UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Hoosier Energy Rural	)	
Electric Cooperative, Inc.	)	Docket No. QM16- -000

APPLICATION OF HOOSIER ENERGY RURAL ELECTRIC COOPERATIVE, INC. TO TERMINATE QF MANDATORY PURCHASE OBLIGATION

Hoosier Energy Rural Electric Cooperative, Inc. ("Hoosier") hereby applies for relief, on a service-territory-wide basis, from the requirements of the Public Utility Regulatory Policies Act of 1978 ("PURPA"), as amended, and 18 C.F.R. § 292.303(a), to enter into contracts or obligations to purchase energy and capacity made available by qualifying facilities ("QF") that have a net capacity greater than 20 megawatts ("MW"), effective May 11, 2016, the date of this application. Hoosier makes this application pursuant to 18 C.F.R. § 292.310(a) (2014), implementing section 210(m)(3) of PURPA, 16 U.S.C. § 824a-3(m).

I. DESCRIPTION OF HOOSIER AND ITS SERVICE AREA

Hoosier is a member-owned generation and transmission cooperative utility which provides electric energy to its 18 member distribution cooperatives, whose service territories cover a large portion of central and southern Indiana as well as part of southeastern Illinois. Hoosier is a transmission-owning member of the Midcontinent Independent System Operator, Inc. ("MISO"), and has transferred operational control over its transmission facilities to MISO.[1] Hoosier is an electric utility as that term is defined in section 3(22)(A) of the Federal Power Act

[1] One of Hoosier's members, Whitewater Valley Rural Electric Membership Corporation, also serves load located within the footprint of PJM Interconnection, LLC ("PJM"). That territory is not included within the purview of this application.

("FPA").[2] However, Hoosier receives financing under the Rural Electrification Act of 1936, and thus is not a "public utility" pursuant to FPA section 201(f).[3]

Each of Hoosier's members is a member-owned distribution cooperative providing retail service within a defined service territory in central or southern Indiana or southeastern Illinois. Each member is an electric utility as that term is defined in FPA section 3(22)(A).

By order dated March 30, 2016, the Commission granted an application by Hoosier and its members for waiver of the members' PURPA obligation to purchase from QFs, and Hoosier's obligation to sell at retail to QFs, in consideration of the members' undertaking to sell to QFs and Hoosier's undertaking to purchase from QFs at its full avoided cost.[4] The application submitted in that docket by Hoosier and its members included, as an Appendix, Hoosier's Joint PURPA Implementation Plan, which is likewise appended hereto.

II. SERVICE AND COMMUNICATIONS

The names, addresses, telephone numbers and e-mail addresses of persons upon whom service of pleadings, documents or communications should be made are:

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[2] 16 U.S.C. § 796(22)(A).
[3] 16 U.S.C. § 824(f).
[4] *Hoosier Energy Rural Elec. Coop., Inc.*, 154 FERC ¶ 62,205 (2016).

III. BACKGROUND

Electric utilities are generally required under PURPA and appurtenant Commission regulations to purchase power from qualified cogeneration facilities and qualified small power production facilities. However, the Energy Policy Act of 2005[5] added section 210(m) to PURPA. That section provides for termination of the requirement that an electric utility enter into new contracts or obligations to purchase energy from QFs if the Commission finds that QFs have nondiscriminatory access to one of three categories of markets defined in PURPA section 210(m)(1)(A),(B) or (C), as listed below.

Order No. 688[6] implemented the revised PURPA provisions and established procedures for electric utilities to follow when seeking to terminate their obligations to purchase energy from QFs. Specifically, the Commission added section 292.309 to its regulations, setting forth the findings the Commission must make to terminate an electric utility's obligation to enter into new QF purchase contracts or obligations after August 8, 2005. Under section 292.309(a), if the Commission finds that QFs have non-discriminatory access to one of the three types of wholesale markets described below, which are the same markets listed in section 210(m) of PURPA, then the utility shall be relieved of its obligation to purchase power from such QFs. The three types of wholesale markets are:

> (1)(i) Independently administered, auction-based day ahead and real time wholesale markets for the sale of electric energy; and (ii) wholesale markets for long-term sales of capacity and electric energy; or
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> (2)(i) Transmission and interconnection services that are provided by a Commission-approved regional transmission entity and administered pursuant to

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[5] Pub. L. No. 109-58, § 1253, 119 Stat. 594 (August 8, 2005).

[6] *New PURPA Section 210(m) Regulations Applicable to Small Power Production and Cogeneration Facilities*, Order No. 688, 71 Fed. Reg. 64,342 (Nov. 1, 2006), FERC Stats. & Regs. ¶ 31,233 (2006), *order on reh'g*, Order No. 688-A, 72 Fed. Reg. 35,871 (June 22, 2007), *aff'd sub nom. American Forest and Paper Assoc. v. FERC*, 550 F.3d 1179 (D.C. Cir. 2008).

an open access transmission tariff that affords non-discriminatory treatment to all customers; and (ii) Competitive wholesale markets that provide a meaningful opportunity to sell capacity, including long-term and short-term sales, and electric energy, including long-term, short-term and real-time sales, to buyers other than the utility to which the qualifying facility is interconnected. In determining whether a meaningful opportunity to sell exists, the Commission shall consider, among other factors, evidence of transactions within the relevant market; or

(3) Wholesale markets for the sale of capacity and electric energy that are, at a minimum, of comparable competitive quality as markets described in subparagraphs (a)(1) and (a)(2) of this section.

In Order No. 688, the Commission made the specific finding, as reflected in section 292.309(e) of its regulations, that MISO, PJM, ISO New England, Inc., and New York Independent System Operator ("RTO/ISOs") each qualifies as a wholesale market as set forth in section 292.309(a)(1). The Commission found that these RTO/ISOs offer independently administered, auction-based day-ahead and real-time wholesale markets for the sale of electric energy and wholesale markets for long-term sales of capacity and electric energy.[7] In addition, section 292.309(e) of the Commission's regulations establishes rebuttable presumptions that QFs with a net capacity greater than 20 MW have nondiscriminatory access to these RTO/ISO markets through Commission-approved open-access transmission tariffs ("OATTs") and interconnection rules, and that electric utilities that are members of such RTO/ISOs should be relieved of the obligation to purchase electric energy from these QFs. Under Order No. 688, if the Commission finds that the requirements of PURPA section 210(m)(1) have been met by the applicant, "then the mandatory purchase requirement for that electric utility ends as of the date of the PURPA petition."[8]

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[7] Order No. 688 at P 8.

