

POLICY BULLETIN NO. 418

Subject: Qualifying Cogeneration and Small Power Production Facilities

Objective:

To provide for the safety of consumers, Cooperative personnel and the public in general, and to assure reliable electric service consistent with the Public Utility Regulatory Policies Act of 1978, and the Cooperative's Operational Policy relating to qualifying cogeneration and small power production facilities, the following rules and regulations are established for connection and operation of consumer-owned or operated qualifying facilities, as defined in the aforementioned Operational Policy, in parallel with the Cooperative's electric distribution system.

Policy:

These rules and regulations apply to all qualifying facilities having a capacity of less than 1 megawatt. Qualifying facilities of 1 megawatt or more of capacity will be treated on an individual case by case basis. These rules and regulations apply to both existing and proposed installations, and are subject to change from time to time as may be deemed necessary or desirable by the Cooperative or as may be required by governmental authorities.

- A. The owner or operator of a qualifying facility shall submit for Cooperative review and approval detailed electrical circuit diagrams of the installation, equipment nameplate data for interface devices and control systems and a site plan. Such submittal shall be in sufficient detail to provide reasonable assurance that the qualifying facility can at all times be operated in a safe, reliable and lawful manner. Without limiting the generality of the foregoing, the owner or operator of a qualifying facility shall submit to the Cooperative a completed Application for Interconnection and Parallel Operation in the form attached hereto as Exhibit A. As a part of its review process, the Cooperative may require an opinion as to the safety and reliability of the system from a licensed professional engineer. No qualifying facility shall be connected to the Cooperative's electric system without the Cooperative's advance approval of such facility as being in compliance with these rules and regulations.

- B. The completed installation must meet all applicable local, state and national codes, regulations or other laws, and is subject to inspection by any authorities having jurisdiction before commencement of a parallel operation. The installation must also comply with the Cooperative's Technical Guidelines for Interconnection and Parallel Operation attached hereto as Exhibit B. The Cooperative may inspect or require a test of the facility at any time without advance notice.

- C. The owner or operator shall pay for all costs associated with any addition or alteration to the Cooperative's system required for metering and for the safe and reliable operation of the qualifying facility in parallel with the Cooperative's electric system. Where alterations to the Cooperative's electric system are required due to the collective presence of two or more qualifying facilities operating in parallel with the Cooperative, the cost of such additions or alterations shall be shared by those owners or operators on an equitable basis to be determined by the Cooperative.
- D. An approved disconnecting device operable by the Cooperative and suitable for disconnecting the qualifying facility from the Cooperative's lines may be required. Any such device shall be operated in accordance with the procedures agreed to by the owner or operator and the Cooperative.
- E. After the initial installation and acceptance by the Cooperative of a qualifying facility, the owner or operator shall obtain approval from the Cooperative prior to making any revisions to the qualifying facility, interface equipment, control devices, or protective system.
- F. The control and protective system and site plan of the qualifying facility must be approved by the Cooperative. The control and protective system must operate in accordance with these safety and reliability standards:
 - 1. The system shall provide for the immediate automatic shutdown or separation of the qualifying facility's generator and storage devices from the Cooperative's lines in the event of any of the following conditions, whether emanating from the Cooperative's system or the qualifying facility:
 - a. Momentary or extended interruption of power on the Cooperative's lines serving the qualifying facility.
 - b. Deviation of frequency or voltage on the Cooperative's lines serving the qualifying facility from within the Cooperative's normal standards.
 - c. If the qualifying facility is operating in parallel with three phase service, existence of abnormal rotation of phases or existence on any phase or phases of a condition listed in (a) or (b) above.
 - 2. The shutdown or separation shall continue until the interruption, deviation, or abnormal condition listed in (1) above has been eliminated and all applicable parameters listed in (1) are returned to within the Cooperative's normal standards.
- G. In the event the Cooperative determines in its sole judgment that the qualifying facility poses any safety hazard to any person or property, poses a hazard to the reliability of the Cooperative's electric system or any system with which it is connected, unreasonably interferes with the use and enjoyment of property by any person, or that the qualifying facility's protective equipment is operating improperly, the Cooperative, through its authorized personnel, shall have the right to enter onto the property where the qualifying facility is located and immediately disconnect the qualifying facility from its lines.

