

SIOUX VALLEY ENERGY  
COLMAN, SOUTH DAKOTA

MANAGEMENT OPERATING PROCEDURE 3-M-106

INTERCONNECTION OF CO-GENERATION AND SMALL POWER PRODUCTION  
FACILITIES TO SIOUX VALLEY ENERGY ELECTRIC SYSTEM.

POLICY

General

Sioux Valley Energy will conform with all the requirements of Sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA), Cogeneration and Small Power Production, and with the actual regulations set forth in Part 292 of Chapter I, Title 18, Code of Federal Regulations which are applicable to this Utility.

Electric distribution system connected generation units span a wide range of sizes and electrical characteristics. Electrical distribution system design varies widely from that required to serve the rural member to that needed to serve the large commercial/industrial member. With so many variations possible, it becomes complex and difficult to create one interconnection standard that fits all generation interconnection situations.

In establishing the generation interconnection standard here there are three main issues that must be addressed; Safety, Reliability and Economics.

The first and most important issue is safety; any generation system must provide for the safety of the general public and of the employees working on the electrical systems. This standard establishes the technical requirements that must be met to ensure the safety of the general public and of the employees working with Sioux Valley Energy. Typically designing the interconnection system for the safety of the general public will also provide protection for the interconnected equipment.

The second issue is reliability; any generation system must be designed and interconnected such that the reliability and the service quality for all members of the electrical power systems are not compromised. This applies to all electrical systems not just Sioux Valley Energy's.

The third issue is economics; the interconnection design must be affordable to build. The interconnection standard must be developed so that only those items, that are necessary to meet safety and reliability, are included in the requirements. This standard sets the benchmark for the minimum required equipment.

Definitions

The following definitions apply for the purpose of this Policy.

1. "Qualifying facility" means a cogeneration facility or a small power production facility which is a qualifying facility or a utility geothermal small power production facility, under applicable Federal Energy Regulatory Commission's regulations.
2. "Purchase" means the purchase of electric energy or capacity or both from a qualifying facility by Sioux Valley Energy.
3. "Sale" means the sale of electric energy or capacity or both by Sioux Valley Energy to a qualifying facility.
4. "System emergency" means a condition on a utility's system which is likely to result in imminent significant disruption of service to members or is imminently likely to endanger life or property.
5. "Rate" means any price, rate, charge, or classification made, demanded, observed or received with respect to the sale or purchase of electric energy or capacity, or any rule, regulation, or practice respecting any such rate, charge, or classification, and any contract pertaining to the sale or purchase of electric energy or capacity.
6. "Avoided costs" means the incremental cost Sioux Valley Energy would have incurred had it supplied the power itself or obtained it from another source. Avoided cost is the price at which Sioux Valley Energy purchases the output of a qualifying facility.
7. "Interconnection costs" means the reasonable costs of connection, switching, metering, transmission, distribution, safety provisions and administrative costs incurred by Sioux Valley Energy directly related to the installation and maintenance of the physical facilities necessary to permit interconnected operations with a qualifying facility, to the extent such costs are in excess of the corresponding costs which Sioux Valley Energy would have incurred if it had not engaged in interconnected operations, but instead generated an equivalent amount of electric energy itself or purchased an equivalent amount of electric energy or capacity from other sources. Interconnection costs do not include any costs included in the calculation of avoided costs.
8. "Interruptible power" means electric energy or capacity supplied by Sioux Valley Energy subject to interruption by Sioux Valley Energy under specified conditions. The requirements for interruptible power are defined in Sioux Valley Energy's Rates Schedule LP-5/7 Interruptible 5/7 Large Power Service.
9. "Stand by Power" means electric energy or capacity supplied by Sioux Valley Energy that is in addition to the power that is self-generated by the qualifying facility.

### Criteria for a Qualifying Facility

The following requirements are general in nature and may not cover all details of a specific installation. The Member should discuss project plans with Utility before purchasing or installing equipment. To help achieve the maximum reliability and use of their system Sioux Valley Energy will provide the Member with information they might require in the evaluation of the technical feasibility of the project.

A qualifying facility must be owned by someone other than a person primarily engaged in the generation or sale of electric power. The membership test is satisfied if more than 50 percent of the equity interest in a facility is owned by persons other than electric utilities and related entities.

A small power production facility is not a qualifying facility if its capacity exceeds 80 megawatts. Also, the small power production facility's primary energy source (more than 75 percent) must be a renewable resource such as water power, solar energy, wind energy, geothermal energy, biomass, or waste.

The regulations do not place a size limitation on cogeneration facilities; however, the regulations do prescribe certain operating and efficiency standards for cogeneration facilities.

### Procedures for Obtaining Qualifying Status

The owner or operator of a qualifying facility must furnish the Federal Energy Regulatory Commission (FERC) with the following information:

1. The name and address of the applicant and location of the facility.
2. A brief description of the facility, including whether such facility is a small power production facility or a cogeneration facility.
3. The primary energy source used or to be used by the facility.
4. The power production capacity of the facility.

Either the owner or operator of a facility has the option to file an application with FERC for certification that the subject facility is a qualifying facility.

Sioux Valley Energy is not required to purchase electric energy from a facility with design capacity of 500 KW or more until 90 days after the owners or operators thereof notify Sioux Valley Energy that it is a qualifying facility, or until 90 days after an application has been made to FERC for certification of the facility.

### Sioux Valley Energy's Obligation

Subject to the provisions of this Policy and the requirements of Section 201 and 210 of PURPA and Part 292 of the regulations pertaining to said described sections, Sioux Valley Energy assumes the following obligations:

1. To purchase any electric energy and capacity that is made available from a qualifying facility.
2. To sell to any qualifying facility any electric energy and capacity requested.
3. To make interconnections with any qualifying facility to accomplish purchases or sales.
4. To offer to operate in parallel with a qualifying facility.
5. Sioux Valley Energy will attempt to negotiate with the Member for the right of Sioux Valley Energy to transmit the electric energy or capacity of the Member's qualifying facilities to Sioux Valley Energy's power supplier.

