



RECEIVED

JAN 29 2009

Commissioners' Office

January 22, 2009

Mr. Eric Callisto, Chairperson  
Public Service Commission of Wisconsin  
610 North Whitney Way  
Madison, WI 53705-2729

Dear Mr. <sup>Eric</sup>Callisto:

Thanks again for meeting with the Wisconsin Electric Cooperative Association managers and leaders recently. I want to compliment you on a very thorough and balanced presentation. Everyone was very impressed with the substance of your comments and the thoughtfulness of your positions. The world is getting more and more complicated for electric utilities, and it is helpful to know someone in your position understands that complexity.

During our conversation, you were surprised to hear Dairyland Power Cooperative had established a tariff for small renewable projects less than 2 MW. You also expressed interest in learning more about this tariff and its details. I have enclosed two documents that we use here at Dairyland to determine how we move forward with small renewable generation projects. These materials will hopefully give you a better understanding of the tariff Dairyland currently has in place.

One of the documents enclosed is the *Dairyland Power Purchase Criteria*. This is primarily used by our distribution cooperatives when a small renewable project is brought to their attention. The power purchase criteria allow the distribution cooperatives to determine the costs associated with bringing a small renewable generation unit online. The criterion also explains what role Dairyland will play with a particular project.

The second document enclosed sets forth the terms and conditions of service applicable to a small renewable purchase agreement. Additionally, it is used to determine what buyback rate Dairyland pays for small renewable generation. As you will note, we currently pay a higher rate than the standard "avoided cost." Our current buyback rate for wind-powered generation resources is \$0.065 per kWh. For biogas-powered generation resources we differentiate between on and off-peak hours. For on-peak hours (weekdays 8 a.m. to 10 p.m.) we pay \$0.105 per kWh, and for off-peak hours (all other hours Monday through Friday, weekends and holidays) we pay \$0.054 per kWh. Therefore, our average buyback rate for biogas-powered generation is \$0.075 per kWh.

Mr. Eric Callisto  
Page 2  
January 22, 2009

Thank you for allowing me to share this information about the Dairyland tariff. I hope this will give you a better understanding of the partnership between Dairyland, our distribution co-ops and small renewable generation projects. If you have any further questions or would like additional information please let me know.

Sincerely,

DAIRYLAND POWER COOPERATIVE



Brian D. Rude  
Vice President, External and Member Relations

BDR:mkw

Enclosures

cc/enc: Share Brandt - WECA  
Beata Kalies - WECA

## **DAIRYLAND POWER COOPERATIVE**

### **PILOT SMALL RENEWABLE ENERGY PURCHASE SERVICE SCHEDULE DG-5**

**Date Effective – July 18, 2008**

#### **AVAILABILITY**

Available for purchase of energy from wind-powered, biogas, and other renewable electric generating resources as determined by Cooperative with nameplate capacity of 2 MW or less, to be operated in parallel with Cooperative's distribution and transmission system. Small renewable distributed generators may sign up for this schedule until the schedule has been fully subscribed as determined by the cap described below.

#### **QUALIFICATION**

1. Customer's electric generating facility is a distributed generation facility which does not qualify as a Qualifying Facility (QF) under the Public Utility Regulatory Policy Act of 1978 (PURPA) or it qualifies as a Qualifying Facility but the customer elects not to exercise its rights to avoided cost pricing under PURPA. The electric energy resulting from purchases under this schedule will assist in satisfying the Cooperative's obligations under applicable state renewable energy requirements.
2. The electric generating facility must be an operable, permanently installed facility.
3. Interconnection of renewable generation capacity will be limited to a total of no more than 2 MW of the nameplate capacity rating per distribution feeder line as approved by the Cooperative.

#### **RENEWABLE ATTRIBUTES**

The Cooperative retains the rights and ownership to all Renewable Attributes generated under this Schedule. Renewable Attributes shall include any and all renewable resource or greenhouse gas control attributes associated with the production, purchase or sale of electricity produced from the distributed generation plant, including but not limited to, green tags, green credits, emissions credits, renewable energy credits, carbon dioxide or greenhouse gas credits, and any other environmentally related attributes that are, or in the future may be, recognized by any federal, state or local or municipal law that relate to operation of the plant as a renewable energy source or as the means to consume the output of the plant. Renewable Attributes includes the potential to use the Renewable Attributes associated with the electricity from the plant for compliance with renewable energy portfolio or renewable energy objective requirements imposed by federal, state or local law.

#### **PURCHASE SUBSCRIPTION LIMITS**

The Cooperative offers to purchase renewable energy under this schedule until fully subscribed.

All energy delivered and sold to Cooperative shall be separately metered from energy purchases from the Cooperative. Customer shall cooperate with and allow Cooperative to install and have access to on-site monitoring equipment for the purposes of gathering electric generating facility's performance data.

