

POLICY BULLETIN NO. 114

SUBJECT:

Renewable Energy Procurement

PURPOSE AND SCOPE:

In an effort to promote and maintain renewable energy production while taking into consideration the impact of that energy on Lower Yellowstone Rural Electric Cooperative, reliability and financial resources and in view of the enactment of the Montana Renewable Power Production and Rural Development Act, 69-8-1001 through 1009, by the 59th Legislative Assembly of the State of Montana, the following policy outlines the objectives and criteria the cooperative will consider in the purchase of renewable energy.

DEFINITIONS

- A. **Existing cost of power:** Means the total wholesale cost to the cooperative for the purchase and delivery of electricity.
- B. **Cost of renewable energy:** Means the total costs to the cooperative for the purchase and delivery of eligible renewable resources.
- C. **Ancillary services:** Means those services necessary to support the transmission of electric power, including but not limited to replacement of losses, load regulation, demand charges, imbalance costs, costs of scheduling, cost of voltage regulation and transmission costs billed to the cooperative.
- D. **All requirements contracts:** Means a wholesale power supply contract that describes a formal agreement entered into for power supply to the cooperative, whereby, the cooperative agrees to purchase all its wholesale power needs at terms and conditions prescribed in the agreement.
- E. **Renewable energy credits/green tags:** Means the technology and environmental attributes of electricity generated from renewable sources available as a commodity on the market.
- F. **Cost-effective renewable energy:** Means electricity (energy and/or capacity) supplied from renewable resources whose integrated cost is less than or equal to the cooperative's similar electricity supply costs for the same period.
- G. **Rates:** Means the total cost to the retail customers for the supply and delivery of electricity.
- H. **Reliability:** Means the degree to which integration of renewable energy affects the utility's ability to consistently deliver quality electricity to its consumers.
- I. **Financial resources:** Means the financial condition of LYREC typically measured by its ability to meet future financial obligations including but not limited to debt service coverage, LYREC times interest earned ratio, rates, equity, ability to retire capital credits and future system improvement needs.

- J. **Customers:** Means the number of metered accounts served by the Cooperative.
- K. **Alternate generating resources:** Means traditional electric generation supply.

CRITERIA AND OBJECTIVES

To be considered for procurement by LYREC, the renewable energy resource should encourage rural economic development while taking into consideration the effect on rates, reliability and financial resources as determined by the cooperative board of trustees.

In addition, renewable energy must adhere to one or more of the following specific criteria in order to be considered for purchase:


- A. Consistent with Title 69-8-1008 of the Act, the renewable energy purchase does not adversely affect the cooperative's rates, reliability and financial resources.
 - 1) The effect of renewable energy on rates shall be considered when evaluating integration of renewable energy resources and comparing them to alternate generating resources.
 - 2) The effect of renewable energy on reliability shall be considered when evaluating the integration of renewable energy resources and comparing them to alternate generating resources. Reliability factors shall include delivery and power production including but not limited to system stability, outages and power quality.
 - 3) The effect of renewable energy on the cooperative's financial resources shall be considered when evaluating integration of renewable energy resources and comparing them to alternate generating resources.
 - 4) The cost effectiveness of the renewable resource shall be considered and determined by the cooperative board of trustees.

ELIGIBLE RENEWABLE RESOURCES:

- A. Eligible renewable energy includes one or more of the following firm or non-firm energy sources:
 - (1) Hydropower, which shall mean the production of electric power by harnessing the hydroelectric potential of moving water impoundments, including pumped storage.
 - (2) Wind;
 - (3) Solar;
 - (4) Geothermal
 - (5) Landfill or farm-based methane gas



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- (6) Gas produced during the treatment of wastewater;
- (7) Low-emission, non-toxic biomass based on dedicated energy crops, animal wastes, or solid organic fuels from wood, forest, or field residues, except that the term does not include wood pieces that have been treated with chemical preservatives such as creosote, pentachlorophenol, or copper-chroma-arsenic;
- (8) Hydrogen derived from any of the sources listed in (1) through (7) above for use in fuel cells;
- (9) The renewable energy fraction from the sources of electricity production identified in (1) through (8) from a multiple-fuel process byproducts used for electricity production identified from a multiple-stage process with fossil fuels.
- (10) Renewable energy credits and/or green tags as defined in Section II of this policy.

RESPONSIBILITIES

This policy shall be periodically reviewed by LYREC Board of Trustees to ensure it comports with the overall needs and objectives of the cooperative membership.