



SECTION: MEMBER POLICIES

POLICY NO. 407-ADDENDA A

*Addenda A to Policy 407 –  
Statement of Power Supply Purchases from Distributed Resources*

**PUBLIC UTILITY REGULATORY POLICIES ACT (PURPA) QUALIFYING  
FACILITIES – JOINT IMPLEMENTATION PLAN**

I. OBJECTIVE

- A. This policy describes Lake Region Electric Cooperative’s (LREC) operational policy for Qualifying Cogeneration and Small Power Production Facilities.

II. PURPOSE

- A. To provide compliance by LREC with the requirements of Sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978, as amended and all governmental regulations lawfully promulgated thereunder (“PURPA”).
- B. To provide compliance by LREC with the requirements of Minnesota Statute 216B.164 and Minnesota Rules 7835, as amended, and all governmental regulations lawfully promulgated thereunder.
- C. To offer a fair, reasonable and nondiscriminatory procedure through which LREC may interconnect with qualifying cogeneration and small power production facilities in accordance with the requirements of PURPA and Minnesota rules and regulations.
- D. To provide for joint implementation with Great River Energy (“GRE”) of PURPA requirements for electric utilities.

III. PROCEDURE

- A. The provisions of this policy will extend to all facilities defined by the Federal Energy Regulatory Commission (“FERC”) as qualifying cogeneration facilities or small power production facilities located within the service territory of LREC and interconnected to the portion of LREC’s utility system that is interconnected to GRE’s transmission system.
  - 1. Qualifying Cogeneration Facility: Cogeneration is the combined production of electric energy and useful heat by the sequential use of energy from one fuel source. A qualifying cogeneration facility is one

which meets the ownership test as well as the operating and efficiency standards and all other definitional requirements of PURPA.

2. **Qualifying Small Power Production Facility:** A small power production facility is a facility generating no more than 80,000 kilowatts (“kW”) of electric power through the employment of renewable resources such as water power, solar energy, wind energy, geothermal energy, biomass or waste, as a primary fuel and meeting all other definitional requirements of PURPA.
  3. **Qualifying Facility:** A Qualifying Facility (“QF”) means any qualifying cogeneration facility or qualifying small power production facility that has received certification from FERC, or completed FERC’s process for self-certification, as a Qualifying Facility.
- B. LREC will interconnect with and operate in parallel with any QF that satisfies the State of Minnesota’s and LREC's applicable rules, regulations and policies.
1. LREC will utilize the State of Minnesota’s standard Interconnection Agreement for all QFs requesting interconnection of a generation system to LREC's utility system.
  2. LREC will execute agreements and coordinate processes for interconnection, metering and reporting with QFs interconnected to LREC's utility system.
  3. LREC and GRE will calculate applicable rates and avoided costs in accordance with Minnesota §§216B.164 and Minnesota Rules 7835.
  4. LREC will provide QF meter data to GRE in a manner and format sufficient to facilitate GRE’s purchase of capacity, energy and RECs from QF’s and [Cooperative’s] purchase of wholesale electricity from GRE.

IV. POLICY – PURCHASES FROM QFs

A. Summary of Rate Eligibility\*

<b>QF Capacity</b>	<b>Provides Firm Power<sup>1</sup></b>	<b>Energy Rates</b>	<b>Capacity Rates</b>
< 40 kW	Yes or No	Net Energy Billing, Simultaneous Purchase/Sale, or Time-Of-Day	
40 kW - < 100 kW	Yes	Time-Of-Day	Time-Of-Day
	No	Time-Of-Day	N/A
100 kW +	Yes	Time-Of-Day, or Negotiated	Time-Of-Day, or Negotiated
	No	Negotiated	N/A

\* *Developed from rules as described in Minnesota Rules 7835. Subject to change as required by applicable laws, rules and regulations.*

<sup>1</sup> Minnesota Rules 7835.0100 Subp. 9 - *“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 on-peak metered capacity delivered to the utility during the month.”*

