

RIDER FOR DISTRIBUTED GENERATION

RIDER FOR DISTRIBUTED GENERATION **(DG1)**

Adopted March 29, 2005

Revised: April 25, 2006

Revised: April 26, 2016

APPLICATION

The Rider for Distributed Generation is applicable as follows to any Customer taking service under one of the Cooperative's standard electric rate schedules and who has entered into an Electric Service Agreement with Cooperative for the interconnection and operation of an on-site extended parallel distributed generation system:

1. The distributed generation system must be an operable, permanently installed or mobile generation facility connected in parallel to the utility distribution system serving the customer receiving retail electric service at the same site.
2. The distributed generation system must be fueled by either natural gas, a renewable fuel, or another similarly clean fuel or combination of fuels.
3. The distributed generation system cannot have more than 10 MW of interconnected capacity at a point of common coupling to Cooperative's distribution system.
4. The interconnection and operation of the distributed generation system at each point of common coupling shall be considered as a separate application of the Rider.
5. All provisions of the applicable standard service schedule shall apply to distributed generation service under this Rider except as noted below.

In lieu of service under this Rider, Customer and Cooperative may pursue reasonable transactions outside the Rider; or Customer may take service, as applicable, under Cooperative's Rider for Parallel Generation as established under Minnesota Rules 7835 – Cogeneration and Small Power Production.

DEFINITIONS

Customer is an entity receiving retail electric service from Cooperative at the same site as the distributed generation system.

Extended Parallel means the distributed generation system is designed to remain connected with the Cooperative's distribution system for an extended period of time.

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Scheduled Maintenance service is energy, or energy and capacity, supplied by the Cooperative during scheduled maintenance of the Customer's non-utility source of electric energy supply (distributed generation system).

Unscheduled Outage service is energy, or energy and capacity, supplied by the Cooperative during unscheduled outages of the Customer's non-utility source of electric energy supply (distributed generation system).

All other definitions shall be as described in Cooperative's Distributed Generation Interconnection Requirements and Interconnection Process for Distributed Generation Systems.

CHARGES FOR SERVICE

Services provided under this Rider may include services from the Cooperative to Customer and from Customer to Cooperative. The following rates, charges, credits and payments are applicable for such services in addition to all applicable charges for service being taken under Cooperative's standard rate schedule:

Service Charge

A monthly service charge, equal to the service charge contained in the base tariff to which this Rider is attached, will be applied to this Rider to recover costs of administering this Rider.

Distributed Generation (DG) Grid Access Charge

The Distributed Generation (DG) Grid Access Charge applies to all distributed generation systems under 40 kW with an active interconnection agreement executed after April 1, 2016. Each new DG system, including additions to an existing system or complete replacement, requires its own separately executed interconnection agreement. The DG Grid Access Charge will be based on the Cooperative's fixed costs not already paid for by the Customer. The Cooperative will use its year end Form 7 to develop the DG Grid Access Charge on an annual basis or during any change implemented to the fixed cost charge during the year.

The Distributed Generation (DG) Grid Access Charge is billed monthly based on the nameplate capacity of the DG system above the first 3.5KW of nameplate capacity. Capacity is determined by the design capacity for packaged systems and the DC kW capacity of the inverter for inverter grid-tied systems. The DG Grid Access Charge will not exceed the Cooperative's fixed costs to serve the Customer based on the most recent cost of service study utilizing the current year end Form 7 report.

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A document outlining the current Grid Access Charge and the Form 7 calculation will be available to members to review.

Example Calculation of the DG Grid Access Charge:

Nameplate capacity system	10 kW
Less: Exempt nameplate capacity	3.5 kW
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Equals kW subject to Grid Access Charge	6.5 kW

$6.5\text{kW} * \text{Current DG Grid Access Charge/kW} = \$\text{Total monthly DG Grid Access Charge}$

The Cooperative is given the authority to recover the costs of service through Minn. Stat. §216B.164, Subd. 3: Purchases; small facilities.

Services from Cooperative to Customer

Interconnection Services

Interconnection services include services such as engineering/design studies, Cooperative system upgrades and testing as further described in Cooperative's Distributed Generation Interconnection Requirements and Interconnection Process for Distributed Generation Systems. Charges for such interconnection services shall be as described in the Cooperative's Distributed Generation Interconnection Requirements and Interconnection Process for Distributed Generation Systems.

Supply Services

Supply services include standby services such as scheduled maintenance, unscheduled outages and supplemental service as provided under Cooperative's Rider for Standby Service.

Transmission Services

Transmission services include reservation and delivery of capacity and energy on either a firm or non-firm basis and those ancillary services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation over Transmission Providers' Transmission System. These ancillary services include services such as Scheduling, System Control and Dispatch Service, Reactive Supply and Voltage Control from Generation Sources, Regulation and Frequency Response, Generator Imbalance, Operating Reserve – Spinning Reserve and Operating Reserve – Supplemental Reserve. Transmission Services are provided as applicable under Cooperative's wholesale power supplier's approved Open Access Transmission Tariff (OATT).

