

POLICY

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Distributed Generation/Net-Metering

POLICY STATEMENT

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.

DEFINITIONS

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 through 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** - Owatonna 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.

## TERMS AND CONDITIONS

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.

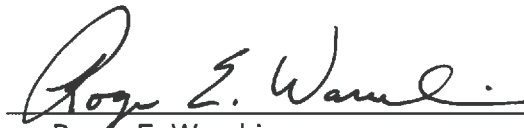
- 17. In the event that the distributed generator fails to meet the requirements of this policy for a total distributed generation capacity of less than 40 kW AC, and fails to satisfy the corrective requirements set forth in Section 12 above, then the Utility will have the right to (1) cancel the contract 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.


EFFECTIVE DATE                      June 17, 2019

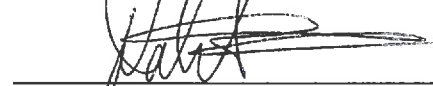
These rates apply to all billings made after the effective date. Consumption will not be pro-rated.

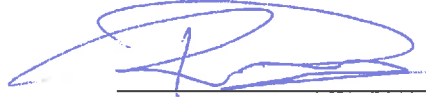
Adopted this 28rd day of May, 2019 by the Owatonna Public Utilities Commission,


  
 \_\_\_\_\_, President.  
 Kent D. Rossi

  
 \_\_\_\_\_  
 Roger E. Warehime  
 General Manager

  
 \_\_\_\_\_  
 Matt Kottke  
 Vice President

  
 \_\_\_\_\_  
 Dale Simon  
 Commissioner

  
 \_\_\_\_\_  
 Randall J. Doyal  
 Commissioner

  
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 Dena Keilman  
 Commissioner

Effective: March 1, 2018  
 Revisions:  
 June 17, 2019