[8] *Id.* at P 228. The Commission has consistently granted applications by electric utilities in the Midwest ISO to terminate the QF mandatory purchase obligations with regard to QFs that have a net capacity greater than 20 MW under PURPA and 18 C.F.R. § 292.303(a) and has permitted Midwest ISO electric utilities to rely on the rebuttable presumption contained in 18 C.F.R. § 292.309(e) with respect to the Midwest ISO market. *See Entergy Services, Inc.,* 154 FERC ¶ 61,035 (2016), *reh'g denied* 155 FERC ¶

As set forth below, consistent with 18 C.F.R. §§ 292.309 and 292.310, Hoosier satisfies the requirements of PURPA section 210(m)(1) and the Commission's regulations. Hoosier should therefore be relieved, on a service territory-wide basis, of its obligation to enter into contracts or obligations to purchase energy and capacity made available by QFs that have a net capacity greater than 20 MW, effective May 11, 2016, the date of this application.

IV. APPLICATION TO TERMINATE MANDATORY PURCHASE OBLIGATION

A. QFs in Hoosier's Service Territory Have Nondiscriminatory Access to MISO's Markets.

The procedures for requesting termination of the obligation to purchase capacity and energy from QFs are set forth in 18 C.F.R. § 292.310. Section 292.310(a) directs an applicant for termination to describe why the conditions set forth in 18 C.F.R. § 292.309(a)(1),(2), or (3) have been met.[9]

In response, Hoosier affirms that the conditions set forth in 18 C.F.R. § 292.309(a)(1) have been met. That section requires that a QF have nondiscriminatory access to:

> (1)(i) Independently administered, auction-based day ahead and real time wholesale markets for the sale of electric energy; and
>
> (ii) Wholesale markets for long-term sales of capacity and electric energy.

In turn, 18 C.F.R. § 292.309(e) provides that MISO qualifies as a market described in 18 C.F.R. § 292.309(a)(1)(i) and (ii), and also provides for

> a rebuttable presumption that qualifying facilities with a capacity greater than 20 megawatts have nondiscriminatory access to those markets through Commission-approved open access transmission tariffs and interconnection rules, and that electric utilities that are members of such regional transmission organizations or

61,069 (2016); *Wisc. Pub. Serv. Corp., 142 FERC ¶ 61,173 (2013); Southern Indiana Gas & Electric Corp.,* 137 FERC ¶ 62,134 (2011); *Northern States Power Co.*, 136 FERC ¶ 61,093 (2011); *The Detroit Edison Co.*, 131 FERC ¶ 61,039 (2010); *Montana-Dakota Utilities Co.*, 126 FERC ¶ 61,121 (2009); *Alliant Energy Corp. Services., Inc.,* 123 FERC ¶ 61,155 2008); *Duke Energy Shared Services, Inc.,* 119 FERC ¶ 61,146 (2007).

[9] This is also required by 18 C.F.R. § 292.310(d)(1).

> independent system operators (RTO/ ISOs) should be relieved of the obligation to purchase electric energy from the qualifying facilities.

As noted earlier, Hoosier is a MISO member and has transferred operational control of its transmission facilities to MISO. Hoosier's members own no transmission facilities, and rely on the use of Hoosier's facilities (and, in some cases, the transmission facilities of other MISO Transmission Owners) to deliver capacity and energy to their distribution facilities in order to serve their own retail customers. Hence, Hoosier and its members meet the criteria adopted in 18 CFR § 292.309 for termination of the obligation to enter into new contracts or obligations to purchase electric energy from QFs with capacity of more than 20 MW.

B. Provision of Transmission Information

Subsection (d)(2) of 18 C.F.R. § 292.310 requires an applicant to state whether it is relying on the findings or rebuttable presumptions contained in § 292.309(e), (f) or (g). Hoosier is relying on the findings and presumptions contained in § 292.309(e), finding that MISO qualifies as a market described in § 292.309(a)(1)(i), and rebuttably presuming that QFs with capacity of 20 MW or greater have nondiscriminatory access to that market.

Subsection (d)(3) of 18 C.F.R. § 292.310 requires an applicant to file specific information related to transmission studies:

> (i) The applicant's long-term transmission plan, conducted by applicant, or the RTO, ISO or other relevant entity;
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> (ii) Transmission constraints by path, element or other level of comparable detail that have occurred and/or are known and expected to occur, and any proposed mitigation including transmission construction plans;
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> (iii) Levels of congestion, if available;
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> (iv) Relevant system impact studies for the generation interconnections, already completed;

> (v) Other information pertinent to showing whether transfer capability is available; and
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> (vi) The appropriate link to applicant's OASIS, if any, from which a qualifying facility may obtain applicant's available transfer capability (ATC) information.

In Order No. 688-A, the Commission clarified that an applicant could provide a hyperlink to the relevant studies, rather than submitting the complete studies and reports.[10]

The 2015 MISO Transmission Expansion Planning Report ("MTEP"), which contains information on transmission constraints, proposed mitigation including construction plans, and levels of congestion, is available at https://www.misoenergy.org/Planning/TransmissionExpansionPlanning/Pages/MTEP15.aspx. MTEP 15 discusses MISO transmission constraints in Sections 4.5 (Generator deliverability Analysis) (at 90-97) and 4.6 (Long Term Transmission Rights (LTTR) Analysis Results) (at 98-100) and in Appendix D-1.

