

Ordinance # 61

CITY OF SHELLY
SHELLY MUNICIPAL LIGHT DEPARTMENT
SHELLY, MINNESOTA

SERVICE RULES AND REGULATIONS
FOR
COGENERATION AND
SMALL POWER PRODUCTION
FACILITIES

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ELECTRIC SERVICE AGREEMENT

with
Operator of Small Power Production
Facility or Cogeneration Facility

THIS CONTRACT IS ENTERED INTO _____, 19____, by
Shelly Municipal Light Department (hereafter called "Utility") and
_____ (hereafter called "QF").

RECITALS

The QF has installed electric generating facilities, consisting of

(description of facilities), rated at less than 40 kilowatts of
electricity, on property located at _____
_____.

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

The QF's electric generating facilities meet the requirements of the
Minnesota Public Utilities Commission (hereafter called "Commission")
rules on Cogeneration and Small Power Production and any standards the
Utility has established under 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 by the
Commission's rules.

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 on file. The QF has elected the following rate schedule
category:
 - _____ a. A rate based on an estimate of the Utility's present
and future avoided cost made at the time the
contract is signed; or
 - _____ b. A rate based on the Utility's actual avoided cost as
determined at the beginning of each calendar year.

A copy of the presently filed 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 of the Commission. 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 will be made under one of the following options as chosen by the QF:
 - ___ 1. Credit to the QF's account with the Utility.
 - ___ 2. Paid by check to the QF within 15 days of the billing date.
5. The QF will operate its electric generating facilities within the rules, regulations, and policies of the Utility. A copy of those rules, regulations, and policies is attached to this contract. This agreement does not waive the QF's right to bring a dispute before the Commission.
6. The Utility's rules, regulations, and policies will follow the Commission's rules on Cogeneration and Small Power Production.
7. 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.
8. 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:

9. 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.
10. The Utility may stop providing electricity to the QF during a system emergency. The Utility will not discriminate against QF when it stops providing electricity or when it resumes providing electricity.
11. 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 will notify the QF before it stops purchasing electricity in this way:

12. The QF will 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 will be \$ _____ (amount not greater than \$300,000).
13. 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 cancelled. This contract will be cancelled 30 days after notice is given.
14. This contract contains all the agreements made between the QF and the Utility except that this contract shall at all times be subject to all rules and orders issued by the Public Utilities Commission or other government agency having jurisdiction over the subject matter of this contract. The QF and the Utility are not responsible for any agreements 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 WRITTEN AT THE BEGINNING OF THIS CONTRACT.

QF

By _____

Utility

By _____

(Title)

**SERVICE RULES AND REGULATIONS
FOR
SMALL POWER PRODUCTION AND COGENERATION FACILITIES**

1.0 GENERAL

1.1 The Utility, consistent with its policy of encouraging innovation in the energy field and with the requirements and objectives of the "Public Utility Regulatory Policies Act of 1978" (PURPA), asserts its willingness to:

- a. Interconnect with qualifying Customer owned generation facilities (qualifying facility of QF); and
- b. Operate in parallel with the QF; and
- c. Purchase all power and energy generated by the QF which the Customer may make available to the Utility; and
- d. Sell to the Customer all power and energy requested by the Customer.

1.2 The Utility intends that these Service Rules and Regulations be in compliance with the requirements of PURPA United States Code, Title 16, Section 824a-3 (Supplement III, 1979) and the Federal Energy Regulatory Commission (FERC) Regulations, Title 18, Sections 292.101-292.602 (1981) and the provisions of Minnesota Statutes, Section 216.164.

2.0 QUALIFICATION REQUIREMENTS

2.1 Any Customer wishing to operate generating facilities in parallel with the Utility's system shall first sign a Customer Service Agreement. The Agreement commits the Utility and the Customer to operation under these Service Rules and Regulations which from time to time may be modified by the Utility.