### Safety and Reliability Standards

1. Interconnection between the Member's generation equipment and Sioux Valley Energy's electric system and/or power supplier's electric system mandate the establishment by this Utility of reasonable standards to ensure the safety and reliability of Sioux Valley Energy's electric system and/or Power Supplier's electric system, and to protect the Member and its generating system, the general public, and Sioux Valley Energy's and/or electric Power Supplier's personnel.
2. Sioux Valley Energy will permit the Member to operate its generation equipment in parallel with Sioux Valley Energy's electrical system whenever this can be done without adverse effects on the general public, other utility consumers, or to the Power Supplier or to Sioux Valley Energy's equipment or personnel. Certain protective devices (relays, circuit breakers, etc.) within reasonable Electrical Industry Standards specified by Sioux Valley Energy and/or its Power Supplier must be installed at any location where a Member desires to operate generation in parallel with Sioux Valley Energy and/or its Power Supplier. The purpose of these devices is to promptly remove the backfeed from the Member's generation whenever a fault occurs, so as to protect the general public and Sioux Valley Energy's facilities and/or the Power Supplier's facilities and personnel from damage due to fault currents produced by the Member's generator(s).
3. The Member shall design, construct, operate and maintain its generation facility in accordance with Prudent Utility Practice.

For the purpose of this Policy Prudent Utility Practice is defined as follows:

Prudent Utility Practice: Any of the practices, methods and acts, which, in the exercise of reasonable judgment in the light of the facts (including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry prior thereto) known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, safety and expedition, taking into account the fact that Prudent Utility Practice is not intended to be limited to the optimum practice, methods or acts to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Prudent Utility Practice includes due regard for manufacturer's warranties and requirements of governmental agencies of competent jurisdiction.

4. The Member's generation facility and associated equipment shall meet all requirements of applicable state and federal regulations, local, state and national codes and all standards of Prudent Utility Practice.
5. Any Member who desires to install a generation facility on its premises and interconnect it with Sioux Valley Energy's electric system must submit to Sioux Valley Energy a written proposal and offer to sell to Sioux Valley Energy electric energy and/or capacity. The proposal (power purchase agreement) shall specify the terms and conditions of the sales.
6. Prior to connecting Member's generation facility in parallel to Sioux Valley Energy's electric system, the Member shall provide to Sioux Valley Energy and its electric power supplier for its review, the specifications for major equipment associated with the Member's generation facility, detailed electrical diagrams, which diagrams must show all related wiring and safety features of the generation facility, equipment nameplate data including the interface device and the control system of the Member's power source and a site plan and the operating characteristics for Member's generator and interconnection, all of the foregoing must be approved by Sioux Valley Energy and/or the Power Supplier.
7. Interconnection shall be made in such manner that, if the voltage from Sioux Valley Energy and/or Power Supplier is absent, the electrical interconnection is immediately broken.
8. Sioux Valley Energy and/or the Power Supplier will not and do not assume any responsibility for protection of the generator (s), or of any portion of the Member's electrical equipment. The Member is fully responsible for protecting its equipment in such a manner that faults or other disturbances on

Sioux Valley Energy's system and/or the Power Supplier's system do not cause damage to the Member's equipment, the general public, Sioux Valley Energy's and/or electric Power Supplier equipment and personnel.

9. Sioux Valley Energy and the generator owner must comply with all applicable provisions of any State Electrical Code, the National Electrical Safety Code and the National Electric Code.
10. The Member's generating system, including interconnecting equipment, shall meet the requirements of and be inspected and approved by the appropriate State Electrical Commission and any other public authority having jurisdiction before any interconnection is made to the electric system of the Member or Sioux Valley Energy.
11. Wind driven generating facilities shall be connected by underground conductor to a point of horizontal length not less than 1.5 times the fall distance of the generating facility from Sioux Valley Energy facility(s).
12. To protect appliances and equipment on the premises of the Member and other consumers, the power generated by the Member shall not induce excessive distortion to the system's voltage or current sine waves. The maximum allowable distortion must not exceed 10% measured at the consumer's point of connection to Sioux Valley Energy.
13. If the generating system interferes with the operation of Utility's equipment or interferes with other consumer services, Sioux Valley Energy reserves the right to disconnect.
14. The Member's (generator owner's) load, in conjunction with the generating system shall not have a power factor of less than .95 leading or lagging.
15. To protect the generating system, and to protect all parties from electric shock, the Member shall supply and install automatic devices to positively disconnect his generating equipment from the system in the event of a disturbance or supply outage on Sioux Valley Energy's system. Sioux Valley Energy shall be allowed access to this device at all times to permit periodic safety tests.
16. The Member shall furnish and install a disconnecting switch to be connected between Sioux Valley Energy's electric system and the generating system or between the members' facilities and the generating system, whichever is applicable. This switch must provide a visible open in the line and shall be located and equipped so that Utility personnel can have access to operate and lock the switch in case of an outage or for work on Sioux Valley Energy and/or Power Supplier's system.

