

FLATHEAD ELECTRIC COOPERATIVE, INC.

PROCEDURE E&O 350

MEMBER GENERATION INTERCONNECTION

I. OBJECTIVE:

To establish the procedure for Cooperative interconnection with net-metered or small power producers and co-generators (Qualifying Facilities) 100 kW and smaller in compliance with the Public Utility Regulatory Policies Act (PURPA) of 1978. Installations larger than 100 kW and those not meeting the definition of "Qualifying Facilities," while having to meet the general requirements of this procedure, shall be dealt with on an individual basis.

II. PROCEDURE:

Flathead Electric Cooperative recognizes that its members may want to take advantage of alternative on-site generation sources. This procedure outlines the means and requirements for interconnection of this generation with Flathead Electric Cooperative's distribution lines. The Cooperative's intent is to enable interconnection under terms and conditions that do not adversely affect other members economically and qualitatively. While this procedure primarily assesses interconnection options, it is recognized that a member may generate without interconnecting to the Cooperative lines.

III. AVAILABILITY AND REQUIREMENTS:

When a member desires to generate electricity and interconnect to the Cooperative's grid the following requirements must be met:

- A. Complete and sign an interconnection agreement with the Cooperative that outlines specific terms, agreements and issues such as safety, insurance, responsibilities, charges, power quality and other pertinent issues.
- B. Generation source may be renewable including but not limited to wind, solar, geothermal, hydro or fuel cells (if powered from renewable source).
- C. With the exception of the net metering option, the generation must meet the definition of "Qualifying Facility" (QF) as defined in the Public Utilities Regulatory Policy Act of 1978 (PURPA) and provided PURPA continues to be enforceable under federal law.
- D. Safety of Cooperative personnel and protecting existing members from undesirable system operation is paramount. It will be the responsibility of the member to provide appropriate disconnects and protective devices to

prevent inadvertent energizing of the distribution system during outages. Depending on the size of the generator, the equipment shall also prevent unacceptable levels of voltage, frequency, power factor, short circuit current, harmonics or any other condition, that could be detrimental to the operation of the distribution system.

IV. OPTIONS:

The member's generation source may be interconnected utilizing one of the following three options, depending on the generation source and facility size:

- A. Net Metering
- B. QF Interconnection – Output purchased by Flathead Electric Cooperative
- C. QF Interconnection – Output wheeled through Flathead Electric Cooperative

V. NET METERING PROGRAM:

Net Metering is defined as the interconnection of member owned generation from a renewable source to Cooperative facilities, in which the generation output of energy not used at the service is netted against the energy delivered by the Cooperative within the following guidelines:

- A. The Cooperative will not purchase energy produced by the member
- B. Name-plate generating capacity shall not exceed 10 kW.
- C. Member generation is intended primarily to offset part or all of the member's own electrical requirements at the service.
- D. A standard non-detent meter may be allowed to turn the direction the power flows for self-read services.
- E. Two detented meters are required for automated meter reading systems. All costs above standard metering will be borne by the member including, but not limited to, modifications to an existing meter base and wires and addition of a second meter and base.
- F. Charges for energy delivered by the Cooperative in excess of the energy produced by the member's generator shall be billed monthly at the applicable rate schedule. Member generation in excess of monthly usage will be banked* for later use in the current 12-month period. Net metering members will be subject to all other terms of the applicable rate schedule including payment of monthly basic charges even if no energy is billed.

- G. Monthly net metering facilities charges will be assessed for Cooperative costs and expenses including distribution and transmission costs and expenses. Assessed charges will be based on the service/ load size. See applicable residential rate charts.

* Banking is a method of accounting monthly for any energy produced by member generation and not consumed by that member at their service point during that month. Banked energy can be used within an agreed to 12-month period to offset energy consumed at the member's service. Any banked energy left at the end of the annual period will be given to the cooperative without any compensation to the member.

VI. QUALIFYING FACILITIES PROGRAM:

Member owned generation meeting PURPA's definition of "Qualifying Facilities" and produced for sale, is defined as the interconnection of member owned generation from a renewable or other QF source to Flathead Electric Cooperative's system.

A "Qualifying Facility" (QF) is generally defined as generation utilizing a renewable source or from cogeneration when energy that would otherwise be wasted is harnessed to generate electricity. QF is specifically defined by FERC Orders No. 70-70E, Orders No. 499-499-A, Orders No. 575-575A and Order No. 593.