2.2 Unless specific exceptions are made by the Utility, only facilities that comply with the efficiency and the fuel source standards of FERC Order No. 70 will be allowed to operate in parallel with the Utility's system. Potential qualifying facilities (QF) may be divided into two categories as defined in FERC Order No. 70:

- a. A Small Power Production Facility (SPPF) is defined as a facility which (1) produces electric energy solely by the use, as a primary energy source, of biomass, waste, renewable resources, or any combination thereof; and (2) has a power production capacity which, together with any other facilities located at the same site (as determined by FERC), is not greater than 80 MW.

b. A Cogeneration Facility (CG) is defined as a facility which produces electric energy and steam or forms of useful energy (such as heat) which are used for industrial, commercial, heating, or cooling purposes.

2.3 Prior to the interconnection, the Customer shall provide the Utility with sufficient information to permit the Utility to determine whether the proposed facility meets the qualification requirements set forth above. If in the Utility's opinion, the proposed facility does not meet the basic qualification requirements, the Utility shall provide the Customer with a written explanation of the reasons for its position. The Customer may at any time apply directly to the Federal Energy Regulatory Commission (FERC) for certification as a qualifying facility.

2.4 If in the opinion of the Utility the Customer fails to conform to these Service Rules and Regulations, the Utility will no longer be obligated to operate in parallel and to purchase any capacity and energy made available and the Utility may notify the Customer to disconnect the generating facilities from the Utility's system. If the Customer fails to immediately comply with a disconnect notice, the Utility reserves the right to disconnect the Customer.

3.0 INTERCONNECTION REQUIREMENTS

3.1 Prior to the installation of the QF, the Customer should submit his plans to the Utility for its review to assure compliance with these Service Rules and Regulations. This review shall not be construed as permission to interconnect with the Utility's system. Written authorization to close the interconnection with the Utility's system shall be granted only after the Utility has approved the facility as not being hazardous to its personnel or the public; the Customer has tested the QF; and the Customer has complied with the following Section 3.3. This authorization shall not relieve the Customer from the responsibility of installing, operating, and maintaining its facilities in a satisfactory and safe manner.

3.2 The Customer shall furnish, install, and maintain all additional wiring and equipment required for the installation of the QF and the appropriate service metering equipment. The second meter, when required, will be furnished and installed by the Utility and the Customer will pay all of the costs associated therewith.

3.3 Prior to interconnection, the Customer shall provide a certificate from a qualified electrical contractor or inspector indicating compliance with applicable sections of the latest editions of the National Electric Code (NEC), the National Electric Safety Code (NESC), all State and local ordinances, and all building codes.

- 3.4 The Customer shall reimburse the Utility for its costs in making the interconnection. The interconnection costs shall include all reasonable costs of connection, switching, metering, transmission, distribution, safety provisions, and administrative costs incurred by the Utility directly related to the installation and maintenance of the physical facilities necessary to permit interconnected operations with the QF. The interconnection costs shall be limited to such costs that are in excess of the costs which the Utility would have incurred had it not interconnected.
- 3.5 Employees and authorized representatives of the Utility have the right to enter upon Customer's property at any reasonable time to ensure continued compliance with these Service Rules and Regulations and the accuracy of its meters. Such inspection by the Utility shall not relieve the Customer from the responsibility of installing, operating, and maintaining its facilities in a satisfactory and safe manner.
- 3.6 In order to provide adequate safety to the Utility's employees when performing certain operation and maintenance on the Utility's system, it is essential that a means be available to positively disconnect the QF from the system such that there is no possibility that the QF could backfeed through the service transformer and energize the primary system. There are two possible methods whereby the QF may be disconnected from the Utility's system. The method set forth in (a) below will be used unless the conditions set forth in (b) are fully satisfied. The two methods are:
- a. The Customer may furnish and install an Underwriter's Laboratory (UL) listed disconnect switch which shall be located between the Customer's QF automatic disconnect device and the Utility's system. The location of the switch shall be approved by the Utility and shall be housed in an approved enclosure which can be secured with a padlock or locking device; or
 - b. If both the Utility and the Customer agree, the method of opening the circuit shall be to disconnect the service of the Customer at the transformer.
- 3.7 The Utility reserves the right to open the disconnect switch (i.e., isolating the Customer's QF) without prior notice for any of the following reasons:
- a. If an emergency condition or maintenance operations require such action.
 - b. If a potentially hazardous condition relating to the QF is discovered.
 - c. If the operation of the QF degrades the quality of service supplied by the Utility's system, or interferes with the operation of the Utility's system.

