

COMMUNITY-BASED ENERGY DEVELOPMENT (C-BED) TARIFF

DESCRIPTION	RATE CODE
C-BED – CLOSED TO NEW INSTALLATIONS	32-990

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RULES AND REGULATIONS: Terms and conditions of this electric rate schedule and the General Rules and Regulations govern use of this schedule.

1. For facilities of 10 MW or less, connected to the Company Distribution system, please see the Technical Documents under the Company’s Rider for Distributed Generation Service.
2. For facilities greater than 10 MW, located on the Company Distribution system, the Technical Documents under the Company’s Rider for Distributed Generation Service may be utilized as long as the transmission system is not adversely affected.
3. For facilities of any size that affect the transmission system, the MISO Interconnection Process shall be followed.

Information on the interconnection procedures is available at www.optco.com

GOAL OF THE TARIFF: The Tariff is established to facilitate community-based Energy projects (C-BED) powered by new renewable Energy generating facilities in Minnesota pursuant to Minnesota Statute §216B.1612.

The following information provides guidelines for the negotiated purchase power agreements for service under this Tariff:

Nothing in this Schedule shall be construed to obligate Company to enter into a power purchase agreement. In the alternative, at the discretion of a **qualifying owner**, the **qualifying owner** and Company may negotiate a power purchase agreement with terms different from this schedule. In addition, service may be provided under other available and applicable Tariffs for necessary service.

QUALIFICATIONS OF C-BED OWNER AND PROJECT:

Owner Qualifications: Per Minnesota Statute §216B.1612, a **Qualifying owner** means:

1. a Minnesota resident;
2. a limited liability corporation that is organized under Chapter 322B and that is made up of members who are Minnesota residents;



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3. a Minnesota nonprofit organization organized under Minnesota Statutes Chapter 317A;
4. a Minnesota cooperative association organized under Minnesota Statutes Chapter 308A or 308B, including a rural electric cooperative association or a generation and transmission cooperative on behalf of and at the request of a member Distribution utility;
5. a Minnesota political subdivision or local government including, but not limited to, a municipal electric utility or a municipal power agency on behalf of and at the request of a member Distribution utility, a county, statutory or home rule charter city, town, school district, or public or private higher education institution or any other local or regional governmental organization such as a board, Commission, or association; or
6. a tribal council.

Project Qualifications: Per Minnesota Statute §216B.1612, a **Community-based energy development (C-BED) project means** a new renewable Energy project that either as a stand alone project or part of a partnership under subdivision 8:

1. is located in Minnesota
2. has no single **qualifying owner** owning more than 15 percent of a **C-BED wind energy project** unless: (i) the C-BED wind Energy project consists of only one or two turbines; or (ii) the qualifying owner is a public entity listed under Minn. Stat. §216B.1612, subd. 2(c), clause (5): a Minnesota political subdivision or local government including, but not limited to, a municipal electric utility, or a municipal power agency on behalf of and at the request of a member Distribution utility, a county, statutory or home rule charter city, town, school district, or public or private higher education institution or any other local or regional governmental organization such as a board, Commission, or association;
3. demonstrates that at least 51 percent of the gross revenues from a power purchase agreement over the life of the project will flow to **qualifying owners** and other local entities; and
4. has a resolution of support adopted by the county board of each county in which the project is to be located, or in the case of a project located within the boundaries of a reservation, the tribal council for that reservation.

RATE OPTIONS: A **qualifying owner** and Company shall negotiate the rate and power purchase agreement terms consistent with the following rate options for Energy delivered to the Company.

1. A negotiated rate up to a **Net Present Value Rate** over the 20-year life of the purchase power agreement;
2. A negotiated rate that is higher in the first ten years of the power purchase agreement than in the last ten years. The discount rate required to calculate the net present value must be the Company's normal discount rate used for its other business purposes at the time the



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power purchase agreement is negotiated.

3. At the discretion of the community-based project developer and the Company, a power purchase agreement may be negotiated with terms different than shown above.

While a **qualifying owner**, or any combination of **qualifying owners** may develop a joint venture with nonqualifying wind Energy project developer, the terms of this Schedule may apply only to the portion of the Energy production of the total project that is directly proportional to the equity share of the **C-BED** project owned by **qualifying owner(s)**.

OBLIGATIONS OF UTILITY COMPANY:

The Company must take reasonable steps to determine if one or more **C-BED projects** are available, that meet cost and Reliability requirements, applying **standard reliability criteria**, to satisfy some or all of the Company's needs to construct new generation, or purchase the output from new generation, as part of its plan to satisfy its good faith objective and standard to comply with the requirements of Minnesota Statute §216B.1691.

REQUIREMENTS OF A POWER PURCHASE AGREEMENT:

The **qualifying owner(s)** of a **C-BED project** may sell all or a portion of the Energy produced to the Company under a power purchase agreement with a term of at least twenty (20) years. The Company must receive Commission approval of a power purchase agreement for a **C-BED project**. The utility's ratepayers will be provided an opportunity to address the reasonableness of the proposed power purchase agreement to the Commission. Pursuant to Minnesota Statute §216B.1612, Subd 7(e), unless a party objects to a contract within 30 days of submission of the contract to the Commission, the contract is deemed approved.