Potomac Economics, the Independent Market Monitor for MISO, analyzes transmission congestion on the MISO system and reports on such congestion in the annual state of the market report, among others. In the 2014 State of the Market Report for the MISO Electricity Markets, prepared by Potomac Economics (June 2015), congestion on the MISO transmission system is discussed at 51-62. The 2014 State of the Market Report for the MISO Electricity Markets is available at https://www.misoenergy.org/MarketsOperations/IndependentMarketMonitor/Pages/IndependentMarketMonitor.aspx.

System impact studies for generation interconnections are performed under MISO's direction. Information on generator interconnections is available from MISO at https://www.misoenergy.org/Planning/GeneratorInterconnection/Pages/GeneratorInterconnection

[10] Order No. 688-A at P 112.

.aspx. Information on system impact studies is available at https://www.misoenergy.org/Planning/GeneratorInterconnection/Pages/ActiveStudyReportsandPolicyStatements.aspx.

Available transmission capability information can be found at http://www.oasis.oati.com/MISO/. No other information is pertinent to showing whether transfer capability is available.

18 C.F.R. § 292.310(d)(4) of the Commission's regulations requires the applicant to describe the process, procedures, and practices that QFs interconnected to the applicant's system must follow to arrange for transmission service to transfer power to purchasers other than Hoosier. The description must include the process, procedures, and practices of all distribution, transmission, and regional transmission facilities necessary for QF access to the market.

A QF interconnected to Hoosier's transmission facilities that desires to sell power to purchasers other than Hoosier must follow MISO's procedures for obtaining transmission service. A description of the process can be found at: https://www.misoenergy.org/Planning/GeneratorInterconnection/Pages/GeneratorInterconnection.aspx.

Finally, section 292.310(d)(5) requires that, if QFs will be required to execute new interconnection agreements or renegotiate existing agreements so they can effectuate wholesale sales to third-party purchasers, the applicant must explain in its application for relief (l) the procedures for obtaining those new agreements, (2) any applicable charges, and (3) any differences in (1) and (2) above for QFs as compared to other generators or applicant- or utility-owned generation.

Any generator connected to the facilities of Hoosier or its members that desires to sell power at wholesale to third-party purchasers must follow MISO's procedures outlined at: https://www.misoenergy.org/Planning/GeneratorInterconnection/Pages/GeneratorInterconnection.aspx. Hoosier is not aware of the need for any existing agreement to be renegotiated.

C. Hoosier Has Notified Potentially Affected QFs.

18 C.F.R. § 292.310(b), in turn, requires that an electric utility seeking to terminate its mandatory purchase obligation must identify all potentially affected QFs by providing their names and addresses. Subsection (c) requires the following additional information concerning potentially affected QFs:

1. the docket number assigned if the QF filed for self-certification or an application for Commission certification of QF status;

2. the net capacity of the QF;

3. the location of the QF depicted by state and county, and the name and location of the substation where the QF is interconnected;

4. the interconnection status of each potentially affected QF including whether the QF is interconnected as an energy or a network resource; and

5. the expiration date of the energy and/or capacity agreement between the applicant utility and each potentially affected QF.

The regulations further define "potentially affected QFs" to include

(1) Those qualifying facilities that have existing power purchase contracts with the applicant;

(2) Other qualifying facilities that sell their output to the applicant or that have pending self certification or Commission certification with the Commission for qualifying facility status whereby the applicant will be the purchaser of the qualifying facility's output;

(3) Any developer of generating facilities with whom the applicant has agreed to enter into power purchase contracts, as of the date of the application filed pursuant to this section, or are in discussion, as of the date of the application filed pursuant to this section, with regard to power purchase contacts;

(4) The developers of facilities that have pending state avoided cost proceedings, as of the date of the application filed pursuant to this section; and

(5) Any other qualifying facilities that the applicant reasonably believes to be affected by its application filed pursuant to 18 C.F.R. § 292.310(a).[11]

Hoosier is unaware of any potentially affected QFs. Hoosier does not have any power purchase contracts with QFs; is not purchasing the output of QFs; has not agreed to enter into any power purchase contracts with developers of generating facilities; and is unaware of any developers of facilities that have pending state avoided cost proceedings, as of the date of this application. Hoosier has used due diligence to ascertain whether there are any potentially affected QFs including having searched FERC's e-library and the Indiana Utility Regulatory Commission's and Illinois Commerce Commission's dockets.

D. Verification

Section 292.310(d)(7) of the Commission's regulations requires applicants to provide the signature of an authorized individual evidencing the accuracy and authenticity of information provided by the applicant. In compliance, the verification of David W. Sandefur, Vice President, Power Supply, is attached.

V. CONCLUSION

As demonstrated above, Hoosier is a MISO member and has turned over operational control of its transmission facilities to MISO, and QFs with capacity in excess of 20 MW are presumed to have non-discriminatory access to MISO markets, which meet the criteria of wholesale markets as defined by Section 292.309(a)(1). Therefore, the Commission should terminate the requirement of Section 292.303(a) that Hoosier purchase power from QFs connected to its system within the MISO footprint, with regard to QFs that have a capacity greater than 20 MW, on a service territory-wide basis.

[11] 18 C.F.R. § 292.310(c).

Respectfully submitted,

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May 11, 2016

APPENDIX A

HOOSIER JOINT PURPA IMPLEMENTATION PLAN

HOOSIER ENERGY RURAL ELECTRIC COOPERATIVE, INC.

JOINT PURPA IMPLEMENTATION PLAN

I. OVERVIEW OF PLAN

This Joint PURPA Implementation Plan ("Implementation Plan") sets forth the manner in which Hoosier Energy Rural Electric Cooperative, Inc. ("Hoosier") and its participating member-owner electric distribution cooperatives ("Participating Members") plan to implement the requirements imposed upon them under Section 210 of the Public Utility Regulatory Policies Act of 1978, as amended ("PURPA") and Part 292 of the Regulations adopted thereunder by the Federal Energy Regulatory Commission ("FERC"). Hoosier's Participating Members joining in this Implementation Plan are: Bartholomew County REMC (Columbus, IN); Clark County REMC (Sellersburg, IN); Daviess-Martin County REMC (Loogootee, IN); Decatur County REMC (Greensburg, IN); Dubois REC, Inc. (Jasper, IN); Harrison REMC (Corydon, IN); Henry County REMC (New Castle, IN); Jackson County REMC (Brownstown, IN); Johnson County REMC (Franklin, IN); Orange County REMC (Orleans, IN); RushShelby Energy (Manilla, IN); South Central Indiana REMC (Martinsville, IN); Southeastern Indiana REMC (Osgood, IN); Southern Indiana Power (Tell City, IN); Utilities District of Western Indiana REMC (Bloomfield, IN); Wayne-White Counties Electric Cooperative (Fairfield, IL); WIN Energy REMC (Vincennes, IN); and Whitewater Valley REMC (Liberty, IN).