The Member will have the following options:

A. QF Interconnection – Output purchased by Flathead Electric Cooperative

Flathead Electric Cooperative will purchase power produced by member owned generation under the following guidelines:

1. The generation may be stand-alone or may provide all or part of the member's own electrical requirements at the point of service.
2. Metering is required that is appropriate to measure power flow in both directions and is capable of meeting requirements established by the engineering study.
3. Charges for power delivered by the Cooperative shall be billed monthly at the appropriate retail rate. Power sold to Flathead Electric Cooperative by the member will be purchased at the Cooperative's avoided cost.
4. Monthly facilities charges will be assessed for distribution and transmission services.
5. The member will be required to sign an interconnection agreement with Flathead Electric Cooperative.

6. Any interconnection agreement will be consistent with Flathead Electric Cooperative's wholesale power contracts and policies.
7. An advance payment by the member for engineering studies may be required, at the discretion of Flathead Electric Cooperative. Any engineering studies completed for the project must be accepted by the Cooperative prior to interconnection.
8. The member will be required to pay all costs incurred by Flathead Electric Cooperative prior to interconnection for upgrades to the Cooperative's system.
9. The member may be paid for capacity in addition to energy at Flathead Electric Cooperative's avoided cost factoring the following considerations into the establishment of avoided cost (the factors may result in increases or decreases):
 - ◇ Costs of capacity (demand)
 - ◇ Cost of imbalance
 - ◇ Cost of scheduling if impacted
 - ◇ Cost of voltage regulation
 - ◇ Cost of other ancillary services if impacted
 - ◇ Those transmission costs billed on a capacity basis

B. QF Interconnection – Output wheeled through Flathead Electric Cooperative

Flathead Electric Cooperative will wheel power produced by member owned generation that meets PURPA's definition of "Qualifying Facilities" across the Cooperative's system under the following guidelines:

1. Flathead Electric Cooperative will not purchase power produced by the member.
2. The generation may be stand-alone or may provide all or part of the member's own electrical requirements at the point of service.
3. Metering shall be required that is capable of measuring flow in both directions, with energy and capacity (demand) measured consistent with the requirements of the affected systems.
4. The member will be required to obtain capacity (demand) rights from all systems affected and is directly responsible for payment of associated charges.
5. Charges for power delivered by Flathead Electric Cooperative shall be billed monthly at the appropriate rate.

6. Payment for energy delivered by the member's generator through Flathead Electric Cooperative's system is not the responsibility of the Cooperative.
7. Charges from Flathead Electric Cooperative to the member for wheeling shall be based on pro forma tariffs including a rate of return and payment of those charges, and shall be the member's responsibility.
8. The member will be required to sign an interconnection agreement with Flathead Electric Cooperative.
9. Any interconnection agreement will be consistent with Flathead Electric Cooperative's wholesale power contracts and policies.
10. Flathead Electric Cooperative shall not be held responsible for damages in the event the Cooperative is unable to perform wheeling.
11. The member may be paid for capacity in addition to energy at Flathead Electric Cooperative's avoided cost factoring the following considerations into the establishment of avoided cost (the factors may result in increases or decreases):
 - ◇ Costs of capacity (demand)
 - ◇ Cost of imbalance
 - ◇ Cost of scheduling if impacted
 - ◇ Cost of voltage regulation
 - ◇ Cost of other ancillary services if impacted
 - ◇ Those transmission costs billed on a capacity basis
12. An advance payment for engineering assessments will be required.
13. The member will be required to pay all reasonable costs incurred by Flathead Electric Cooperative prior to interconnection for upgrades to the Cooperative's system that are needed to maintain power quality and system integrity.

VII. EMERGENCY OR STANDBY GENERATORS:

It is recognized that members may wish to install emergency or standby generators for those times there is a prolonged outage on the Flathead Electric Cooperative system. The output from these installations will not be considered for the purposes of net metering, purchase or wheeling.

Permanent or portable generators shall not be connected through wiring internal to the member's home, business or any other structure that the Cooperative provides electrical service to, unless the connection is made through a permanently installed transfer switch. The transfer switch shall be designed and installed so that the generator cannot

be connected to Flathead Electric Cooperative's system in any mode of operation. When the switch is in the position that disconnects the Cooperative's service, it must have a visible opening and be lockable in that position. Compliance with these provisions is necessary to prevent serious or possibly fatal accidents to Cooperative personnel as well as the public.

All transfer switches and/or transfer operating schemes must meet applicable building and electrical codes and be inspected by the appropriate governmental electrical inspector. Flathead Electric Cooperative will require that an inspection be made by Cooperative personnel prior to operation of the member's generator.

Approved: April 28, 2004

Amended: July 28, 2004

General Manager