ELECTRICAL REQUIREMENTS

- 4.1 Operation of the QF must not cause any reduction in the quality of service provided to other consumers nor interfere with the operation of the Utility's system. The Customer shall be responsible for whatever corrective action might be required.
- 4.2 The Customer shall provide a means to automatically disconnect and isolate the QF from the Utility's system in the event of outages or faults on the Utility's distribution system or within the QF. The Customer shall be responsible for having the automatic disconnect tested by a certified electrician no less than once every three years and shall provide the Utility with a certified copy of the test records. The Utility reserves the right to inspect or perform tests on the automatic disconnect to assure proper operation. Such inspection by the Utility shall not relieve the Customer from the responsibility of installing, operating, and maintaining its facility in a satisfactory and safe manner.
- 4.3 The Utility does not assume any responsibility for the safety and electrical protection of the Customer's facilities irrespective of the condition of the Utility's facilities. The Utility shall not be liable to the Customer for any damage to the Customer's facility, including damage caused by disconnecting the QF from the Utility's system by automatic devices.
- 4.4 The rated capacity of the QF to be connected in parallel with a low voltage service shall be no greater than 10 kW for single phase installations unless authorized in writing by the Utility. Single phase installations greater than 10 kW will be permitted if engineering calculations indicate that the installation will not adversely affect the operational characteristics of the Utility's system.
- 4.5 The electrical characteristics of the QF shall conform with standards established by the Utility. The standards may include voltage, current, frequency, harmonics, and automatic synchronization. Wherever possible the Utility will base its standards on industry wide standards.
- 4.6 The Customer shall endeavor to operate the QF as near unity power factor as possible. For QF's with rated capacities above 25 kW, the Utility reserves the right to require the Customer to install power factor correction equipment or to pay the Utility for its cost of installing power factor correction equipment.

5.0 RATES AND METERING

- 5.1 The Utility will purchase whatever energy and capacity the Customer makes available to it at not less than its avoided cost. Such installations shall be metered by two one-way meters.

- 5.2 The Utility will establish standard rates for the purchase of capacity and energy from small scale power producers rated at 100 KW or less. The Utility and the Customer will negotiate the rate to be paid for capacity and energy produced by facilities rated greater than 100 kW.
- 5.3 The rate paid for capacity and energy purchased from a QF will include a capacity credit if the owner is willing to sign a long term contract (five years or more) to deliver such capacity. The capacity component of the rate paid for non-firm capacity will be adjusted appropriately to reflect the average estimated diversity and/or availability of a group of QF's with similar characteristics (e.g., wind energy systems).
- 5.4 The QF will be charged \$ _____ per month to cover the incremental costs associated with meter reading, administration, engineering, etc.
- 5.5 The owner of a QF will have the option of selecting:
- a. A rate based on an estimate of the Utility's present and future avoided cost made at the time the contract is signed; or
 - b. A rate based on the Utility's actual avoided cost as determined at the beginning of each calendar year.
- 5.6 The Utility will sell to the Customer whatever energy and capacity is requested including backup, supplemental, maintenance, and interruptible power. All energy and capacity supplied to the Customer by the Utility shall be paid by the Customer at the rates set forth in the Utility's standard retail rate schedule applicable to the class of service provided.
- 5.7 Negotiated rates for backup, supplemental, maintenance, and interruptible power will be made available to QF's with rated capacity greater than 100 kW who require such service.
- 5.8 The Utility will provide metering devices at the Customer's expense, necessary to accurately record deliveries from the QF to the Utility.
- 5.9 All meters shall be read monthly, at the same time and in the same manner as prescribed for other Customers of the Utility in the same consumer classification. Metering records shall be available for inspection at all reasonable times.
- 5.10 The Utility may credit payment for purchases against the Customer's current bill for electric service or any past due amount owed the Utility by the Customer.