Hoosier's Board of Directors, which consists of representatives from each of the Members, directed Hoosier on behalf of itself and the Participating Members to develop and coordinate implementation of a plan for meeting the obligations imposed on Hoosier and the

Participating Members under Section 210 of PURPA and FERC's Regulations thereunder. Each of the Participating Members also has authorized Hoosier to adopt this Implementation Plan on its behalf.

Hoosier and the Participating Members are electric utilities subject to the purchase and sale obligations under PURPA. Hoosier is a generation and transmission cooperative that was organized for the purpose of providing wholesale electricity and power to its distribution cooperative members on a non-profit basis. Hoosier has not been assigned a retail service territory and does not own or operate any distribution facilities. Hoosier's Participating Members are all electric distribution cooperatives serving retail customers in their service territories, which are located in central and southern Indiana, and in southeastern Illinois.[1]

The Participating Members have no generation resources of their own and are obligated, pursuant to long-term wholesale power supply contracts, to purchase all of their power and energy requirements from Hoosier.

Neither FERC, the Indiana Utility Regulatory Commission, nor the Illinois Commerce Commission regulates the rates of Hoosier or the Participating Members.

The Implementation Plan reflects the policy of Hoosier and the Participating Members that has been developed to provide for the joint implementation of a program to encourage cogeneration and small power production. The Implementation Plan is intended to advise the public of the basic approach and general guidelines for allowing QFs to interconnect with the electric utility systems of Hoosier and the Participating Members, to sell almost all electric energy and capacity to Hoosier, and to purchase retail electric service from the Participating Members.

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[1] Service Areas Map, Attachment 2 (includes service territories of all Hoosier members).

Under the Implementation Plan, Hoosier will purchase energy and capacity offered by QFs to Hoosier or any of the Participating Members, and Participating Members will sell, at retail, energy and capacity to QFs. Hoosier will offer a standard purchase rate for energy and capacity purchased by QFs interconnected with Hoosier or a Participating Member. This standard purchase rate is Hoosier's "avoided cost," or the cost to Hoosier of the electric energy which Hoosier would otherwise generate or purchase from another source if not purchased from the QF.[2] Hoosier's avoided cost data and methodology are available for review at the offices of Hoosier or upon reasonable request. The rate and methodology will be reviewed at least biennially, as provided in Hoosier's methodology, and will be subject to revision based on changes to Hoosier's power supply portfolio, the delivered cost of fuel, plant generation characteristics, the cost of purchased power, transmission costs, operating experience with QFs, Hoosier's ability to dispatch to the QF, the expected or demonstrated reliability of the QF, the terms of any legally enforceable obligation, the extent to which the QF's scheduled outages can be usefully coordinated with those of Hoosier, the usefulness of the QF's energy and capacity during system emergencies, the QF's ability to separate its load from its generation, the individual and aggregate value of energy and capacity from QFs, the smaller capacity increments and shorter lead times available with additions of capacity from QFs, or other factors influencing Hoosier's costs avoided as a result of purchases from QFs. Hoosier reserves the right to analyze each QF's cost impact and adjust rate provisions to reflect power supply characteristics.

In addition to Hoosier's acceptance of the obligation to purchase power from any QF interconnected with Hoosier or a Participating Member, Hoosier and the Participating Members propose that each Participating Member retain the right to purchase energy and capacity from

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2 Methodology for Calculating Avoided Cost Rate, Attachment 1.

QFs with capacity of 50 kW or less, at the QF's option, and subject to the further limitation that the amount of capacity subject to net metering is limited to 1% of the most recent peak load of each member distribution system. Hoosier and the Participating Members believe that many smaller QFs prefer to deal directly with their local distribution utility, and they wish to allow such small QFs to retain the option of doing so. At the same time, drawing the line at 50 kW will ensure that the amount of energy and capacity purchased directly by the Participating Members will not interfere with Hoosier's ability to predict the power supply needs of the Participating Members, prepare system-wide load forecasts, coordinate and plan the resources it will use to meet these needs, and perform related functions.

Each of the Participating Members will offer QFs supplementary, back-up and maintenance power on a firm or interruptible basis, upon request. The Participating Members will sell energy and capacity to QFs at rates equal to the rates charged to the Participating Members' other customers with similar load and other cost-related characteristics. Each Participating Member has undertaken to sell energy and capacity at rates that are nondiscriminatory, just and reasonable, and in the public interest.

By implementing the purchase and sale requirements in this manner, the QFs will have a market for their power at rates comparable to, if not the same as, the rates the Participating Members could offer, and will satisfy their need for supplementary, back-up, and maintenance power in a manner consistent with the retail functions of the Participating Members.

Hoosier has not included any particular form of contract in the Implementation Plan, as the purchase and sale rates will be calculated pursuant to the methodology set forth in Attachment 1 or negotiated on a case-by-case basis, and the interconnection process must be addressed by each interconnecting cooperative in a manner appropriate for its own system, staffing and resources. However, Hoosier intends to require that a contract be executed by each QF addressing the terms and conditions of its purchase of distributed generation, and the Participating Members interconnecting QFs to their systems will require interconnection agreements providing detailed terms and conditions including interconnection requirements, metering, rates, and those terms necessary to accommodate safety and reliability concerns.