17. The Member shall furnish and install all wiring and equipment needed to connect the generating system to Sioux Valley Energy meter. When an additional utility meter for a generation system is required at an existing service location the installation costs shall fall under the requirements of the utilities' "Aid to Construction" charges. This meter shall be installed adjacent to the existing service meter and will be billed a monthly facility charge as per the utilities' current rate schedule in addition to any kWh usage.
18. When Sioux Valley Energy is required to install a service for a generation system where an existing service is not present the installation costs of the new service shall fall under the requirements of the utilities' "Aid to Construction" charges and shall be classified accordingly. This service will be billed a monthly facility charge as per the utilities' current rate schedule in addition to any kWh usage.
19. Sioux Valley Energy shall not interconnect with any "Qualifying Facility" as defined in Subpart A or Part 292 of the Regulations under Sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978 with regard to Small Power Production and Co-generation, if solely by reason of purchases or sales over the interconnection, Sioux Valley Energy would become subject to regulation as a public utility under Part II of the Federal Power Act.
20. The Member shall give reasonable notice to Sioux Valley Energy concerning periods during which the Member generated energy is proposed to be furnished and the estimated amount thereof.
21. The Member shall advise Sioux Valley Energy prior to making any revisions to the Member's generation facility, the control system, or the interface between the two power systems after the installation. Any such revision must be acceptable to Sioux Valley Energy.
22. Should the parallel operation of the Member's generation facility cause interference or adversely affect voltage, frequency, harmonic content or power factor in Sioux Valley Energy's system or other consumer's service, Sioux Valley Energy may require disconnection of parallel operation until the condition has been corrected.
23. Sioux Valley Energy shall be responsible for maintenance of all equipment supplied by Sioux Valley Energy. The Member shall be responsible for the maintenance of his generating, protective equipment and interconnection equipment. Complete maintenance records must be maintained by the Member and be available for Sioux Valley Energy's review.
24. Sioux Valley Energy reserves the right to promulgate such other safety and reliability standards necessary for the operation of its system as may be allowed or required by law.

25. Sioux Valley Energy reserves the right to inspect on demand all protective equipment including relays and circuit breakers owned and installed by the Member at the point of interconnection.
26. The total capacity of all of the interconnected net metered systems shall be no more than 5% of the average monthly maximum system demand.
27. The connected nameplate capacity of the generation does not exceed 5% of the circuit expected peak load when no other generation source is operating.
28. The aggregation of all distributed generation nameplate capacity on the circuit shall not exceed 25% of the peak load and shall be less than the circuit minimum load.
29. The distributed generation system does not contribute more than 10% of the circuit's maximum fault current.
30. The aggregation of all distributed generation shall not exceed 85% of the distribution protective device short circuit interruption capabilities.
31. The maximum nameplate capacity of distributed generation available to be connected using the terms of this policy is 100 KW.
32. Except where prohibited by law (40 KW in Minnesota) the maximum nameplate capacity of the distributed generation shall not be larger than the average monthly demand for the service that they generator will be connected to. The minimum shall not be less than 10 KW in any case.

#### Availability of Electric Utility System Cost Data

The headquarters office of Sioux Valley Energy will maintain for its member's inspection appropriate data of Sioux Valley Energy's power and energy costs. Upon request, Sioux Valley Energy will provide to interested and authorized persons the required system cost data of its supplying Utility and the rates at which Sioux Valley Energy currently purchases energy and capacity.

#### Purchases and Rates for Purchases by Utility

The rates at which Sioux Valley Energy shall purchase electric power and energy from a qualifying facility shall be just and reasonable to the members of Sioux Valley Energy and shall be in the public interest. Such rates shall not discriminate against qualifying cogeneration and small power production facilities.



Sioux Valley Energy will purchase power and energy from a qualifying facility at the avoided cost unless a lower rate is agreed to by the operators of the qualifying facility. The purchase price may be established at the avoided costs over a specific contract term. This avoided cost will, of course, vary from the avoided cost at a specific time of delivery.

1. Sioux Valley Energy will purchase energy (Kwh) recorded on the meter or meters measuring energy from the Member's generating system constructed on or after November 9, 1978 at a rate equal to its avoided cost (See Sioux Valley Energy PURPA Rate), which is deemed to be the net rate Sioux Valley Energy would have paid its wholesale power supplier for the energy only.
2. Sioux Valley Energy may also purchase capacity (demand KW) from the Member's systems constructed on or after November 9, 1978 that can schedule and guarantee firm delivery during the various peak use periods. Payment, therefore, will be at a rate not greater than Sioux Valley Energy's avoided cost (See Sioux Valley Energy PURPA Rate) for demand KW (capacity) which is deemed to be the net rate Sioux Valley Energy would have paid its wholesale power supplier. However, such rate for purchase of capacity shall be subject to adjustment to reflect properly the avoided cost.

In determining the avoided cost, the following factors shall to the extent practicable, be taken into account:

- (a) The data provided pursuant to 292.302 (b), (c), or (d) of Subpart C of said Regulations—Arrangements between Electric Utilities and Qualifying Cogeneration and Small Power Production Facilities under Section 210 of the Public Utility Regulatory Policies Act of 1978.
- (b) The availability of capacity or energy from a qualifying facility during the system daily and seasonal peak periods, including:
  - (i) The ability of Sioux Valley Energy to dispatch the qualifying facility;
  - (ii) The expected or demonstrated reliability of the qualifying facility;
  - (iii) The terms of any contract or other legally enforceable obligation, including the duration of the obligation, termination notice requirement and sanctions for non-compliance;
  - (iv) The extent of which scheduled outages of the qualifying facility can be usefully coordinated with scheduled outages of Sioux Valley Energy's facilities;