- B. For a QF having less than 40 kW capacity:
1. LREC will net meter the energy produced by the QF with the electric consumption of the QF, upon terms and conditions as set forth in the rules, regulations and policies of LREC.
  2. LREC will execute with the QF the Uniform Statewide Contract specified in Minnesota Rules 7835.9910 and purchase all energy and capacity made available by the QF.
    - a) All such purchases of net input from the QF will be treated as being made on behalf of GRE pursuant to Minnesota §§216B.164 Subd 3(e).
  3. Net Energy Billing Rate: If elected by the QF, then all net input by the QF into LREC's utility system shall be compensated each billing period at the applicable average retail utility energy rate for LREC.
  4. Simultaneous Purchase and Sale Rates: If elected by the QF, then:
    - a) All energy made available by the QF to LREC shall be compensated at GRE's system average incremental energy costs, and
    - b) If the QF provides Firm Power then all capacity made available by the QF to LREC shall be compensated at GRE's net annual avoided capacity cost per kilowatt-hour averaged over all hours.
  5. Time-Of-Day Rates: If the QF elects neither Net Energy Billing nor Simultaneous Purchase and Sale Rates, then:
    - a) All energy made available by the QF to LREC shall be compensated at GRE's on-peak and off-peak system incremental energy costs, and
    - b) If the QF provides Firm Power, then all capacity made available by the QF to LREC shall be compensated at GRE's net annual avoided capacity cost per kilowatt-hour averaged over the on-peak hours.
- C. For a QF having 40 kW or more capacity, but less than 100 kW capacity:
1. GRE will enter into an agreement with the QF to purchase all energy and capacity made available by the QF pursuant to the Joint PURPA Implementation Plan between GRE and LREC.
  2. Time-Of-Day Rates:
    - a) All energy made available by the QF to GRE shall be compensated at GRE's on-peak and off-peak system incremental energy costs, and

- b) If the QF provides Firm Power, then all capacity made available by the QF to GRE shall be compensated at GRE's net annual avoided capacity cost per kilowatt-hour averaged over the on-peak hours.
- D. For a QF having 100 kW or greater capacity:
  - 1. GRE will enter into an agreement with the QF to purchase all energy and capacity made available by the QF pursuant to the Joint PURPA Implementation Plan between GRE and LREC.
  - 2. Time-Of-Day Rates: For a QF that provides Firm Power, if the QF elects:
    - a) All energy made available by the QF to GRE shall be compensated at GRE's on-peak and off-peak system incremental energy costs, and
    - b) If the QF provides Firm Power, then all capacity made available by the QF to GRE shall be compensated at GRE's net annual avoided capacity cost per kilowatt-hour averaged over the on-peak hours.
  - 3. Negotiated Rates: If a QF does not provide Firm Power, or is otherwise eligible but does not elect, Time-Of-Day Rates, then all energy and capacity made available by the QF to GRE shall be compensated at rates negotiated by the QF and GRE.
- E. Renewable Energy Credits ("RECs")
  - 1. GRE will purchase all Renewable Energy Credits ("RECs") made available by the QF, provided that:
    - a) QF produces energy from an "Eligible Energy Technology" as defined in Minnesota §§216B.1691,
    - b) QF registers with and receives transferrable RECs from the Midwest Renewable Energy Tracking System ("M-RETS"), and
    - c) QF enters into an agreement with GRE and transfers RECs, tradable emission credits, green tags and all other associated renewable and environmental attributes to GRE.
  - 2. REC Rates: All REC's made available by the QF and transferred to GRE shall be compensated at GRE's avoided cost rate per kilowatt-hour for RECs.

## V. ADMINISTRATION

- A. LREC will communicate this policy to all employees.
- B. LREC will make this policy accessible to the public.
- C. This policy will be updated by LREC in coordination with GRE as needed to remain compliant with applicable statutes, rules and regulations.

- D. In the event this policy is in conflict with the requirements of PURPA, or any other applicable federal or state law or regulation, the applicable law or regulation shall be controlling. In all instances, this policy shall be construed and administered to be in compliance with all applicable federal and state laws and regulations.

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Charles Kvale, Chair

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January 30, 2014

Date