Hoosier intends to file with FERC, on behalf of Hoosier and the Participating Members, a Petition seeking waiver of Sections 292.303(a) and 292.303(b) of FERC's Regulations[3] to permit the Implementation Plan to be placed in effect as proposed. Section 292.402(a) of FERC's Regulations provides that a "nonregulated electric utility may . . . apply for a waiver from the application of any of the [PURPA] requirements. . . ."[4]

FERC has granted waivers of its rule in other similar situations.[5] Hoosier and its Participating Members have promulgated the Implementation Plan similar to those adopted by other cooperatives, with such additions as were deemed necessary to meet the PURPA requirements and FERC Regulations. If the requested waivers are not granted, Hoosier and the Participating Members will take such other actions, if any, as may be required to comply with PURPA and the Regulations adopted thereunder by FERC.

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3 18 CFR §§ 292.303(a) and (b) (2011).

4 18 CFR §292.402(a) (2011).

5 *See North Carolina Elec. Membership Corp ("NCEMC")., Oglethorpe Power Corp.,* 32 FERC ¶ 61,103 (1985), *reh'g granted in part and denied in part,* 35 FERC ¶ 61,069 (1986), *aff'd, sub nom. Greensboro Lumber Co. v. FERC,* 825 F.2d 518 (D.C. Cir. 1987); *Seminole Elec. Coop., Inc.,* 39 FERC ¶ 61,354 (1987); *Missouri Basin Municipal Power Agency,* 69 FERC ¶ 62,250 (1994); *Corn Belt Coop.,* 68 FERC ¶ 62,249 (1994); *S. Ill. Power Coop.,* 66 FERC ¶ 62,010 (1994); *Northwest Iowa Power Coop.,* 57 FERC ¶ 62,079 (1991); *Soyland Power Coop., Inc.,* 50 FERC ¶ 62,072 (1990); *W. Farmers Elec. Coop.,* 115 FERC ¶ 61,323 at n. 8 (2006).

The integrated approach to PURPA implementation described herein will not adversely affect QFs. Indeed, Hoosier and the Participating Members believe the proposed approach will provide additional encouragement to the development of QFs.

II. INTRODUCTION

A. Intent of Implementation Plan

The Implementation Plan is intended to set forth the basic approach and general guidelines for allowing QFs to interconnect with the electric utility systems listed below in accordance with Regulations adopted by FERC implementing PURPA Section 210.

B. Utilities Subject to Guidelines

These guidelines have been adopted by Hoosier and the following electric distribution cooperative Participating Members of Hoosier, each of which obtains all of its wholesale electric requirements from Hoosier:

Bartholomew County REMC (Columbus, IN);
Clark County REMC (Sellersburg, IN);
Daviess-Martin County REMC (Loogootee, IN);
Decatur County REMC (Greensburg, IN);
Dubois REC, Inc. (Jasper, IN);
Harrison REMC (Corydon, IN);
Henry County REMC (New Castle, IN);
Jackson County REMC (Brownstown, IN);.
Johnson County REMC (Franklin, IN);
Orange County REMC (Orleans, IN);
RushShelby Energy (Manilla, IN);
South Central Indiana REMC (Martinsville, IN);
Southeastern Indiana REMC (Osgood, IN);
Southern Indiana Power (Tell City, IN);
Utilities District of Western Indiana REMC (Bloomfield, IN);
Wayne-White Counties Electric Cooperative (Fairfield, IL);
WIN Energy REMC (Vincennes, IN); and
Whitewater Valley REMC (Liberty, IN).

Hoosier presently obtains electric energy for resale to the Participating Members from the following sources:

Plant	Owner	Nameplate Rating
Merom Generating Station	Hoosier	1070 MW
Holland Energy Plant	Hoosier/ Wabash Valley Power Association	630 MW
Lawrence County Station	Hoosier/ Wabash Valley Power Association	258 MW
Worthington Generating Station	Hoosier	174 MW
Livingston Landfill Methane Plant	Hoosier	14 MW
Clark-Floyd Landfill	Hoosier	4 MW
Purchased Power Agreement Story County Wind Energy Center	NextEra Energy Resources	25 MW
Purchased Power Agreement Rail Splitter Wind Farm	EDP Renewables North America	25 MW
Purchased Power Agreement Dayton Power Station	Eagle Creek Renewable Energy	4 MW
Purchased Power Agreements Duke Energy Indiana		250 MW

III. STATEMENT OF POLICY

A. The Joint Policy

It is the policy of Hoosier and the Participating Members: (i) to permit any QF to interconnect with the electric systems of Hoosier or any Participating Member to the extent such QF is entitled to interconnection under Part 292; (ii) to permit any QF to sell energy and capacity to Hoosier at rates equal to Hoosier's full avoided costs; and (iii) to permit any QF to purchase supplemental, back-up and maintenance power from a Participating Member on either a firm or interruptible basis, at rates that are nondiscriminatory, just and reasonable, and in the public interest. In order to effectuate this policy, Hoosier and the Participating Members expressly undertake the following obligations as a condition to the joint policy: (a) Hoosier will be ready and willing to purchase power from any QF from which a Participating Member would otherwise be required to purchase; (b) no QF will be subject to duplicative interconnection charges or duplicative charges for wheeling power to Hoosier across the lines of a Participating Member; (c) no QF will be subject to duplicative charges or additional fees as a result of Hoosier's purchase of QF power that would otherwise be purchased by a Participating Member; and (d) no QF will be subject to duplicative interconnection charges or duplicative charges for wheeling of supplemental, back-up, or maintenance power from a Participating Member. Hoosier and the Participating Members' undertakings described above are, in each case, subject to the other express and implied terms and conditions of the Implementation Plan and the other requirements imposed by law.

Because this Implementation Plan outlines the basic approach that Hoosier and the Participating Members intend to use to fulfill their separate obligations under PURPA, Hoosier and/or a given Participating Member may modify it to the extent authorized by law if such utility determines that the modification is reasonably necessary. In addition, this Implementation Plan shall be modified as necessary or appropriate to comply with requirements imposed by FERC, any other governmental entity having jurisdiction over Hoosier and/or the Participating Members, or any other entity with authority to establish reliability requirements applicable to, or to impose such requirements on, Hoosier and/or the Participating Members.