- (v) The usefulness of energy and capacity supplied from a qualifying facility during system emergencies, including its ability to separate its load from its generation;
  - (vi) The individual and aggregate value of energy and capacity from qualifying facilities on the electric utilities system; and
  - (vii) The smaller capacity increments and the shorter lead times available with additions of capacity from qualifying facilities;
- (c) The relationship of the availability of energy or capacity from the qualifying facility as derived in paragraph (e) (2) of Section 292.304 of said Regulations, to the ability of Sioux Valley Energy to avoid costs, including the deferral of capacity additions and the reduction of fossil fuel use; and
- (d) The costs or savings resulting from variations in line losses from those that would have existed in the absence of purchases from a qualifying facility, if the purchasing electric utility generated an equivalent amount of energy itself or purchased an equivalent amount of electric energy or capacity.
3. Sioux Valley Energy may establish rates at a lower rate than its avoided cost as determined according to pertinent PURPA regulations for purchases of energy or capacity from the Member's generation system constructed before November 9, 1978 provided Sioux Valley Energy determines that the lower rate will provide sufficient encouragement of cogeneration and small power production.
  4. When Sioux Valley Energy has more energy and capacity than Sioux Valley Energy requires to meet total system load, the purchase rate for energy or capacity from the Member shall only include the payment for energy or capacity which Sioux Valley Energy can use to meet its total system load.
  5. Sioux Valley Energy shall not be required to deliver unusable energy or capacity to another utility for subsequent sale.
  6. If the purchase of capacity by Sioux Valley Energy from the Member causes a decrease in the level of the purchase of capacity by Sioux Valley Energy from its power supplier resulting in losses of revenues to the power supplier and the power supplier assigns such loss of revenue to Sioux Valley Energy then Sioux Valley Energy will deduct such losses from the previously calculated avoided cost and shall pay the Member accordingly.
  7. Sioux Valley Energy shall put in effect standard rates for purchases from Members with qualifying facilities with a design capacity of 100 kilowatts or less. Such standard rate shall equal Sioux Valley Energy's avoided cost

determined according to pertinent PURPA regulations. (See Sioux Valley Energy PURPA Rate)

8. Sioux Valley Energy may establish standard rates for purchase of energy or capacity from the Member, which differentiates among qualifying facilities on the basis of supply characteristics of the particular technology.
9. Notwithstanding any other provisions of the Policy, Sioux Valley Energy will not be required to purchase electrical energy during any period:
  - a) involving a system emergency if such purchase would contribute to such emergency.
  - b) While the Member has breached any provision of an interconnection and electric sales agreement for Small Power Production facilities between Sioux Valley Energy and the Member.
  - c) involving the risk of loss to property or injury to person by reason of such purchases; or
  - d) when the systems are not operated in parallel;
  - e) when due to operational circumstances, purchases of electric energy or capacity from Member will result in cost greater than those which Sioux Valley Energy would incur if it did not make such purchases, but instead generated an equivalent amount of energy itself or purchased from its wholesale power supplier an equivalent amount of energy. However, Sioux Valley Energy must notify the Member in time for the Member to cease the delivery of energy or capacity to Sioux Valley Energy.

#### Rates for Sales by Utility

The rates for sales by Utility to a qualifying facility shall be just, reasonable in the public [or 'member's] interest and nondiscriminatory. Such rates shall be similar to the rates in effect for members having the same characteristics as the load or other cost related characteristics of other non-generating consumers of Sioux Valley Energy.

Subject to the provisions of this policy and the applicable PURPA statutes and regulations Sioux Valley Energy, upon request from a qualifying facility will provide:

1. Interruptible power
2. Stand-by power

The rate for interruptible power shall be the rate charged to other consumers having the same characteristics as the load or other cost related characteristics of other non-generating consumers of Sioux Valley Energy. The rate for interruptible power shall not be lower than the rate for firm service.

The rate for stand-by power is listed in the stand-by service rate of Sioux Valley Energy's rate tariffs.

However, any of the above services may be waived by FERC if Sioux Valley Energy can demonstrate that such service will:

1. Impair Utility's ability to render adequate service to its members; or
2. Place an undue burden on Sioux Valley Energy.

Sioux Valley Energy will require each Member who supplies any portion of his electrical requirements by his generating facilities to contract for backup power.

#### Interconnection

The Member shall pay all "interconnection costs", or pertinent contribution in aid of construction as appropriate, which costs are defined as all costs in excess of those costs which Sioux Valley Energy would have incurred if it had not engaged in interconnected operations with the Member's generation facilities and includes the definition of "Interconnection Cost" as defined in the pertinent PURPA regulation referred to herein.

In the event generating facilities of the qualifying applicant are multiple, it may be required that the facilities be interconnected by their own common network rather than use Sioux Valley Energy's facilities for interconnection. This requirement is to avoid degrading service on Utility's facilities and permit planning for adequate transformations, if required, as well as line facilities of existing service capacity and the added generation.

#### Metering

In the event both capacity and energy are produced and agreed that the same be delivered into the facilities of the Member, demand and energy metering will be required of the recording type meter so that proper credit can be provided according to the time coordination with the Member's delivery facilities both into the system and out of the system facilities by KW and KVAR. Measurements shall be provided at the expense of the qualifying Member so that proper monitoring can be done of the power factor and assure capacity and energy credits in proper proportion.

Sioux Valley Energy reserves the right to require such necessary meters to properly measure the electric power and energy into its system and the outflow of electric power and energy from the Member's generator.

### Contract

The exact conditions governing the connection and operation of a qualifying facility will be set forth in contract between the owners or operators of each qualifying facility and Sioux Valley Energy and/or the power supplier.

The contract will become effective as soon as it is signed by the qualifying facility and the cooperative. The contract will remain in force until either the qualifying facility or the cooperative gives written notice to the other that the contract is cancelled. The contract will be canceled 30 days after notice is given.

Sioux Valley Energy reserves the right to terminate the Member's contract under this policy at any time in the event that the Member violates any of the terms or conditions of this policy or the contract or operates his generating facilities in a manner which is detrimental to Sioux Valley Energy or any of its members. Written notice of the termination will be given unless the violation poses an immediate safety concern. In the event of early termination of a contract under this policy or the contract, the Member will be required to pay Sioux Valley Energy for the costs due to such early cancellation.

If required by the rules and regulations of the Rural Electrification Administration, the contract shall be subject to the approval of the Administrator of the Rural Electrification Administration.

### Additional Considerations

Sioux Valley Energy shall provide its available reference material to any current or potential member interested in cogeneration and small power production.

