



Date Adopted: 10/28/08

Date Revised:

Date Reviewed:

Policy 504B

Interconnection and Direct Energy Purchase of Customer Generation Facilities

PURPOSE

Mid-Yellowstone Electric recognizes that its members may want to take advantage of alternative on-site generation sources. This policy outlines the means and requirements for interconnection and direct energy purchase of this generation with the Mid-Yellowstone Electric distribution lines. While this policy primarily assesses interconnection options, it is recognized that a member may generate without interconnecting to the Cooperative lines.

AVAILABILITY and REQUIREMENTS

When a member desires to interconnect to the Cooperative's grid the following requirements must be met:

- 1) An interconnection and operating agreement outlining specific terms and conditions with the Cooperative is required.
- 2) If larger than 10 kW, the Generation source proposal may be required to undergo an engineering study for interconnection feasibility and for required upgrades of the transmission and/or distribution system and associated costs. The costs of this engineering study would be billed to the member-generator.
- 3) Generation output for direct purchase may be required to meet the definition of "Qualifying Facility" (QF) as defined in the Public Utilities Regulatory Policy Act of 1978 (PURPA) and provided PURPA continues to be enforceable under federal law.
- 4) Small distribution systems may have limited ability to purchase energy output.

INTERCONNECTION OUTPUT PURCHASES

- Member-owned Generation, meeting PURPA's definition of "qualifying facilities" and produced for sale to the Cooperative, is the interconnection of member-owned generation from a renewable or other QF source to Cooperative facilities. A qualifying facility "QF" is generally defined as generation utilizing a renewable source or from cogeneration when energy that would otherwise be wasted is harnessed to generate electricity. QF is specifically defined by FERC Order No. 70-70E, Order 499-499-A, Order No. 575-575A and Order No. 593.
- Output purchases from non-QF sources may also be considered, depending upon type of resource, location, price, transmission and distribution system impacts and other factors.

Purchase interconnections shall be within the following guidelines:

- The generation may be stand alone or may provide part or all of the member's own electrical requirements at the service.
- Metering is required that is appropriate to measure power flow in both directions and is capable of meeting requirements established by the engineering study.
- Charges for power delivered by the Cooperative shall be billed monthly at the appropriate retail rate. Power sold to the cooperative by the member-generator will be purchased at the Cooperative's avoided cost.
- Monthly facilities charges will be assessed for distribution and transmission services.
- The Generator will be required to sign an interconnection agreement with the Cooperative.



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- Interconnection agreements must be consistent with the Cooperative's all requirements wholesale power contracts and policies.
- An advance payment by the member-generator for engineering studies may be required, at the discretion of the Cooperative. Any engineering studies must be accepted by the Cooperative prior to interconnection.
- The member-generator will be required to pay all costs incurred by the Cooperative prior to interconnection for upgrades to the Cooperative's system.
- The member-generator may be paid for capacity in addition to energy at the Cooperative's avoided cost, factoring the following considerations into the establishment of avoided cost (the factors may result in increases or decreases):
 - Cost of capacity (demand)
 - Cost of imbalance
 - Cost of scheduling if impacted
 - Cost of voltage regulation
 - Cost of other ancillary services if impacted
 - Those transmission costs billed on a capacity basis