This Implementation Plan reflects an integrated approach to implementing Hoosier's and the Participating Members' obligations under PURPA and the FERC Regulations. This approach recognizes the function of Hoosier as the wholesale supplier to the Participating Members and the retail service function of the individual Participating Members, while assuring each QF of both a market for its power and any necessary back-up, maintenance, and supplemental service, on either a firm or interruptible basis. Pursuant to Section 292.303(a) of FERC's Regulations[6] an electric utility is obligated to purchase only the energy and capacity which is "made available" from a QF. Section 292.304(d) of FERC's Regulations[7] clarifies that each QF shall have the option to determine the amount of energy or capacity available for purchase. Accordingly, the Implementation Plan does not require a QF to sell all of its energy and capacity to Hoosier, but rather just the amount the QF wishes to make available for such purchases.

No QF will be permitted to interconnect and operate in parallel with the electric system of Hoosier or a Participating Member without the prior knowledge and approval of such electric utility and without entering into a satisfactory written contract. A QF interconnecting with a Participating Member and selling to Hoosier will not be subject to duplicative interconnection or wheeling charges. Thus, except for the construction of new transmission facilities or the expansion of existing transmission facilities to accommodate the interconnection of a QF, the QF will not be required to pay for additional costs of wheeling on the Participating Member's facilities when the QF sells to Hoosier; to the extent any such costs are necessitated by Hoosier's purchases of the QF's power (rather than the Participating Member's purchases), such costs will be borne by Hoosier (rather than the QF).

Purchase of capacity and energy by a QF will be made pursuant to separate arrangements between the QF and a Participating Member and shall be in accordance with applicable law and the Participating Member's applicable rates, rules, and regulations governing retail service. The terms of the arrangement between Hoosier, the Participating Member, and the QF shall be

[6] 18 CFR § 292.303(a).
[7] 18 CFR § 292.304(d)

consistent with rates to the Participating Member's other customers with similar load or other cost-related characteristics.

B. Metering Requirements

Hoosier and the Participating Members require as a condition to the purchase of capacity and energy from a QF the installation of proper metering equipment to permit inclusion of the quantities in Hoosier's monthly energy and capacity accounting. The amount of energy and capacity purchases from the QF by Hoosier shall not normally be netted against the energy and capacity purchased by the QF from the Participating Members, unless required by applicable rules and regulations adopted by entities having jurisdiction over Hoosier and the Participating Members.

Hoosier shall adopt nondiscriminatory procedures concerning metering requirements applicable to QFs. Hoosier shall make such policies and procedures available to QFs for review.

C. Additional Interconnection Requirements

The following additional requirements shall apply to all purchases from QFs under the Implementation Plan:

(i) The operator of the QF shall be responsible for all costs associated with electric interconnection of the QF to Hoosier's or the Participating Member's system.

(ii) Hoosier or the Participating Members shall own, install, read and maintain the required metering equipment to integrate the input quantities into Hoosier's monthly source energy and power accounting. The operator of the QF shall be responsible for all reasonable costs for purchase, installation and maintenance of such metering equipment and shall provide adequate access to its premises so that Hoosier or the Participating Members may install and maintain such metering equipment.

(iii) No Participating Member will permit interconnection between its system and a QF unless the QF meets the applicable standards and/or regulations, rules and policies for interconnection, safety, and operating reliability, as the same may be amended from time to time. Further, in order to remain interconnected, the QF must continue to satisfy appropriate safety and reliability standards.

(iv) Neither Hoosier nor any Participating Member is required to interconnect with any QF if, solely by reason of purchase or sale using the interconnection, Hoosier or the Participating Member would become subject to regulation as a public utility under Part II of the Federal Power Act.

(v) The operator of the QF shall procure and maintain general and contractual liability insurance in the amount required by the cooperative with which the QF is interconnecting. The operator shall annually provide Hoosier and the Participating Member with proof of insurance, and shall notify Hoosier and the Participating Member in writing at least thirty (30) days prior to any termination or modification of insurance coverage. The operator shall cause Hoosier and the Participating Member to be named as additional insureds under the required insurance policy.

IV. REQUEST FOR WAIVER

The FERC Regulations require each wholesale electric utility, such as Hoosier, and each retail electric utility, such as the Participating Members, to buy energy and capacity from, and to sell energy and capacity to, QFs. As stated above, Hoosier and the Participating Members have adopted an integrated approach to implementing their obligations under PURPA and the FERC Regulations whereby Hoosier will purchase energy and capacity from QFs, subject to the option of QFs with capacity of 50 kW or less to sell to the interconnecting Participating Member, and the Participating Members will provide retail service to QFs.

In order to adopt this integrated approach, Hoosier and the Participating Members will request waivers of certain of the FERC Regulations implementing PURPA in order to allow Hoosier and the Participating Members to continue to operate, for wholesale supply purposes, as a single integrated entity. Hoosier and the Participating Members have concluded that, given the benefits of the proposed integrated approach to PURPA implementation, requiring the Participating Members to purchase from QFs and Hoosier to sell to QFs is not necessary to encourage cogeneration and small power production. Hoosier and the Participating Members have determined that purchases by Hoosier on behalf of the Participating Members will adequately encourage cogeneration and small power production in part because each Participating Member's avoided costs should be equal to Hoosier's avoided costs.

Therefore, by centralizing purchases from QFs, QFs will be afforded a greater market for their power. At the same time, they will continue to be guaranteed a price for their power that will be no less than avoided cost, just as they would have by selling to an individual Participating Member.

This Implementation Plan is written on the assumption that the waiver of Hoosier's obligation to sell energy and capacity to QFs will be granted. Because this integrated approach will not adversely affect QFs and may, in fact, provide additional encouragement to cogeneration and small power production, Hoosier and the Participating Members intend to operate under this Implementation Plan during the pendency of the waiver request. If the waiver of Hoosier's sale obligation is denied, this Implementation Plan may be revised, as necessary. Likewise, if the waiver of the Participating Members' purchase obligations is denied, these guidelines may be revised, as necessary. Any revision required as a result of a denial of the waiver request, or upon order of FERC as a condition to the waiver, will be made available as soon as practicable. Hoosier and the Participating Members do not contemplate that an additional notice and comment period will be conducted prior to making such changes.