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Distribution Services

Distribution services include reservation and delivery of capacity and energy and those indirect services that are necessary to support the delivery of capacity and energy over Cooperative's distribution system. These indirect services include allocated support services or expenses such as operation and maintenance, customer accounts, customer service and information, administrative and general, depreciation, interest and taxes. Customers requiring contracted distribution standby service of more than 60 kW and/or delivery of energy and capacity over Cooperative's distribution system to a third party will be charged for such distribution services at a rate equal to the distribution charge specified in the Cooperative's Rider for Standby Service.

Services from Customer to Cooperative

Capacity/Energy

Customer may sell all of the energy produced by the distributed generation system to the Cooperative, use all the distributed generation energy to meet its own electrical requirements, or use a portion of the energy from the distributed generation system to meet its own electrical needs and sell the remaining energy to the Cooperative.

If the Customer offers to sell energy to the Cooperative, then such energy and capacity will be purchased by the Cooperative's wholesale power supplier under the rates, terms and conditions for such purchases as established by the wholesale power supplier.

Distribution Credits

A distribution credit may be given if the distributed generation system allows the Cooperative to defer or avoid distribution system upgrades. Distribution credits to the Customer should equal the Cooperative's avoided distribution costs resulting from the installation and operation of the distributed generation system. The Cooperative shall provide, upon Customer's written request, areas of the distribution system that could be likely candidates for distribution credits as determined through the Cooperative's normal planning process. The Cooperative shall also provide to the Customer the minimum size distributed generation system required in each of the areas to qualify for the distribution credit along with general operational requirements necessary for the distributed generation system to meet, so as to be able to receive distribution credits.

Upon receiving an interconnection application from the Customer for a distributed generation interconnection, along with a written request for distribution credits, the Cooperative will complete an initial screening study to determine if the project has the potential to receive distribution credits. The Customer shall be responsible for the cost of the screening study. If the Cooperative's study shows that there exists potential for distribution credit, the Cooperative shall, at its own expense, pursue further study to determine the distribution credit, as part of its annual distribution planning study. If the

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study cannot be incorporated as part of the Cooperative's annual distribution planning study, then such a study shall be pursued with Customer's approval at Customer's expense. If distribution credits are identified, then such credits will be paid in conjunction with an agreement with the Customer to supply distribution support utilizing the Customer's generation system.

Renewable Credits

If Customer installs a renewable distributed generation system and the Cooperative's wholesale power supplier's purchase of energy and capacity from such facility allows the wholesale power supplier to avoid the need to purchase renewable energy elsewhere, then the purchase of such renewable energy and capacity will reflect the avoided cost of renewable purchases as provided under the wholesale power supplier's applicable rates, terms and conditions for such purchases.

Tradable Emissions Credits

If the purchase of energy and capacity by the Cooperative's wholesale power supplier under the "must buy" provision described above results in the wholesale power supplier receiving an economic value associated with tradable emissions, then tradable emissions credits will be provided to Customer under terms established by the wholesale power supplier that reflects the economic value of such emission credits received by the wholesale power supplier.

TERMS AND CONDITIONS OF SERVICE

The following terms and conditions apply to this Rider:

1. Service hereunder is subject to Cooperative's Interconnection Process for Distributed Generation Systems and Distributed Generation Interconnection Requirements as may be modified from time-to-time.
2. Cooperative will install all metering equipment necessary to monitor services provided to ensure adequate measurements are obtained to support necessary application of rates, charges, credits and payments. Customer will be charged an up-front lump sum for the installed cost of such metering equipment and expected future operation and maintenance expenses for this metering equipment.
3. The Customer will be compensated monthly for all energy delivered to Cooperative's wholesale power supplier. The timing for these payments is subject to annual review.

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4. The Customer shall make provision for on-site metering. All energy received from and delivered to the Cooperative shall be separately metered. The Cooperative may require metering of the generation output.
5. The Customer shall pay for all interconnection costs incurred by the Cooperative made necessary by the installation of the distributed generation system.
6. Power and energy purchased by the Customer from the Cooperative shall be under the applicable retail rates for the purchase of electricity.
7. The Cooperative reserves the right to disconnect the Customer's generator from its system if it interferes with the operation of the Cooperative's equipment or with the equipment of other Cooperative Customers.
8. The Customer shall execute an Electric Service Agreement with the Cooperative which may include, among other provisions, a minimum term of service.

BILLING AND TERMS OF PAYMENT

Billing and terms of payment shall be governed as set forth in the Cooperative's applicable base rate schedule.

To the extent that Cooperative receives service from Customer under this Rider, payment for such services shall be netted against any charges for Cooperative-supplied services hereunder.