The Customer shall maintain during the terms of this agreement liability insurance which insures Customers against all claims for property damage and for personal injury or death arising out of, resulting from, or in any manner connected with the installation, operation, and maintenance of the QF. The amount of such insurance coverage shall be at least \$300,000 per occurrence. Customer shall furnish a certificate from its insurance carrier showing that it has complied with the provisions of this section and providing that the insurance policy will not be changed or cancelled during its term without written 90 day notice to the Utility.

7.0 MISCELLANEOUS

- 7.1 The Customer and the Utility will execute an agreement that sets forth the interconnection and operating conditions for the QF as generally stated in these Service Rules and Regulations.
- 7.2 The Customer shall protect, indemnify, and hold harmless the Utility, its officers, employees, agents, and their representatives against and from any and all loss, claims, actions, or suits, including costs and attorney's fees, both at trial and on appeal, for or on account of injury, bodily or otherwise, to or death of any persons, or damages to or destruction of property belonging to the Utility or others, resulting from, or arising out of, any operations hereunder, excepting only such injury or death as may be caused solely by the fault or negligence of the Utility, its officers, employees, or agents.

AVOIDED COST DATA FERC ORDER NO. 69

SECTION: 292.302 (b) (1)

AVOIDED INCREMENTAL ENERGY COSTS

The avoided incremental energy cost is the rate charged by Otter Tail Power Company which is \$ _____ per kWh.

This avoided energy cost will change from time to time as the wholesale power rates change as determined by the management of Otter Tail Power Company, and therefore will be reviewed annually by the Utilities Commission for the City of Shelly.

The avoided energy costs are the same for winter and summer seasons and for the peak and off peak conditions.

SECTION: 292.302 (b) (3)

ESTIMATED CAPACITY COSTS

There are no planned additions for capacity in the next ten years and therefore there are no associated costs to provide.

ESTIMATED CAPACITY CREDITS

Capacity credit should apply only where the source is firm and full time. With electric energy generated by a wind or solar powered generator there is no assurance that the generator will be producing power during the system's monthly peak load. Therefore, no capacity credit will be given for energy generated from these types of qualifying facilities.

For facilities that guarantee generation during the time of the Utility's peak demand, the avoided cost per kW demand shall be the rate charged Shelly by Otter Tail.

ORDINANCE NO. 61

This ordinance shall take effect and be enforced from and after its passage and publication.