Persons desiring information about this waiver request, including a copy of the waiver request filed by Hoosier and the Participating Members with FERC, may contact:

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E-mail:cgoffinet@hepn.com

V. ADDITIONAL INFORMATION

Persons requiring additional information concerning the interconnection of a QF with a Participating Member, or the rates, terms and conditions of purchases from or sales to QFs, should contact the representatives of Hoosier or any Participating Member listed below.

Bartholomew County REMC
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dvince@theremc.net

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Attachment 1

Methodology for Calculating Avoided Cost Rate

Effective Date.

This methodology and the rate calculated thereunder are currently in effect and they are subject to revision by Hoosier from time to time, and will be reviewed at least biennially.

Methodology.

Although Hoosier's rates are not regulated by the Indiana Utility Regulatory Commission (IURC), Hoosier has chosen to adopt the formulae prescribed by the IURC for energy and capacity purchases from QFs. Those formulae, found at 170 IAC 4-4.1-8 and 4-4.1-9, are as follows:

170 IAC 4-4.1-8 Rates for energy purchase

Sec. 8. (a) The rate to be paid by a generating electric utility for purchase of energy from a qualifying facility shall be an average of marginal running costs of the generating electric utility adjusted for line losses in accordance with:

$$P_j = \frac{\dfrac{\sum_{i=1}^{n_j} \lambda_{ij}}{nj}}{1-\left(\dfrac{\ell}{2}\right)}$$

Where: Pj = Rate for purchase of energy in the jth rating period.
λij = Expected current fuel and associated variable operating and maintenance costs for the most expensive unit or source on line in the ith hour of the jth rating period as derived from recent historical data adjusted to the present or from appropriate generation simulation programs.
ℓ · = Line losses, expressed as a percentage, for the previous year.
nj = Number of hours in jth rating period.

(b) The rate to be paid by a non-generating electric utility for purchase of energy from a qualifying facility shall be a weighted average of the rate or rates a non-generating electric utility pays to its suppliers, adjusted by the non-generating utility's line losses, in accordance with:

$$P = \frac{\dfrac{\sum_{i=1}^{n} q_i c_i}{\sum_{i=1}^{n} q_i}}{1 - \left(\dfrac{\ell}{2}\right)}$$

Where: P = Rate for purchase of energy.
n = Number of suppliers.
ci = Cost per kilowatt-hour to be charged by ith supplier.
qi = Quantity to be purchased from ith supplier.
ℓ = Line losses, expressed as a percentage, for the previous year.

(c) Adjustments. For intended purchases of 72,000 kilowatt-hours or more per month from a qualifying facility, the electric utility and the qualifying facility may agree to increase or decrease the rates determined by subsections (a) and (b) in recognition of the following factors:

(1) the extent to which scheduled outages of the qualifying facility can be usefully coordinated with scheduled outages of the electric utility's generation facilities;

(2) the relationship of the availability of energy from the qualifying facility to the ability of the electric utility to avoid costs, particularly as is evidenced by the electric utility's ability to dispatch the qualifying facility;

(3) the usefulness of energy from the qualifying facility during system emergencies, including the ability of the qualifying facility to separate its load from its generation.

(d) An electric utility and a qualifying facility may negotiate a rate for energy which differs from the result of subsections (a) and (b).

170 IAC 4-4.1-9 Rates for capacity purchase

Sec. 9. (a) A basic, unadjusted monthly avoided cost of capacity for a generating utility shall be calculated as follows:

$$C = \frac{1}{12}\left[DV\left[\frac{1 - \left(\frac{1+i_p}{1+r}\right)}{1 - \left(\frac{1+i_p}{1+r}\right)^n}\right] \bullet \left(1 + i_p\right)^{t-1} + O\left(\frac{1+i_o}{1+r}\right) \bullet \left(1 + i_o\right)^{t-1} \right] \div \left(1 - \frac{\ell}{2}\right)$$

Where: C = Unadjusted monthly capacity payment per kilowatt of contracted capacity year of completion of unit.
D = Present value of carrying charges for one dollar ($1) of investment over n years with carrying charges assumed to be paid at the end of each year.
V = Investment amount in year of completion, including allowance for funds used during construction, of the avoidable or deferrable unit, stated on a per kilowatt basis and including rated share of common costs.
n = Expected life of the avoidable or deferrable unit.
i_p = Annual escalation rate associated with the avoidable or deferrable unit.
i_o = Annual escalation rate associated with the operation and maintenance expenses, less fuel and fuel-related expenses, of the avoidable or deferrable unit.
r = Purchasing utility's after tax cost of capital.
O = Expected total fixed and variable yearly operating and maintenance expenses, less fuel and fuel-related expenses, in expected first year of avoidable or deferrable unit's operation stated on a per kilowatt basis.
l = Line losses, expressed as a percentage, for the previous year.
t = Contract term in years, with t = 1 to t.
(b) Capacity payments which will begin before the avoidable or deferrable unit is expected to become used and useful, shall be calculated as follows:

$$C_a = C\left(\frac{1 + i_p}{1 + r}\right)^{\Delta t}$$

Where: Ca = Adjusted monthly capacity payment.
Δt = In-service date of avoidable or deferrable unit less in-service date of qualifying facility.
C, i_p, r as previously defined in equation of subsection (a).
(c) Except as permitted by subsection (g), the unadjusted rate per kilowatt for purchase of capacity shall not be lower in any year than the levelized annual economic carrying charge per kilowatt on a new combustion turbine, which shall be calculated by application of subsection (a)

wherein the variable V shall be for a combustion turbine completed in the first year of any contract for purchase of capacity.

