

PURPA

Talking points:

- PURPA (Public Utility Regulatory Policies Act) was enacted in 1978 in part to require utilities to buy power from qualifying facilities. If a small project is developed (hydro, wind, solar, etc.), the utility has an obligation to buy it at their avoided cost. This obligation trumps all-requirements power contracts.
- Basin Electric staff has had discussions with Manager's Advisory Committee and the Rate Subcommittee on this issue over the past year.
- Because Basin Electric has a three-tier power supply (the distribution cooperative, the generation & transmission cooperative, and the power supply cooperative), one must look collectively at the entire package to determine the avoided cost.
- Basin Electric, its member G&Ts, and the distribution cooperative members, together represent one cooperative system owned and controlled by the consumers to provide electrical power to consumers at cost. The collective avoided cost is equal to Basin Electric's reduced production cost and the associated reduced transmission/distribution line costs.
- Historically, Basin Electric's avoided cost has been very low, and it has not been economical for the developer of a QF to sell at the cooperative family's avoided cost. This has been challenged, but the membership has held together.
- Basin Electric's goal is to maintain the lowest cost of power possible for the membership as a whole. There is concern about members not assigning their PURPA obligation because in some cases, electric cooperatives can buy wind from a developer at a lower rate than Basin Electric's current Class A Member Rate. If that started to happen on a large scale, Basin Electric would begin to back down its power generation and lose the power sale to the member, however the avoided power generation costs is not equal to the lost revenue of the member power sale and eventually the Basin Electric Class A Member Rate would increase to make up to lost revenue from the lost member power sale.
- In March 2016, the Basin Electric board authorized staff to move forward with a transfer of PURPA purchase obligation for projects greater than or equal to 150 kilowatts to Basin Electric. In deciding at what level of PURPA obligation to assign to Basin Electric, it was determined that for QFs below 150 kW it would be best to maintain the local distribution cooperative communication with the QFs as the project developer is likely a consumer of the distribution cooperative.
- On June 30, 2016, a note went out to Basin Electric's Class A members outlining the process, and indicated member board resolutions assigning those PURPA obligations be received by Basin Electric by Sept. 1, 2016.
- **Proposed timeline:**
 - Aug. 1, 2016: Review the draft petition and implementation plan
 - Sept. 1, 2016: Board resolution adopting the implementation plan

- Fall 2016: Public notice in the official county newspapers
- Filing with FERC once previous steps are completed, most likely after Jan 1, 2017.
- **Question and answer:**
 - In a nutshell, what is the waiver accomplishing?
 - The waiver allows Basin Electric's members to shift the obligation to purchase power from a QF (150 kW or more) to Basin Electric while shifting the obligation to provide retail power sales to a QF from Basin Electric to the member cooperative in whose service area the QF is located.
 - What criteria will the FERC commission utilize in determining if a waiver will be granted?
 - The FERC Commission will grant such a waiver if the electric utility demonstrates that compliance with such requirement "is not necessary to encourage cogeneration and small power production and is not otherwise required under...PURPA."
 - What is a Qualifying Facility under PURPA?
 - One of the ways PURPA set out to accomplish its goals was through the establishment of a new class of generating facilities which would receive special rate and regulatory treatment. Generating facilities in this group are known as qualifying facilities (QFs), and fall into two categories: qualifying small power production facilities and qualifying cogeneration facilities.
 - A small power production facility is a generating facility of 80 MW or less whose primary energy source is renewable (hydro, wind or solar, biomass, waste, or geothermal resources. There are some limited exceptions to the 80 MW size limit that apply to certain facilities certified prior to 1995 and designated under section 3(17)(E) of the Federal Power Act (16 U.S.C § 796(17)(E)) which have no size limitation. In order to be considered a qualifying small power production facility, a facility must meet all of the requirements of 18 C.F.R. §§ 292.203(a), 292.203(c) and 292.204 for size and fuel use, and be certified as a QF pursuant to 18 C.F. R. § 292.207.
 - A cogeneration facility is a generating facility that sequentially produces electricity and another form of useful thermal energy (such as heat or steam) in a way that is more efficient than the separate production of both forms of energy. In order to be considered a qualifying cogeneration facility, a facility must meet all of the requirements of 18 C.F. R. §§ 292.203(b) and 292.205 for operation, efficiency and use of energy output, and be certified as a QF pursuant to 18 C.F. R. § 292.207. There is no size limitation for qualifying cogeneration facilities.
 - The FERC Commission finalized a rulemaking under Order No. 688 that modified the mandatory power purchase obligation for electric utilities under PURPA. The Commission determined that Regional Transmission Organizations (including such RTOs as Midcontinent Independent System Operator, Southwest Power Pool and other RTOs) provide wholesale markets which meet the statutory criteria for member utilities to qualify for relief from the mandatory purchase

obligation. It also established a rebuttable presumption that qualifying facilities (QFs) above 20 MW net capacity have non-discriminatory access to these markets and that electric utility members should be relieved of their mandatory purchase obligation.

- What are some of the benefits of going through the waiver process?
 - The waiver process will benefit our members by having Basin Electric interact with the larger QF's saving the members time and money.
 - The waiver will also enable Basin Electric to effectively perform its primary function - the coordination of power supply decisions on behalf of all of its Members - in a centralized, efficient manner.
- Concerning energy purchased at distribution level, less than 150 kW, why must it be purchased at Basin Electric avoided cost? Why not set at distribution's avoided cost?
 - Basin Electric is the entity that provides the power to support the member load obligations, so if a member purchases a QF, Basin Electric will back down generation to offset the purchase made from the QF.
- How will Basin Electric lose money if the distribution co-op pays more for generation less than 150 kW? Basin Electric will lose the load anyway.
 - Basin Electric is backing down lower cost generation and losing the member power sale at the Class A Member Rate. The differential between the lost member power sale and the back down of generation/sale to the surplus market will be made whole by an increase to the Basin Electric Class A Member Rate.
- With the active PURPA lawsuits involving Tri-State G&T and Prelude going on now, should we wait until that is settled?
 - The resolution of that litigation may take up to two years.
 - We also believe the waiver process will streamline the process for a QF to be developed as the QF will not be deprived of a market for its power. The waiver will also enable Basin Electric to effectively perform its primary function - the coordination of power supply decisions on behalf of all of its Members - in a centralized, efficient manner.