Passed by the Council this 5 day of August, 1985

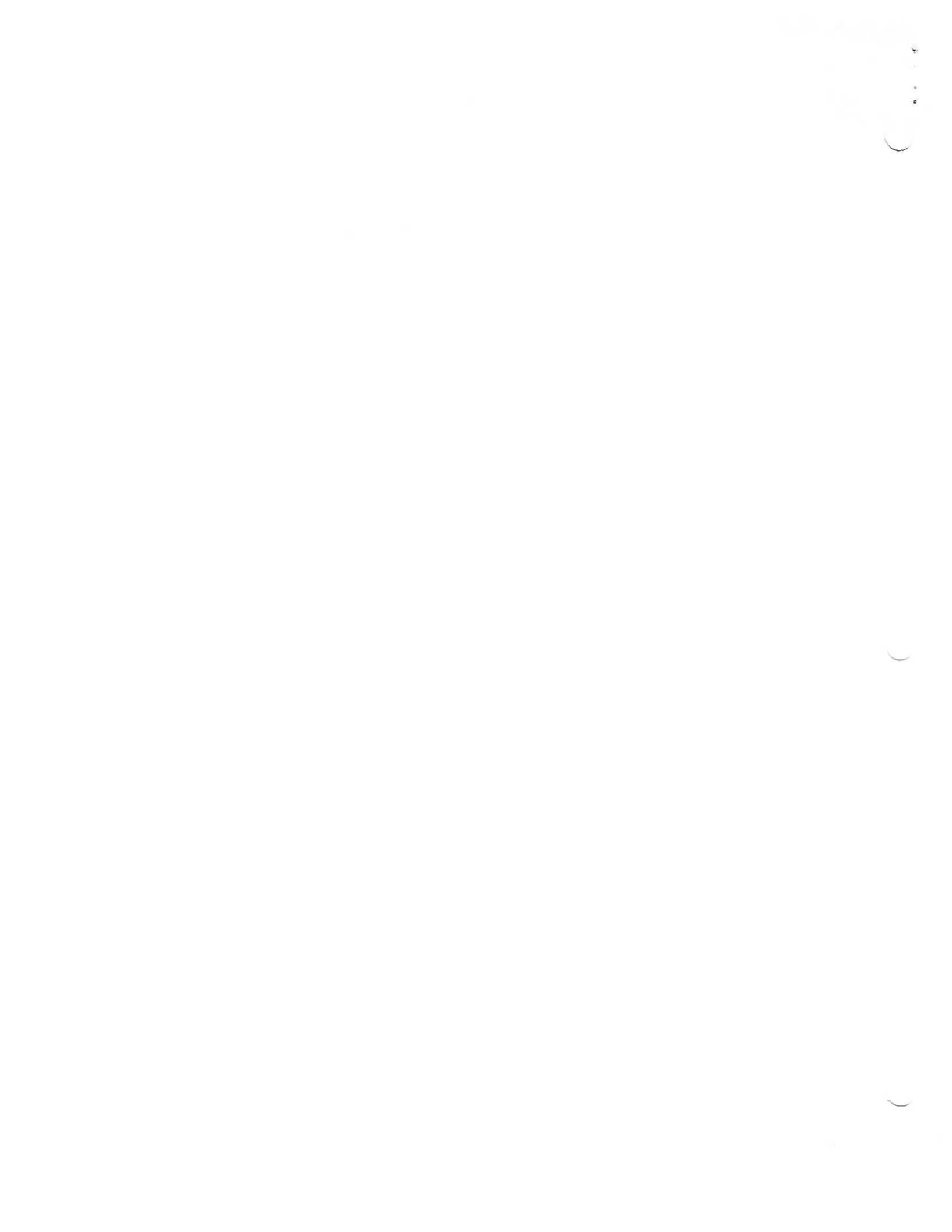
APPROVED:

A handwritten signature in cursive script, appearing to read "D. Demisa", written over a horizontal line.

Mayor

ATTEST:

Nancy Nelson
City Clerk



SHELLY

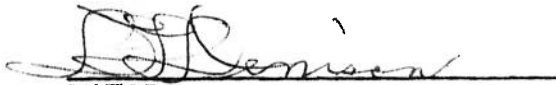
ORDINANCE NUMBER 61

The City Council adopted Ordinance # 61 pertaining to the service rules and regulations for cogeneration and small power production facilities.

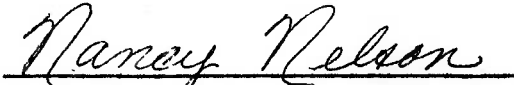
The rules and regulations are available for inspection at City Hall and may be reviewed by anyone wishing to do so by contacting the City Clerk.

Passed by the Council this 5th day of August 1985.

APPROVED


MAYOR

ATTEST


CITY CLERK

ORDINANCE ADDENDUM

SERVICE RULES AND REGULATIONS FOR COGENERATION AND SMALL POWER
PRODUCTION FACILITIES

The following provisions are specifically incorporated into the aforementioned ordinance in order that qualified facilities are provided notice that these calculations will establish rates for energy use.

1. Average Retail Utility Energy Rate. The City of Shelly will compensate a qualified facility for energy use provided at the 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. This compensation calculation will be the same for a simultaneous purchase and sale transactions.

2. Firm Power Rate. Firm power means energy delivered by the qualifying facility to the utility with at least a sixty-five (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. 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 B; or if the generating utility has not filed Schedule B, the capacity component must be the demand charge per

kilowatt, if any, of the retail rate schedule, applicable to the qualifying facility, filed in lieu of Schedules A and B, divided by the number of hours in the billing period; or if the nongenerating utility has not filed Schedule B, the capacity component must be the capacity cost per kilowatt shown on Schedule H, 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 must be included in the compensation paid to the qualifying facility.