The **C-BED Tariff** is a mechanism for qualifying projects to receive higher initial payments for the Energy delivered. Such payments place a financial risk upon ratepayers in the event of a failure of the project. The **qualifying** and nonqualifying **owner(s)** shall provide sufficient financial security through a performance bond or other acceptable financial arrangement as determined by the Company to secure performance under the power purchase agreement. In the event of a project failure, the proceeds from the security instrument shall be used to reimburse Customers for any over-payments up to the date of project failure.

A **qualifying owner** shall not be allowed to transfer the **C-BED project** to a non-qualifying owner during the initial 20 years of the contract.

The payment of the rate negotiated under this Tariff includes payment for the property rights of all renewable attributes (or in the event of the development of a Commission-approved renewable Energy tracking system, the **renewable energy credits**) associated with the



generation from the **C-BED project**. That is, receipt of this payment constitutes a transfer of the property rights of all renewable attributes (or **renewable energy credits**) associated with the generation from the **C-BED project** to Company, unless otherwise agreed to by the **qualifying owners** of the project and Company. **Renewable energy credits** associated with the Energy sold to the Company shall be transferred to the Company.

The **C-BED project** shall be responsible for registering with a state recognized or approved renewable Energy credit tracking system, and submitting the required generation data to ensure proper tracking of **renewable energy credits**. In the absence of a state recognized or approved renewable Energy credit tracking system, the Company may designate an alternate tracking system for registering the **Renewable energy credits**.

A project that is operating under a power purchase agreement under a **C-BED Tariff** is not eligible for net Energy billing under Minnesota Statute section §216B.164, subdivision 3, or for production incentives under Minnesota Statute section §216C.41.

OTHER TERMS AND CONDITIONS:

1. The **C-BED project** shall be responsible for complying with all applicable state, regional, national, power pool, balancing authority, and Reliability organization standards regarding Reliability and operation of generating equipment and associated interconnection equipment.
2. The **C-BED project** shall be responsible for the submission of an interconnection request. **C-BED projects** sized at 10 MW or less connecting to Company's Distribution system shall use the interconnection procedure shown in the Regulations Section within this Tariff. Larger **C-BED** facilities or those connecting to Company's transmission system shall meet all of the requirements of the transmission provider in acquiring interconnection approval, including paying the cost of all system studies deemed necessary and not part of the Company's scheduled studies or the studies of others and equipment upgrades.
3. The Company shall be responsible for requesting Transmission Service for delivery of the Energy from the **C-BED project** to the Company's load or other designated purpose.
4. Electricity delivered to the Company and/or a **qualifying owner** shall occur at a single point of interconnection or as determined by the Company. Separate metering will be designated for electricity delivered to the Company and for the applicable retail service delivered to the **qualifying owner**.
5. The **qualifying owner** shall indemnify the Company against all liability which may result from any and all claims for damages to property and injury or death to persons which may arise out of or caused by the erection, maintenance, presence, or operation of the **C-BED project** or by any related act or omission of the **qualifying owner**, its employees, agents, contractors or subcontractors.



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6. All **C-BED projects** must meet **standard reliability criteria**, where meeting **standard reliability criteria** is defined as (1) can be safely integrated into and operated within the utility's grid without causing any adverse or unsafe consequences; and (2) is consistent with the utility's resource needs as identified in its most recent resource plan submitted under section 216B.2422.

MANDATORY AND VOLUNTARY RIDERS: The amount of a bill for service will be modified by any Mandatory Rate Riders that must apply and by any Voluntary Rate Riders selected by the Customer, unless otherwise noted in this schedule. See Sections 12.00, 13.00 and 14.00 of the Minnesota electric rates for the matrices of riders.

DEFINITIONS:

C-BED Tariff or Tariff: means a community-based Energy development Tariff.

Net present value rate: means a rate equal to the net present value of the nominal payments to a project divided by the total expected Energy production of the project over the life of its power purchase agreement.

The baseline discount rate is 8.0%, subject to change due to Company business conditions and/or mutual agreement between the **C-BED project** owner(s), and requires approval by the Commission.

Renewable energy credits: means Green tags, certificates, or any other environmental credits that may be associated with a "renewable" or "green" electric generation resource may be available to the **C-BED project** as a generation resource, including, but not limited to, all credits, allowances, offsets, and similar rights issued, recognized, created or otherwise arising from the **C-BED project**, the **C-BED project's** Capacity, Energy generated by the **C-BED project**, or the delivery of Energy to OTP, which can be used to claim responsibility for any avoidance or reduction of emissions or pollutants, including, but not limited to, mercury, nitrogen oxide, sulfur dioxide, carbon dioxide, carbon monoxide, particulate matter, or similar pollutants or contaminants of air, water, or soil under any governmental, regulatory, voluntary or private program ("Green Tags").

Standard reliability criteria: means (1) can be safely integrated into and operated within the utility's grid without causing any adverse or unsafe consequences; and (2) is consistent with the utility's resource needs as identified in its most recent resource plan submitted under Minnesota Statute section §216B.2422.