



<b>Subject: QUALIFYING FACILITY CAPACITY AND ENERGY PURCHASE POLICY</b>			<b>Policy No.: 101</b>
<b>Original Issue : 7-7-00</b>	<b>Last Revised: 3-2-16</b>	<b>Last Reviewed: 9-8-16</b>	<b>Page 1 of 3</b>

**OBJECTIVES**

Tri-State is dedicated to assuring an adequate and reliable long-term supply of electricity to its Member Systems at the lowest possible cost, consistent with sound business practices. Accordingly, and as a cooperative dedicated to consumer well-being and the public interest, Tri-State is committed to the conservation of natural resources by offsetting generation produced from non-renewable energy resources with generation produced from renewable energy resources, to the extent that such offset is cost-effective, efficient and practical.

**ACCOUNTABILITY**

The Chief Executive Officer.

**SCOPE**


Tri-State has the obligation under the regulations implementing the Public Utilities Regulatory Policies Act of 1978 (PURPA) to purchase capacity and energy from Qualifying Facilities (QFs), as defined in Section 201 of PURPA. This policy establishes the implementation provisions to fulfill this obligation.

**IMPLEMENTATION**

**Tri-State QF Purchases**

This section details provisions that apply when Tri-State purchases capacity and/or energy from a QF:

Except where applicable law dictates otherwise, the price for capacity and energy for QFs shall be calculated annually by Tri-State through system production cost modeling of the Tri-State generation fleet, and will be used for the following calendar year. The results of the avoided cost calculations will be made available to developers of QFs upon request. This modeling will involve hourly chronological production cost methods to determine the hourly decremental cost of the Tri-State generation fleet. The decremental cost analysis will form the foundation of the standard price offering for QFs that are 1 MW nameplate capacity or smaller. For larger QFs, avoided cost calculations will be performed on a case-by-case basis. Pricing may be adjusted as appropriate for effects including, but not limited to, losses and intermittency. Capacity payments will be established based on avoided capacity costs, however when Tri-State is forecasting excess capacity, no capacity payments will be offered.

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**Member System QF Purchases**

This section details provisions that apply when a Member System purchases capacity and/or energy from a QF:

The Member System will ensure that any such QF project will have metering and telemetering equipment installed and operational that is satisfactory to Tri-State in conformance with the Tri-State Distributed Generation Metering Requirements. Tri-State will be granted access to the metering data and Tri-State, its employees, agents and contractors, will be granted a non-exclusive license to provide access to the metering installation for the purposes of verification and validation of the metering, and to install and maintain any additional metering that Tri-State may choose to install at the QF project point of interconnection with the Member System.

In the event that a Member System purchases capacity and/or energy from a QF and to the extent the total capacity and/or energy purchased from QFs and non-QFs does not result in the Member System purchasing less than 95% of its requirements from Tri-State (as established in the Wholesale Electric Service Contract and defined in Board Policy 115), then the pricing, terms and conditions of such transaction as between Tri-State and the Member System, shall be implemented pursuant to Board Policy 115.


In the event a Member System purchases capacity and/or energy from a QF pursuant to 18 C.F.R section 292, (or any successor requirement) and that purchase results in the Member System purchasing less than 95% of its requirements from Tri-State (as established in the Wholesale Electric Service Contract and defined in Board Policy 115), then Tri-State will bill that Member System an amount equal to Tri-State’s lost revenue minus Tri-State’s avoided cost that is associated with the Member System purchasing less than 95% of its requirements from Tri-State.

**Transmission and Interconnection**

To the extent that a QF interconnects with or takes transmission service from Tri-State, or power generated by the QF flows from the Member System onto the Tri-State transmission system, the transmission customer must request and obtain appropriate service from Tri-State under the terms of the Tri-State Open Access Transmission Tariff.

**Waiver**

Tri-State, together with any individual Tri-State Member System or Member Systems may apply to the Federal Energy Regulatory Commission (FERC) for a waiver of Tri-State’s obligation to sell retail power to QFs, and the Tri-State Member System’s obligation to purchase capacity and/or energy from QFs. Any Tri-State Member System may elect to join Tri-State in any such


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waiver application. If FERC grants the waiver, subject to any FERC conditions, Tri-State shall purchase the capacity and/or energy from the QF and the Tri-State Member System shall sell retail power to the QF.

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