

# Local Renewable Project Policy and Program

Tri-State Board Policies 115 and 117



## Frequently Asked Questions

- Q. What is the purpose of Tri-State’s Member Local Renewable Project Policy and Program (Local Renewable Program)?**
- A. The Local Renewable Program enables Tri-State Members to develop local renewable resources in a way that keeps the resource decisions in the control of the local board, keeps the development money at home and guarantees compliance with any Renewable Portfolio Standard (RPS) obligation.
- Q. Who is eligible to participate in the Local Renewable Program?**
- A. The program is open to all 44 Members of Tri-State.
- Q. How does a Member get started?**
- A. The Member determines whether its local renewable project qualifies under a Tri-State Policy 115 project in which the Member can participate in projects it “owns or controls” up to 5 percent of its retail electric sales or as a project under its board’s net metering policies. Any such projects may then be eligible for performance payments under Policy 117.
- Q. How does Policy 115 work?**
- A. If the Member “owns or controls” a distributed generation or renewable project (greater than 25kW nameplate) up to its allowed 5 percent limit, the Member receives a demand and energy credit on its bill depending on the type of renewable resource according to the tables in Policy 115. The project will be independently metered.
- Q. What constitutes “owns or controls”?**
- A. Policy 115 was readopted by Tri-State’s Board in early 2007 to provide the Members substantial flexibility for compliance with the policy; if the Member has a contract with the renewable resource developer that sets for the terms and conditions of the agreement, the contract will be adequate in satisfying the ‘owns or controls’ criteria. Such resources cannot be a network resource.

**Q. Can the Member put in place a project that produces more than the 5 percent?**

A. Yes. Tri-State's Policy 115 has a clause that provides for "spill over" by which Tri-State will purchase the excess energy. Or if the project will substantially exceed the 5 percent, the Board adopted Policy 118 through which Tri-State will be a market buyer from the producer/Member at market value. Note: Policy 118 projects are not eligible for any performance payment under Policy 117 at this time.

**Q. For any Policy 115 or net metered projects, how will they qualify for performance payment under Policy 117?**

A. The Member System must acquire the renewable value from the local projects (renewable energy credits – RECs) and agree to utilize the RECs to fulfill its RPS requirement or if it is not covered by such a requirement to remit the RECs to Tri-State for Tri-State's utilization in meeting other Members' RPS requirements. Note: Policy 115 and net metering provide for compensation or payment for the electricity produced, Policy 117 provides for compensation or payment for the REC.

**Q. How does the Performance Payment Work?**

A. Tri-State will pay the Member for the RECs, or fractional RECs, the Member has the right to claim from the local renewable project up to the percentages set forth in the table below for the year of production; the increase in percentage represents the "ramp-up" in the Colorado RPS and what will be needed for New Mexico RPS compliance. The payment will be made for each such REC at the amount per year set forth, multiplied by any additional credit the project is eligible for under state law (such as 1.5x for Colorado community-based projects or 3x for New Mexico or Colorado solar).

**Q. If a Member has a project eligible for a multiplier (such as solar at 3x), how does the multiplier affect the compliance cap and how many RECs would be eligible for performance payments?**

A. If the resource is eligible for the multiplier, the annual output of the resource should be multiplied by the multiplier. For example, if the output of a solar unit is 100 MWh for a given year, the amount that would count toward compliance for that year is 300 MWh. Conversely, if the Member wants to determine how much of a resource it could acquire to meet its "compliance" obligation, the Member would determine its "compliance" obligation for the year and divide the compliance obligation by the resource multiplier to determine how much of the type resource it could acquire for "compliance" in any given year. As an example, if annual retail sales are 200,000 MWh then "compliance" in 2009 at 1% would be 2,000 MWh. A solar project's output that would apply for the year would be 666.67 MWh.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 and Beyond
% of Retail Sales	1%	1%	1%	3%	3%	3%	3%	6%	6%	6%	6%	6%	10%
\$ per MWh @ 1x	\$44.24	\$44.24	\$44.24	\$14.97	\$14.97	\$14.97	\$14.97	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50	\$5.70

**Q. Why do the payments decrease over time?**

A. The percentages and dollar/MWh amounts were calculated to permit a Member to receive up to one-half of 1 percent of its retail electric revenues to support local renewable development from Tri-State. Accordingly as the “ramp-up” expands the dollars/MWh decrease accordingly. This provides a substantial incentive for early year project development to accelerate local renewable projects.

**Q. Will this formula change over time?**

A. Tri-State’s Board can change the formula on 90-day notice if circumstances or program objectives change. However, projects developed while this formula is in effect will be eligible to receive these performance payments for the duration of the contract.

**Q. How much per year can a Member receive in performance payments for a local renewable project?**

A. Each Member can “earn” up to one-half of 1 percent of its retail revenue if the local renewable projects it participate in delivers enough RECs to meet the compliance obligation percent of retail sales percentages contained in the above table. For the “average” Tri-State Member, the 2008 performance payment would be approximately \$150,000.

