

WELLS RURAL ELECTRIC COMPANY

Adopted: March 1976

Revised: August 21, 1998

Reviewed: August 21, 1998

RULE NO. 23  
PURCHASE OF ENERGY TO QUALIFIED FACILITIES

A. Statement of Objectives:

1. Meet PURPA requirements for all Qualified Facilities (QFs)
2. Encourage development of small generation systems that use renewable resources.

B. General Statement

This Rule applies to net metering generation systems on the member's side of Point of Delivery that are interconnected with the Company's distribution system.

C. Purchase of energy from and sales of energy to, Qualified Facilities

1. Agreement

The Company and QF shall enter into a written agreement setting forth in necessary detail the manner in which the company shall purchase and sell power and energy to the small power producer or co-generator, the facilities to be constructed, the character of service, the planned mode of operation and maintenance of the facilities. The agreement shall also detail the rate, billing and payment arrangements for power and energy transactions, the billing and payment procedures for Company expenses related to the small power producer or co-generator and other items that are a necessary part of the agreement.

2. PURPA Compliance

The Company will purchase at its avoided costs power and energy from qualifying facilities in accordance with Sections 201 and 210 of PURPA. The Company will also sell power and energy to the qualifying facility as it may require. The Company will sell the qualifying facility its needs over and above its generating capabilities or, at the qualifying facility's option, will purchase 100% of its generation output and sell to the qualifying facility 100% of its needs.

PURPA provides that the other Company members shall not subsidize the qualifying facility. Thus, all costs including engineering, construction, material and related expenses are to be paid by the small power producers and co-generators.

The PURPA regulations also mandate that service to other Company members shall not be degraded because of the presence or connection of the qualifying facility. The qualifying facility shall construct, operate and maintain its facilities or cause them to be constructed, operated and maintained, in a manner conforming to all existing safety codes, regulations and best operating practices. Failure to comply shall be cause for disconnection of the qualifying facility.

3. Avoided Costs

The Company will base avoided costs on that portion of its wholesale power cost which, by virtue of the purchase from the qualifying facility, it now avoids.

Energy cost avoidance will equal the wholesale cost of energy on a one-for-one basis.

Firm capacity cost avoidance will equal the wholesale cost of firm capacity on a one-for-one basis for all capacity the qualifying facility can provide on an equally firm basis as the Company's wholesale power supplier. Non-firm or intermittent capacity will not qualify for payment.

4. Energy sales to QF

Energy sales to the qualifying facility shall be made under tariffs established by the Company.

5. Hold Harmless

The Company and the other Company members are to be held harmless from all acts or omissions on the part of the qualifying facility. The qualifying facility will be required to carry adequate insurance and will be required to reimburse the Company for its additional insurance premiums which may be caused by the connection of the qualifying facility.

6. Future costs or system improvements

Future costs or system improvements which may become necessary by reason of the continued connection of additional qualifying facilities to a Company facility shall be shared by all qualifying facilities that contribute to the need for the improvement to the Company facility. The sharing of costs shall be prorated on a capacity basis at the time the cost is incurred.

7. Engineering analysis

Each connection of small power producer and co-generator to the Company's radial distribution system will require individual engineering analysis. The Company encourages prospective small power producers and co-generators to employ qualified engineering firms in the design of the interconnecting facilities and in the design of modifications, if any, to the Company system to accommodate the addition of generation. The Company will provide all system data for use by the engineer, including line characteristics, substation capacities, sectionalizing schemes and voltage regulation programs. The design of the interconnecting facilities and system modifications shall incorporate apparatus and devices compatible with those existing on the Company system and compatible with facilities other small power producers and co-generators connect to the Company system. The design shall incorporate features that will permit construction, operation and maintenance of the facility without disruption or degradation of service to the consumers served by the Company. The Company is prepared to provide the design and construction service referred to herein on a cost reimbursable basis. The Company will work on a reasonable and timely basis in accordance with their routine work load. However, the small power producers and co-generators are encouraged to employ independent firms for this service.

8. Metering

Metering of KW and KWH quantities shall be provided by "in" and "out" meters as appropriate. Based on readings of these meters, the Company will monthly render a statement showing in necessary detail the purchase by the Company, the sales by the Company and the net monies owed by the Company or due to the Company.

9. Billing

The Company will maintain an accurate and complete accounting of all expenses related to the application and connection of each small power producer and co-generator and shall promptly bill the small power producer or co-generator for all related expenses. Related expense shall include but not be limited to labor, materials, insurances, overheads, legal services, consulting services, meter reading, switching costs, mileage and equipment cost.