To the extent that any of the provisions of this Policy conflict with Part 292, Chapter I of Title 18, Code of Federal Regulations, and Section 201 and 210 of the Public Utility Regulatory Policies Act of 1978 and amendments thereto, the provisions of said law and regulations govern.

APPROVED: Tim McCarthy  
General Manager/CEO

Date Adopted: 12-17-2013

Date Reviewed: 10/13/15

**SD DISTRIBUTED GENERATION  
INTERCONNECTION AND SMALL RENEWABLE ENERGY POWER PURCHASE  
AGREEMENT**

This Distributed Generation Interconnection and Small Renewable Power Purchase Agreement ("Agreement") is made and entered into this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by, Sioux Valley Southwestern Electric Cooperative, Inc., ("Cooperative"), a rural electric corporation organized under the laws of South Dakota, and \_\_\_\_\_ ("DG Owner/Operator"), each hereinafter sometimes referred to individually as "Party" or both referred to collectively as the "Parties". In consideration of the mutual covenants set forth herein, the Parties agree as follows:

1. **Scope of Agreement:** This Agreement is applicable to conditions under which the Cooperative and the DG Owner/Operator agree that the generating facility with a nameplate rating of \_\_\_ kW and an interconnection voltage of \_\_\_\_\_ volts, and as further described in Exhibit A attached hereto and incorporated into this Agreement by reference, ("DG Facility") may be operated electrically interconnected to the Cooperative's electric power distribution system ("System"). The term "Cooperative" shall also include any designated agent.
2. **Establishment of Point of Interconnection:** The point where the electrical facilities of the Cooperative electrically connect to the electric facilities of the DG Owner/Operator is the "Point of Interconnection" as shown in Exhibit B attached hereto and incorporated into this Agreement by reference. The Cooperative and DG Owner/Operator agree to interconnect the DG Facility at the Point of Interconnection in accordance with the Cooperative's engineering and technical requirements, bylaws and rates ("Interconnection Requirements") which are incorporated herein by reference. The interconnection equipment installed by the DG Owner/Operator ("DG Interconnection Facilities") shall be in accordance with the Interconnection Requirements.
3. **Responsibilities of Cooperative and DG Owner/Operator for Installation, Operation and Maintenance of Facilities:**
  - a. DG Owner/Operator will, at its own cost and expense, install, operate, maintain, repair, and inspect, and shall be fully responsible for its DG Facility and DG Interconnection Facilities, unless otherwise specified on Exhibit A. DG Owner/Operator shall conduct operations of its DG Facility and DG Interconnection Facilities in compliance with all aspects of the Interconnection Requirements and in accordance with industry standard prudent engineering practices. The Cooperative shall conduct operations of its electric distribution facilities in compliance with the Interconnection Requirements, and as further described and mutually agreed to in Exhibit A. Maintenance of DG Facility and DG Interconnection Facilities shall be

performed in accordance with the applicable manufacturers' recommended maintenance schedule and Prudent Utility Practices. The DG Owner/Operator agrees to cause its DG Facility and DG Interconnection Facilities to be constructed in accordance with the Interconnection Requirements and specifications at least equal to those required by the National Electrical Safety Code and/or the National Electrical Code, [American National Standards Institute] in effect at the time of construction.

- b. The DG Owner/Operator covenants and agrees to cause the design, installation, maintenance, and operation of its DG Facility and DG Interconnection Facilities so as to reasonably minimize the likelihood of a malfunction or other disturbance, damaging or otherwise affecting or impairing the System.
- c. DG Owner/Operator shall comply with all applicable laws, regulations, zoning codes, building codes, safety rules and environmental restrictions applicable to the design, installation, operation and maintenance of its DG Facility and DG Interconnection Facilities. The DG Owner/Operator shall be solely responsible for determining such requirements.
- d. Cooperative will promptly notify DG Owner/Operator if there is evidence that the DG Facility's or DG Interconnection Facilities' operation causes disruption or deterioration of service to other members served from the System or if the DG Facility's or DG Interconnection Facilities' operation causes damage to the System. DG Owner/Operator will immediately notify the Cooperative of any emergency or hazardous condition or occurrence with the DG Facility or DG Interconnection Facilities which could affect safe operation of the System or other wise pose a risk to the Cooperative's equipment or the the safety of its employees or the general public.

#### 4. **Initial Testing and Inspection:**

- a. The DG Owner/Operator shall provide to the Cooperative all records of testing for the DG Facility and DG Interconnection equipment. These records shall include evidence of testing at the start of commercial operation and periodic testing thereafter. The settings of the equipment being installed are to be approved by the Cooperative prior to DG operation.
- b. A Cooperative representative(s) may elect to oversee operability checkout of the Member's equipment, including but not limited to metering, relay settings and tests and protective device operation (including, without limitation, circuit breakers and motor operated disconnect(s) and the Member, at its expense, shall make changes and modifications as reasonably required to ensure the safe and reliable operation of its equipment in accordance with Prudent Utility Practices. Such checkout

tests are for the purposes of assuring the protection and operation of the Cooperative's electric system and in no way represent any assurance of protection and operation of the Member's electric system.

- c. Final electrical connections between the Cooperative Interconnection Facilities and the DG Interconnection Facilities shall be made by the Cooperative. DG Owner/Operator warrants that it will not allow its agents to interfere with or-----Coopeative lines, equipment, or facilities.

5. **Operator in Charge:** The DG Owner/Operator shall identify an individual (by name or title) who will perform as "Operator in Charge" of the DG Facility and the DG Interconnection Facilities. This individual must be familiar with this Agreement as well as the Interconnection Requirements and any other agreements or regulations that may apply.