(d) Monthly payments for capacity calculated in subsections (a) through (b) shall be adjusted by the following factor:

$$F = \frac{E_p}{(K)\ (T_p)}$$

Where: F = Capacity payment adjustment factor.

E_p = Kilowatt-hours delivered to the electric utility during the peak period by the qualifying facility.

K = Kilowatts of capacity the qualifying facility contracts to provide.

T_p = Number of hours in peak period.

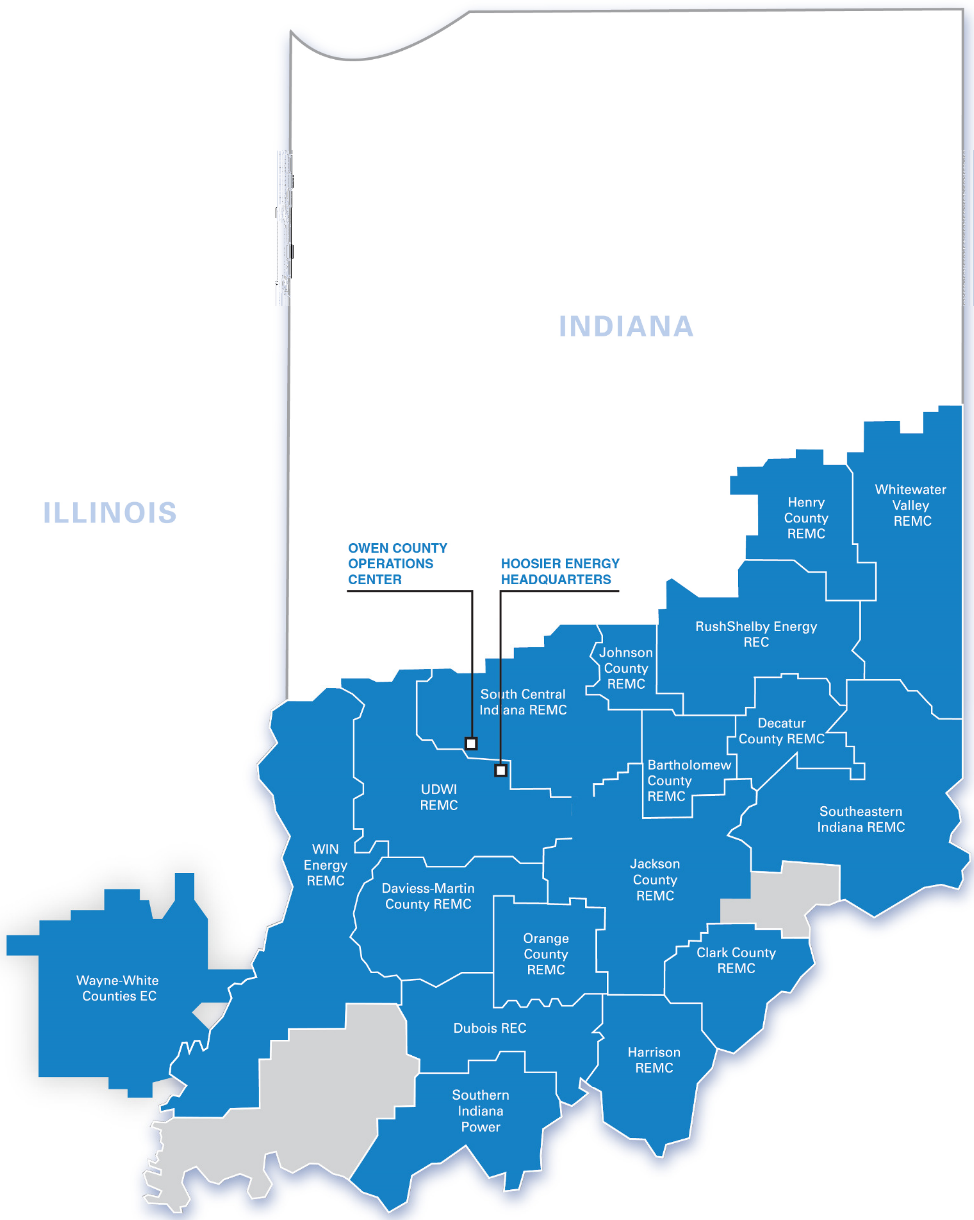
(e) A basic, unadjusted monthly rate per kilowatt for purchase of capacity by a nongenerating utility from a qualifying facility shall be the utility's current weighted average cost per kilowatt paid to the utility's other suppliers.

(f) Monthly payments for capacity calculated in subsection (e) shall be adjusted by application of a factor developed from subsection (d).

(g) An electric utility and a qualifying facility may negotiate a rate for capacity which differs from the results of subsections (a) through (f).

<u>Attachment 2</u>

Service Areas Map



APPENDIX B

SIGNATURE AND VERIFICATION OF AUTHORIZED INDIVIDUALS

18 C.F.R. § 292.310(d)(7)

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Hoosier Energy Rural	)	
Electric Cooperative, Inc.	)	Docket No. QM16- -000

APPLICATION PURSUANT TO SECTION 292.310(A) FOR AUTHORIZATION TO TERMINATE THE MANDATORY PURCHASE OBLIGATION FROM QUALIFYING FACILITIES WITH NET CAPACITY OVER TWENTY MEGAWATTS ON A SERVICE TERRITORY-WIDE BASIS

Verification

I, David W. Sandefur, being duly sworn, depose and say that I am Vice President, Power Supply of Hoosier Energy Rural Electric Cooperative, Inc. and have authority with respect thereto. I have read the foregoing Application, and based on my knowledge, information and belief, all of the statements contained therein pertaining to Hoosier Energy Rural Electric Cooperative, Inc. are true and accurate.

DWSandefur

David W. Sandefur
Vice President, Power Supply

CMG Legal

SUBSCRIBED AND SWORN to before me on this 10th day of May ~~April~~, 2016.

Laura Lynn Briggs
Notary Public

LAURA LYNN BRIGGS
Seal
Notary Public - State of Indiana
Monroe County
My Commission Expires Aug 18, 2023

Document Content(s)