. The QF and Utility are not responsible other than those stated in this contract.

THE QF AND THE UTILITY HAVE READ THIS CONTRACT AND AGREE TO BE BOUND BY ITS TERMS. AS EVIDENCE OF THEIR AGREEMENT, THEY HAVE EACH SIGNED THIS CONTRACT BELOW ON THE DATE LISTED BY SIGNER.

QF

By: _____

Printed Name: _____

DATE: _____

UTILITY

By: _____

Printed Name: _____

DATE: _____

Contract Version: *February 2019*