6. **Metering:**

- a. The Cooperative shall purchase, own, install and maintain such metering equipment as may be necessary to meter the electrical energy output of the DG Facility. The metering requirements and the cost responsibilities associated with the metering are defined in Exhibit A.
- b. The metering equipment shall be tested by the Cooperative on a scheduled basis. Should the metering equipment at any time fail to register proper amounts or should the registration thereof be so erratic as to be meaningless, the capacity and energy delivered shall be determined by the Cooperative from the best information available.

7. **Right of Access, Equipment Installation, Removal & Inspection** At any time during construction, testing or operation of the DB Facility, Cooperative shall have access to DG Owner/Operator's premises for any reasonable purpose in connection with the interconnection described in this Agreement, the Interconnection Requirements, or to provide service to its members.

8. **Power Quality:** The DG Owner/Operator shall comply with IEEE Standard 519 and shall not operate any equipment that (a) imposes power quality problems upon the Cooperative's electric system that materially interferes with the Cooperative's operations, service to its members, or communications facilities, or (b) causes objectionable voltage flicker to the Cooperative's members. If such material interference occurs, the DG Owner/Operator shall diligently pursue corrective action at its own expense. The Cooperative may disconnect the Facilities from the Cooperative's electric system until the material interference problem is corrected.

9. **Disconnection of Facilities:**

- a. DG Owner/Operator shall disconnect the DG Facility from the System upon the effective date of any termination resulting from and required by actions under Section 14 of this contract.



- b. Cooperative shall have the right to disconnect or cause the DG Owner/Operator to disconnect the DG Facility from the System:
  - i. To operate, construct, install, maintain, repair, replace, remove or inspect any of the Cooperative's equipment or facilities;
  - ii. In connection with a condition likely to result in damage to the Cooperative's equipment or if the Cooperative deems such curtailment is necessary to protect life or property;
  - iii. If the Cooperative is required to do so by its power supplier, transmission operator or others having jurisdiction;
  - iv. If the quality of the power delivered to the Cooperative's facilities does not meet the requirements set forth in Section 8 or;
  - v. Upon termination of this Agreement;
- c. The Cooperative shall use reasonable efforts to provide reasonable prior written notice and coordination of any disconnection of the DG Facility.

10. **Interconnected Operation of DG Facility:** The DG Owner/Operator can only operate the DG Facility interconnected with the Cooperative in accordance with this Agreement and attached Exhibits, the Interconnection Requirements, and the requirements of the Cooperative's wholesale power suppliers, Integrated Transmission System (IS), Mid-Continent Area Power Pool (MAPP), and others having jurisdiction over distributed generation interconnected to the System. The Cooperative and the DG Owner/Operator shall comply with all requirements of the IS and MAPP with respect to distributed generation.

11. **Power Sales to Cooperative:** Cooperative agrees to purchase the energy output of the DG Owner/Operator's DG Facility based on the Cooperative's electric distributed generation purchase rate set forth in Exhibit C attached hereto and incorporated into this Agreement by reference.

12. **Limitation of Liability and Indemnification:**

- a. Notwithstanding any other provision in this Agreement, with respect to the Cooperative's provision of electric service to DG Owner/Operator and the services provided by the Cooperative pursuant to this Agreement, Cooperative's liability to DG Owner/Operator shall be limited as set forth in the Cooperative's tariffs and terms and conditions for electric service, which are incorporated herein by reference.
- b. For the purposes of this Agreement, a Force Majeure event is any event: (a) that is beyond the reasonable control of the affected party; and (b) that the affected party is unable to prevent or provide against by exercising reasonable diligence, including the following events or circumstances, but

only to the extent that they satisfy the preceding requirements: acts of war, terrorism, public disorder, rebellion or insurrection; floods, hurricanes, earthquakes, lightning, storms or other natural calamities; explosions or fires; strikes, work stoppages or labor disputes; embargoes; and sabotage. If a Force Majeure event prevents a party from fulfilling any obligations under this agreement, such party will promptly notify the other party in writing and will keep the other party informed on a continuing basis as to the scope and duration of the Force Majeure event. The affected party will specify the circumstances of the Force Majeure event, its expected duration and the steps that the affected party is taking to mitigate the effect of the event on its performance. The affected party will be entitled to suspend or modify its performance of obligations under this Agreement but will use reasonable efforts to resume its performance as soon as possible.

- c. The DG Owner/Operator agrees to indemnify and hold harmless the Cooperative from any claims, demands, costs, losses, causes of action, damages or liability of whatsoever kind or nature, arising out of or resulting from the construction, operation, or maintenance of the DG Owner/Operator's DG facility; and the Cooperative agrees to indemnify and hold harmless the DG Owner/Operator from any claims, demands, costs, losses, causes of action, damage or liability of whatsoever kind or nature, arising out or resulting from the construction, operation, or maintenance of the Cooperative's facilities.
- d. Cooperative and DG Owner/Operator shall each be responsible for the safe installation, maintenance, repair and condition of their respective lines, wires, switches, or other equipment or property on their respective sides of the Point of Interconnection. The Cooperative does not assume any duty of inspecting the DG Owner/Operator's lines, wires, switches, or other equipment or property and will not be responsible therefore. DG Owner/Operator assumes all responsibility for the electric service supplied hereunder and the facilities used in connection therewith at or beyond the Point of Interconnection.

13. **Insurance:** DG Owner/Operator shall provide proof annually that it has procured and has in effect a policy of comprehensive liability insurance in the amount of at least \$300,000.

14. **Compliance with Laws, Rules and Tariffs:** Both the Cooperative and the DG Owner/Operator shall be responsible for complying with any federal, state or local laws, and the Interconnection Requirements. The interconnection and services provided under this Agreement shall at all times be subject to the terms and conditions set forth in the Interconnection Requirements, which Interconnection Requirements are hereby incorporated into this Agreement by this reference. The Cooperative shall have the right to change any of the Interconnection Requirements at any time.