## **TERMS AND CONDITIONS OF SERVICE**

1. Interconnection of customer's generating installation with the Cooperative's power system is not permitted until proper application has been made to and approval received from the Cooperative. The Cooperative may withhold approval only for good reason such as failure to comply with applicable Cooperative or governmental rules or laws.
2. Where necessary, for reasons of public or employee safety or the potential for a renewable generation facility causing problems with the service of other customers, the Cooperative may require a separate distribution transformer(s).
3. When necessary, to avoid the potential for a renewable generation facility causing problems with the service of other customers, the Cooperative may limit the capacity and operation characteristics of single-phase generators in a manner consistent with Cooperative limitations for single-phase motors.
4. The customer's facility must have a system for automatically isolating the generator from the Cooperative's system upon loss of the Cooperative's supply. For synchronous and induction generators, such protection against continued operation when isolated from the system ordinarily consists of overcurrent protection (fuse or circuit breaker) plus a voltage or frequency controlled contactor which will automatically disconnect the unit whenever the output voltage and/or frequency drifts outside predetermined limits (plus or minus 10 percent of the rated values). Other suitable systems to protect the Cooperative system against abnormal voltages or frequencies may be accepted by the Cooperative.
5. The Cooperative may require that the customer discontinue parallel generation operation and isolate the generating installation from the Cooperative's system for any of the following reasons:
  - a. To facilitate maintenance and repair of Cooperative facilities.
  - b. During system emergencies.
  - c. At such times as the customer's equipment is operating in a hazardous manner, or is operating such that it adversely affects service to other customers or to nearby communications systems or circuits.
6. The customer shall make equipment available and permit entry upon the property by electric and communication Cooperative personnel at reasonable times to test isolation and protective equipment, evaluate the quality of power delivered to the Cooperative's system, and to test to determine whether the local generating system is the source of any electric service or communications system problems.

# Dairyland Power Cooperative

## Power Purchase Criteria Customer-Owned Qualifying Renewable Distributed Generation

### 1. Generation less than 40 kW

Any energy production in excess of the seller's local needs that is delivered into the grid is purchased by the local distribution cooperative at its average retail rate.

- DPC, in accordance with its *DG-4, Small Distributed Generation Qualified Facility Rate Rider*, will reimburse the distribution cooperative annually for the difference between the cooperative's average wholesale rate and its applicable average retail rate for the excess energy purchased from the seller.

### 2. Generation to 2 MW

- a. Seller displaces part/all of the service provided by the local distribution cooperative.
  - DPC will purchase net/all of the power produced by the seller at its avoided cost as required by PURPA in accordance with its *DG-2, Distributed Generation Rate Rider*.
  - If purchasing net production and standby service is required, DPC will provide standby service to the local distribution cooperative in accordance with its *DG-3, Standby Service Rate Rider*.
- b. Seller determines to retain ownership of part/all of the renewable attributes.
  - DPC will purchase the power produced by the seller at its avoided cost as required by PURPA in accordance with its *DG-2, Distributed Generation Rate Rider*.
- c. Seller sells all of the power produced with the renewable attributes.
  - DPC will purchase the power produced by the Seller in accordance with its *DG-5, Pilot Small Renewable Power Purchase Service Schedule*.

Seller options:

- 1) 5 – 10 year contract; adjustable rate (i.e. rate updated annually)
  - 2) 5 – 10 year contract; fixed rate (i.e. rate fixed through term)
- d. Seller is a Community-Based Energy Development (C-BED) project located in Minnesota.
    - DPC may purchase power produced by the Seller in accordance with its *Community-Based Energy Development (C-BED) Tariff*.

### **3. Generation 2 MW to 10 MW**

- a. Seller displaces all or part of the service provided by the local distribution cooperative.
  - DPC will purchase net/all of the power produced by the Seller at its avoided cost as required by PURPA in accordance with its ***DG-2, Distributed Generation Rate Rider.***
  - If purchasing net production and standby service is required, DPC will provide standby service to the local distribution cooperative in accordance with its ***DG-3, Standby Service Rate Rider.***
- b. Seller determines to retain ownership of part/all of the renewable attributes.
  - DPC may purchase the power produced by the seller at its avoided cost as required by PURPA in accordance with its ***DG-2, Distributed Generation Rate Rider.***
- c. Seller sells all of the power produced with the renewable attributes.
  - DPC may purchase the power produced by the Seller at a negotiated, fair-market price in accordance with its ***DG-2, Distributed Generation Rate Rider.***
- d. Seller is a Community-Based Energy Development (C-BED) project located in Minnesota.
  - DPC may purchase power produced by the Seller in accordance with its ***Community-Based Energy Development (C-BED) Tariff.***

### **4. Generation greater than 10 MW**

- a. Seller sells all of the power produced with the renewable attributes.
  - DPC may purchase the power produced by the Seller at a negotiated, fair-market price.
- b. Seller is a Community-Based Energy Development (C-BED) project located in Minnesota.
  - DPC may purchase power produced by the Seller in accordance with its ***Community-Based Energy Development (C-BED) Tariff.***