- H. The owner or operator shall pay all costs of changes for safety purposes or repairs or losses due to adverse effects on the equipment or facilities of other consumers or the Cooperative itself caused by the connection or operation of a qualifying facility.
- I. Should parallel operation of a qualifying facility cause interference or adversely affect voltage, frequency, harmonic content, or power factor in the Cooperative's or other consumers' services, the Cooperative may require disconnection of the qualifying facility from the Cooperative's electrical system until the condition has been corrected.
- J. The Cooperative may require such liability insurance coverage by the qualifying facility owner or operator as the Cooperative determines in its sole judgment to be appropriate in the circumstances, and the owner or operator shall provide such proof of insurance coverage as may be required by the Cooperative. Review or testing of the qualifying facility by the Cooperative does not constitute any assumption of liability by the Cooperative for the safe, reliable and lawful operation of the qualifying facility.
- K. If the owner or operator fails to comply with the above rules and regulations or if the qualifying facility at any time constitutes a safety hazard or hazard to the reliability of the Cooperative's electric system or any system with which it is connected or is in violation of any code, regulation or law, the Cooperative may at any time require termination of parallel operation and the owner or operator shall be liable for any loss, damage or injury resulting from such failure, hazard or violation.
- L. Connections between a qualifying facility and the electric system of the Cooperative shall only be made pursuant to a written contract between the Cooperative and the owner or operator of such qualifying facility which shall be in accordance with applicable laws as well as the applicable rules, regulations, policies and rate schedules of the Cooperative.
- M. Member must meet general liability insurance requirements outlined in Amendment 1

Responsibility:

- 1. The General Manager/CEO and Director of Engineering shall be responsible for the administration of this policy.

Source: Adopted by Board Resolution – October 29, 2010. Amended May 27, 2011

Policy 418 Amendment 1 – Insurance Requirements

1.1 Consumer shall obtain and maintain the following policies of insurance during the term of the Agreement: Comprehensive or Commercial General Liability insurance with bodily injury and property damage combined single limits of at least \$250,000 per occurrence if the Electric Generating Facility is 10 kW or less, \$1,000,000 per occurrence if the Electric Generating Facility is greater than 10 kW but less than 100 kW, and \$5,000,000 per occurrence if the Electric Generating Facility is 100 kW or greater. Such insurance shall include, but not necessarily be limited to specific coverage for contractual liability encompassing the indemnification provisions in Article 8, broad form property damage liability, personal injury liability, explosion and collapse hazard coverage, products/completed operations liability, and, where applicable, watercraft protection and indemnity liability.

1.2 The coverages requested in Section 1.1 above should be “occurrence” form policies. In the event Consumer has “claims-made” form coverage, Consumer must obtain prior approval of all “claims-made” policies from Power Company.

1.3 Consumer shall cause its insurers to amend its Comprehensive or Commercial General Liability policies with the following endorsement items (a) through (e):

(a) Power Company, and its directors, officers, and employees are additional Insureds under this Policy; and

(b) This insurance is primary with respect to the interest of Power Company, and its directors, officers, and employees and any other insurance maintained by them is excess and not contributory with this insurance; and

(c) The following cross liability clause is made a part of the policy: “In the event of claims being made by reasons of (i) personal and/or bodily injuries suffered by any employee or employees of one insured hereunder for which another insured hereunder is or may be liable, or (ii) damage to property belonging to any insured hereunder for which another insured is or may be liable, then this policy shall cover such insured against whom a claim is made or may be made in the same manner as if separate policies have been issued to each insured hereunder, except with respect to the limits of insurance; and

(d) Insurer hereby waives all rights of subrogation against Power Company, and its officers, directors and employees; and

(e) Notwithstanding any provision of the policy, this policy may not be canceled, non-renewed or materially changed by the insurer without giving thirty (30) days prior written notice to Power Company. All other terms and conditions of the policy remain unchanged.

1.4 Consumer shall cause its insurers or agents to provide Power Company with certificates of insurance evidencing the policies and endorsements listed above prior to interconnecting the Electric Generating Facility with the Power Company Distribution System, as well as copies of each annual renewal certificate for such policies and endorsements, promptly after such renewal certificates are issued. Power Company shall have the right to review the

policies and endorsements listed above at any time during the term of this Agreement, and Consumer shall promptly provide copies of the same to Power Company upon its request. Failure of Power Company to obtain certificates of insurance does not relieve Consumer of the insurance requirements set forth herein. Failure to obtain the insurance coverage required by this Amendment 1 shall in no way relieve or limit Consumer's obligations and liabilities under other provisions of this Agreement.

1.5 If Consumer is a residential customer of the Power Company, the following provisions shall apply:

(a) The insurance coverage requirements of Section 1.1 above may be satisfied by the residential Consumer obtaining and maintaining a Homeowner's Liability insurance policy, or if Homeowner's Liability insurance is not available, Comprehensive or Commercial General Liability insurance, Excess or Umbrella Liability insurance, or any other type of insurance policy that the Power Company deems acceptable, covering the residential Consumer's liabilities under this Agreement, with bodily injury and property damage combined single limits as set forth in Section 1.1;

(b) The last sentence of Section 1.1, and the requirements set forth in Section 1.3, shall not apply to the residential Consumer; and

(c) The amounts of insurance required in Section 1.1 may be satisfied by the residential Consumer purchasing primary coverage in the amounts specified or by buying a separate excess Umbrella Liability policy together with lower limit primary underlying coverage. The structure of the coverage is the residential Consumer's option, so long as the total amount of insurance meets Power Company's requirements.