15. **Severability:** If any portion or provision of this Agreement is held or adjudged for any reason to be invalid or illegal or unenforceable by any court of competent jurisdiction, such portion shall be deemed separate and independent, and the remainder of this Agreement shall remain in full force and effect.

16. **Amendment:** This Agreement may be amended only upon mutual agreement of the Parties, which amendment will not be effective until reduced to writing and executed by the Parties.

17. **Entirety of Agreement and Prior Agreements Superseded:** This Agreement, including the Interconnection Requirements and all attached Exhibits, which are expressly made a part hereof for all purposes, constitutes the entire agreement and understanding between the Parties with regard to the interconnection of the facilities of the Parties at the Points of Interconnection expressly provided for in this Agreement. The Parties are not bound by or liable for any statement, representation, promise, inducement, understanding, or undertaking of any kind or nature (whether written or oral) with regard to the subject matter hereof not set forth or provided for herein or in the DG Owner/Operator application, or other written information provided by the DG Owner/Operator in compliance with the Interconnection Requirements. It is expressly acknowledged that the Parties may have other agreements covering other services not expressly provided for herein, which agreements are unaffected by this Agreement.

18. **Assignment:** At any time during the term of this Agreement, the DG Owner/Operator may assign this Agreement to a corporation, an entity with limited liability or an individual (the "Assignee") to whom the DG Owner/Operator transfers ownership of the DG Facility; provided that the DG Owner/Operator obtains the written consent of the Cooperative, which shall not be unreasonably withheld, in advance of the assignment. The company or individual to which this Agreement is assigned will be responsible for the proper operation and maintenance of the DG Facility, and must agree in writing to be subject to all provisions of this Agreement. Cooperative may also assign the Agreement to another entity with the written approval of the DG Owner/Operator. The Cooperative may assign this Agreement with the written consent of the DG Owner/Operator which shall not be unreasonably withheld.

19. **Notices:** Notices given under this Agreement are deemed to have been duly delivered if hand delivered or sent by United States certified mail, return receipt requested, postage prepaid, to:

(a) If to Cooperative:  
Sioux Valley Energy  
PO Box 216  
Colman, SD 57017

(b) If to DG Owner/Operator:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The above-listed names, titles, and addresses of either Party may be changed by written notification to the other.

20. **Term:** This Agreement shall take effect \_\_\_\_\_, 20\_\_\_\_ and shall remain in effect for \_\_\_\_\_ years (as defined in Exhibit C) at which time the Agreement shall terminate unless mutually agreed upon by the parties. This Agreement may be terminated as follows: (a) Cooperative may terminate upon failure by the DG Owner/Operator to generate energy from the DG Facility and deliver such energy to the Cooperative within six (6) months after completion of the interconnection; (b) either Party may terminate by giving the other Party at least thirty (30) days prior written notice that the other Party is in default of any of the terms and conditions of the Agreement or the interconnection requirements or any rate schedule, tariff, regulation, contract, or policy of the Cooperative, so long as the notice specifies the basis for termination and there is opportunity to cure the default; (c) The Cooperative may terminate if transmission service or network resource accreditation cannot be obtained or if upgrades to the existing transmission system would be required to obtain them as per Section 10b; or (d) Cooperative may terminate by giving DG Owner/Operator at least sixty (60) days notice in the event that there is a material change in an applicable law, or any requirement of the Cooperative's wholesale power suppliers, MAPP, IS or of any transmission utility, independent system operator or regional transmission organization having responsibility for the operation of any part of the System.

21. **Limitations (No Third-Party Beneficiaries, Waiver, etc.):** This Agreement is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties. This Agreement may not be assigned by the DG Owner/Operator without the prior written consent of the Cooperative as specified in Section 20. The failure of a Party to this Agreement to insist, on any occasion, upon strict performance of any provision of this Agreement will not be considered to waive the obligations, rights, or duties imposed upon the Parties.

22. **Headings:** The descriptive headings of the various articles and sections of this Agreement have been inserted for convenience of reference only and are to be afforded no significance in the interpretation or construction of this Agreement.

23. **Multiple Counterparts:** This Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

24. **Governing Law:** This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and shall be governed by the laws of the State of South Dakota.

**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be signed by their respective duly authorized representatives.

[SIOUX VALLEY ENERGY]

[DG OWNER/OPERATOR NAME]

BY: \_\_\_\_\_  
TITLE: \_\_\_\_\_  
DATE: \_\_\_\_\_

BY: \_\_\_\_\_  
TITLE: \_\_\_\_\_  
DATE: \_\_\_\_\_

EXHIBIT A

DESCRIPTION OF DISTRIBUTED GENERATION FACILITY

- 1. Name:
- 2. Location:
- 3. Description of distributed generation (make, model):
- 4. Interconnected capacity (kW):
- 5. Interconnection voltage:
- 6. Metering (type, voltage, location, loss adjustments, other):
- 7. Facilities to be furnished by Cooperative:
- 8. Cost responsibilities and facilities to be furnished by DG Owner/Operator:
  - a. Transmission Interconnection/accreditation application, study, and approval process:
  - b. Generator testing and accreditation
  - c. Engineering review, checkout, and approval of interconnection equipment and protective devices and settings:
  - d. Interconnection facilities
  - e. Metering
  - f. Distribution line replacement and voltage regulators as stated above

SIOUX VALLEY ENERGY

[DG OWNER/OPERATOR NAME]

BY: \_\_\_\_\_

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

**EXHIBIT B**

EXHIBIT C

DISTRIBUTED GENERATION SMALL RENEWABLE ENERGY PURCHASE RATE

Cooperative will pay DG Owner/Operator an energy payment for all energy delivered to the cooperative's system. Rates for the energy programs are as follows:

1. A monthly energy payment for all energy produced and delivered will be made at the following schedule:

<u>Year</u>	<u>Payment/KWh</u>
2012	.04765

The energy payments are subject to the DG Owner/Operator and the DG Facility meeting the following requirements and criteria as well as the requirements and criteria of the Agreement, other Exhibits, and the Interconnection Requirements:

a. The DG Owner/Operator may use the DG Facility to offset power and energy purchases from the Cooperative.

b. The DG Facility shall be equipped with bi-directional energy metering. The metering shall be such that all power delivered to the Cooperative (net of the consumer's use) from the DG Facility shall be measured separately from power delivered from the Cooperative to the DG/Owner Operator. The meter measuring power delivered to the consumer shall not permit reduction of measured power already delivered to the DG/Owner Operator during periods when the DG Facility generation exceeds the DG/Owner Operator's demand. The meter may not run backwards.

c. All energy purchased under this rate shall include any positive environmental attributes (renewable energy credits), if any, associated with the environmental character of the generation, but not any Federal income tax credits for renewable energy that are accruable to the DG Owner/Operator of the renewable energy facility. The DG Owner/Operator of the renewable energy facility shall annually provide a completed signed copy of the attached Renewable Energy Certificate (Exhibit C-1).

SIOUX VALLEY ENERGY

[DG OWNER/OPERATOR NAME]

BY: \_\_\_\_\_

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_



**EXHIBIT C-1**

**RENEWABLE ENERGY CERTIFICATE**

[DG OWNER/OPERATOR NAME] (Seller) hereby sells and conveys title, possession and all rights, including all environmental attributes (Green Tags) related to electrical power and energy; and sold and delivered to Cooperative by the Seller. Any energy delivered under this certification shall have been produced by the Seller's renewable energy facility located at -

\_\_\_\_\_.

The Seller warrants that the Green Tags or any related environmental attributes, transferred hereunder, have not otherwise been, nor will be, sold, retired, claimed or represented as part of electricity output or sales, or used to satisfy obligations in any other jurisdiction.

Seller further warrants that all energy produced by the above renewable energy facility was accurately metered and delivered to Cooperative and that none of the energy produced by the facility was sold to others or used to support Seller's other facilities or electrical needs.

Signed: [DG OWNER/OPERATOR NAME]

\_\_\_\_\_ Date: \_\_\_\_\_

**SIoux VALLEY ENERGY ELECTRIC COOPERATIVE  
UNIFORM MINNESOTA STATEWIDE CONTRACT  
FOR  
COGENERATION OR SMALL POWER PRODUCTION FACILITIES**

THIS CONTRACT is entered into \_\_\_\_\_, 20\_\_ by Sioux Valley Energy Cooperative (hereafter called "Cooperative") and \_\_\_\_\_ (hereafter called "QF").

RECITALS

The QF has installed electric generation 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 Cooperative.

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 technical standards for interconnection the Cooperative has established that are authorized by those rules.

The Cooperative 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 QF and the Cooperative is required by the Commission's rules.

AGREEMENTS

The QF and the Cooperative agree:

1. The Cooperative will buy electricity from the QF under the current rate schedule in force for the class of member to which the QF belongs.
2. The Cooperative will buy electricity from the QF under the current rate schedule filed with the Commission. A copy of the presently filed rate schedule is attached to this contract. The QF has elected the rate schedule Category hereinafter indicated (select one):

- \_\_\_\_ A. Net energy billing rate under Part 7835.3300
- \_\_\_\_ B. Simultaneous purchase and sale billing rate under Part 7835.3400
- \_\_\_\_ C. Time-of-day purchase rates under Part 7835.3500

3. The rates for sales and purchases of electricity may change over the time this contract is in force, due to action of the Cooperative or of the Commission, and the QF and the Cooperative 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 Cooperative 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 Cooperative.  
    \_\_\_2. Paid by check to the QF within 15 days of the billing date.
5. The QF must operate its electric generating facilities within any rules, regulations and policies adopted by the Cooperative not prohibited by the Commission's rules on Cogeneration and Small Power Production which provide reasonable technical connection and operating specifications for the QF. This agreement does not waive the QF's right to bring a dispute before the Commission as authorized by Minnesota Rules, Part 7835.4800, 7835.5800 and 7835.4500 and any other provision of the Commission's rules on Cogeneration and Small Power Production authorizing Commission resolution of a dispute.
6. The Cooperative's rules, regulations and policies must conform to 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 Cooperative in this way:  
  
\_\_\_\_\_
9. The QF will give the Cooperative reasonable access to its property and electric generating facilities if the configuration of those facilities does not permit disconnection or testing from the Cooperative side of the interconnection. If the Cooperative enters the QF's property, the Cooperative will remain responsible for its personnel.
10. The Cooperative may stop providing electricity to the QF during a system emergency. The Cooperative will not discriminate against the QF when it stops providing electricity or when it resumes providing electricity.

- 11. The Cooperative may stop purchasing electricity from the QF when necessary for the Cooperative to construct, install, maintain, repair, remove, investigate or inspect any equipment or facilities within its electric system. The Cooperative 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 \$300,000. (The Cooperative may not require an amount greater than \$300,000).
- 13. This contract becomes effective as soon as it is signed by the QF and the Cooperative. This contract will remain in force until either the QF or the Cooperative gives written notice to the other that the contract is canceled. This contract will be canceled 30 days after notice is given.
- 14. This contract contains all the agreements made between the QF and the Cooperative 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 Cooperative are not responsible for any agreements other than those stated in this contract.

THE QF AND THE COOPERATIVE HAVE READ THIS CONTRACT AND AGREE TO BE BOUND BY ITS TERMS. AS EVIDENCE OF THEIR AGREEMENT, THEY HAVE EACH SIGNED THIS CONTRACT BELOW.

QF

BY: \_\_\_\_\_

\_\_\_\_\_

Title

\_\_\_\_\_

Date

COOPERATIVE

BY: \_\_\_\_\_

\_\_\_\_\_

Title

\_\_\_\_\_

Date