**Q. Is the cap for performance payments based on RECs (MWh) or revenue (\$)?**

A. The performance payment general cap is one-half of 1 percent of retail electric revenue for the Member. The actual performance payments will be calculated based on the REC entitlement the Member has from the resource, multiplied by the dollars per MWh for the “compliance” year and further multiplied by any applicable resource multiplier.

**Q. What incentive resource multipliers are applicable in the various states?**

A. Solar projects in Colorado and New Mexico receive a 3x multiplier (as long as energized by July 1, 2015 in Colorado or by December 31, 2011 in New Mexico); a biomass project in New Mexico would receive a 2x multiplier (as long as energized by December 31, 2011). Non-solar projects in Colorado would receive either the Colorado based multiplier of 1.25x or the community-based project multiplier of 1.5x. All other projects in New Mexico, Wyoming, and Nebraska would only receive a 1.0x multiplier unless the resource developed can be used in a state with an RPS multiplier. For example, a solar project in Wyoming would be eligible for 3x payments since the solar RECs can be used for Colorado RPS compliance at 3x the MWh.

**Q. If there are several different resource multipliers, which one applies or are they additive?**

A. The resource multipliers are not additive. Where there are multiple multipliers a resource is eligible for, the larger of the multipliers will apply.

**Q. When are the performance payments made by Tri-State?**

A. Performance payments are made in July for the first six-month performance in a year and in January for the second six-month yearly performance. Tri-State's performance payments are paid directly to the Member based on the measured or calculated output from the eligible renewable resource project.

**Q. How can the performance or output of a local renewable project be demonstrated?**

A. Tri-State will accept an attestation from the Member as to the output of the project. Projects under Policy 115 will be independently metered so performance can be verified through that data. Net metered projects will require a REC meter unless there is an accepted formula, such as exists for photovoltaic solar, to calculate the output of the project without a separate meter.

**Q. What if the project generates more RECs than the compliance level for a given year?**

A. If the Member's project(s) produces more RECs than the Member needs for a given year's compliance, Tri-State will offer to purchase the excess RECs at market value or the Member can choose to monetize the RECs in the market or retire them for the Member's or its member-consumer's purposes.

**Q. What if a Member has several renewable projects it is interested in developing?**

A. A Member can develop as many renewable projects as it chooses but will receive performance payments only up to one-half of 1 percent of its annual retail electric revenues. Under a net metering example, multiple projects likely will be developed. Performance payments under Policy 117 are capped, but excess RECs can be monetized.

**Q. What contracts will be required?**

A. Tri-State and the Member will enter into a Policy 117 contract to complement the Policy 115 contract for those projects. The Member will execute its own Policy 115 contract with Tri-State with a companion contract with the developer. For net metered projects, Tri-State and the Member will enter into a Policy 117 Master Agreement and the Member will execute and provide to Tri-State an attachment to the Agreement for each net metered project setting forth the production output, the REC ownership, and other pertinent details.

**Q. Can several Tri-State Member Systems join together in developing local renewable projects?**

A. Yes, Tri-State Members may choose to join together to develop local renewable projects. Performance payments to the participating Members are still capped according to the payment schedule. Joint participation is allowed, however, the Member's participation decisions need to be addressed under the respective contracts for Policy 117 performance payment and Policy 115 credit purposes.

**Q. Will Tri-State help the Member with compliance reporting or tracking?**

A. Yes, for Members with a state RPS requirement, Tri-State will provide an annual compliance statement for the amount of the Member's requirements that Tri-State is fulfilling. It will then be up to the Member to file its own compliance report as required by state law. Note filing requirements are: March 1 in New Mexico and June 1 in Colorado for the preceding compliance year.

**Q. How does a Member determine what qualifies as a renewable resource, whether a renewable project would be eligible for Policy 115 or fall under net metering policies?**

A. The Member needs to ensure that any renewable project meets the requirements under state law, if any, for compliance purposes. Tri-State will independently determine what qualifies for Policy 115 and Policy 117 applicability.

**Q. If a Member participates in a Policy 117 project but does not have enough MWh to meet its state RPS requirement how does it make up the shortfall?**

A. If a Member does not meet its full state RPS obligation, Tri-State will make up any shortfall from Tri-State's own renewable resource portfolio.

**Q. What happens to Policy 117 if the state RPS changes or if there is a Federal RPS?**

A. Tri-State's Board can modify or rescind the policy on 90 days notice for any change in circumstances. Policy 117 would need to be reconsidered in the event of a federal RPS. However, for projects entered into before such changes, the Policy 117 and Policy 115 agreements would remain in effect except that if the compliance obligation were to become Tri-State's direct obligation. RECs receiving performance payment would need to be remitted to Tri-State for compliance purposes.