

Community-Based Energy Development Tariff (C-BED Tariff)

Missouri River Energy Services

Adopted: 08/10/2006

Page 1 of 3

General: Missouri River Energy Services adopts this tariff to support the efforts of the State of Minnesota to develop community-based wind energy (C-BED) by communities within the state. As a long term supplier of firm electric power and energy to municipal electric systems and others located within the State of Minnesota, Missouri River Energy Services cooperates with state efforts to develop renewable and efficient energy in the state notwithstanding that it is not directly subject to the requirements of Minnesota Statutes §216B.1612.

Community-Based Energy Development project: A new wind energy project is a C-BED project when it (1) has no single qualifying owner owning more than 15 percent of the C-BED project that consists of more than two turbines; or (2) for C-BED projects of one or two turbines, is owned entirely by one or more qualifying owners, with at least 51 percent of the total financial benefits over the life of the project flowing to qualifying owners; and (3) 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.

Qualifying Owner: A Qualifying Owner is

- 1) a Minnesota resident;
- 2) a limited liability company that is organized under the laws of this state and that is made up of members who are Minnesota residents;
- 3) a Minnesota nonprofit organization organized under chapter 317A;
- 4) a Minnesota cooperative association organized under chapter 308A or 308B, other than a rural electric cooperative association or a generation and transmission cooperative;
- 5) a Minnesota political subdivision or local government other than a municipal electric utility or municipal power agency, including, but not limited to, 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.

A Qualifying Owner, or any combination of Qualifying Owners, may develop a joint venture project with a nonqualifying wind energy developer. However, the terms of this C-BED tariff may only apply to the portion of the energy production of the total project that is directly proportional to the equity share of the project owned by the Qualifying Owners.

Rate: The qualifying owner(s) of a C-BED project may sell all or a portion of the energy produced to Missouri River Energy Services (MRES) under a power purchase agreement with a term of at least 20 years.

Community-Based Energy Development Tariff (C-BED Tariff)

Missouri River Energy Services

Adopted: 08/10/2006

Page 2 of 3

The energy rate shall not exceed 2.7 cents per kilowatt hour (kWh) net present value rate over the 20-year life of the power purchase agreement, and the rate shall be higher in the first ten years of the power purchase agreement than in the last ten years. The rate shall equal the net present value of the nominal payments to the C-BED project divided by the total expected energy production of the C-BED project over the life of the power purchase agreement, calculated based on the normal discount rate used by MRES for its other business purposes. Energy rates will be computed on an individual project basis, taking into account the operational parameters of the proposed generation and the avoided costs of MRES.

At the discretion of the Qualifying Owner, the Qualifying Owner and MRES may negotiate a power purchase agreement with terms different from this tariff.

The Qualifying Owner (or future Qualifying Owners) must provide sufficient security to secure performance under the power purchase agreement, and shall not transfer the C-BED project to a nonqualifying owner during the 20 year contract period.

The power purchase agreement, whether at the C-BED tariff rate or terms different from this tariff, shall include the sale of both renewable energy and all renewable attributes associated with the energy, and those renewable attributes shall be transferred to MRES as part of this tariff. The C-BED project shall be responsible for registering with a renewable attribute tracking system approved by the Minnesota Public Utilities Commission, and submitting the required generation data to ensure proper tracking of renewable energy credits.

Nothing in this tariff shall be construed to obligate MRES to enter into a power purchase agreement.

Other terms and conditions:

- 1) MRES shall consider available C-BED projects to determine if any such project is consistent with MRES resource needs, as identified in its most recent resource plan submitted under Minn. Stat. § 216B.2422, and if it will meet MRES cost and reliability requirements, applying standard reliability criteria, to fulfill some or all of the identified need at a minimal impact to customer rates.
- 2) Every C-BED project that wishes to enter a purchase power agreement under this tariff or otherwise, must be safely integrated into and operated within the transmission and distribution system of the local municipal utility without causing any adverse or unsafe consequences.
- 3) The Qualifying Owner shall enter into an appropriate interconnection agreement with the transmission or delivery service provider that meets all applicable technical specifications and interconnection requirements.

Community-Based Energy Development Tariff (C-BED Tariff)

Missouri River Energy Services

Adopted: 08/10/2006

Page 3 of 3

- 4) The Qualifying Owner shall secure appropriate transmission service and local delivery service.
- 5) MRES is not responsible for the costs of additional required facilities, including any required engineering or technical studies and testing.
- 6) MRES shall not be liable for any loss or damage, including consequential damages.
- 7) The Qualified Owner or the developer of a C-BED project must provide to MRES evidence that it has provided, in writing, an opportunity to invest in the C-BED project to each property owner on whose property a high-voltage transmission line is constructed that will transmit the energy generated by the C-BED project to market, consistent with Minn. Stat. § 216B.1612, subd.6. This requirement applies if the property is located and the owner resides in the county where the C-BED project is located.
- 8) A project that is operating under a power purchase agreement under a C-BED tariff is not eligible for net energy billing under section 216B.164, subdivision 3, or for production incentives under section 216C.41.