

Rate Policy and Procedures Manual	Section: Renewable and Self Generation	Subject: Feed-In Tariff Procedures
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1.0 Background

This Policy and Procedure (“Procedure”) defines the process and criteria for entities to sell power to SMUD in compliance with the provisions of the Feed-In Tariff (FIT) for Distributed Generation contained in the District’s **Rates, Rules and Regulations**, as adopted by Board Resolution 09-06-05.

This Procedure satisfies SMUD’s obligations, as they exist, under California Public Utilities Code Sections 399.20, 387.6, and 2841.5 and may be amended or supplemented from time to time.

2.0 Applicability

Under the FIT, SMUD offers published rates and standard contract terms to customers selling generation from qualifying Eligible Renewable Energy Resources or Combined Heat and Power Facilities subject to the process and criteria defined in this Procedure.

3.0 Definitions

For the sole purpose of this Procedure, the capitalized terms used shall have the specific meanings ascribed to them in this Section.


3.1 “Applicant” means the entity submitting the Feed-In Tariff Application.

3.2 “Application” means submission of SMUD form 3259 and related required documentation to initiate the process of entering into a standard contract to sell energy from an eligible renewable or CHP facility to SMUD via interconnection with SMUD’s distribution system.

3.3 “Capacity” means the capability to deliver electric power for which a system or system component is rated calculated in kilowatts or Megawatts (AC).

3.4 “CEC” means the California Energy Resources Conservation and Development Commission, also known as the California Energy Commission, or its successor agency.


3.5 “Combined Heat and Power Facility” (“CHP”) means an electric generation facility that produces both electricity and thermal energy from a single fuel input. To be eligible, the CHP must meet the criteria set forth in California Public Utilities Code Section 2842 as

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
may be amended or supplemented from time to time and it must receive initial and ongoing CEC Certification as such.

- 3.6 “Commercial Operation” means the period of operation of the Facility once the Commercial Operation Date has occurred.
- 3.7 “Commercial Operation Date” means the date the Facility has successfully completed a test period of 168 hours of continuous operation. During this test, the Facility must meet the following conditions:
- Comply with all applicable interconnection and system protection requirements.
 - Demonstrate the capability of delivering the Contract Capacity at the Delivery Point on a reliable and continuous basis.
 - Demonstrate that all Facility components operate and are available during the 168-hour period.
- 3.8 “CPUC” means the California Public Utilities Commission.
- 3.9 “Customer” means an existing SMUD customer, or a third Party who will become a SMUD customer upon interconnection to the SMUD Distribution System.
- 3.10 “Delivery Point” means the point of interconnection to the SMUD Distribution System where SMUD accepts title to power from the Facility.
- 3.11 “Eligible Renewable Energy Resource” means a generating resource that has been certified as such by the CEC under California Public Utilities Code Section 399.12 and California Public Resources Code Section 25471, as either code may be amended or supplemented from time to time.
- 3.12 “Facility” means the specific Combined Heat and Power Facility or Eligible Renewable Energy Resource as proposed by Applicant on SMUD Application form 3259.
- 3.13 “Facility Capacity” means the maximum potential amount of electricity that a Facility can produce, measured at the delivery point in kilowatts or Megawatts (AC).

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- 3.14 “Feed-In Tariff Available Capacity” means the amount of rated capacity that SMUD will sign up under the Feed-In Tariff (FIT), as initially set at 100 MW AC by the SMUD Board, and as may be revised from time to time, in accordance with the Feed-In Tariff for Distributed Generation.
- 3.15 “Green Attributes” means those environmental attributes and credits as defined in the Power Purchase Agreement that shall be provided to SMUD from any Feed-In Tariff Facility that is an Eligible Renewable Energy Resource.
- 3.16 “Host Customer” means the SMUD customer at whose locale the Facility is sited.
- 3.17 “Queue” means an ordered list of Applications which includes those assigned limited Reserved Positions under the Feed-In Tariff, and which may also include Applications assigned Unreserved Positions.
- 3.18 “Record Number” means the number assigned to an Application upon receipt by SMUD. The Record Number consists of the date, in the six digit MMDDYY format, when the Application was received, *combined* with the ordered number of the Application relative to other Applications received on that day.
- 3.19 “Reservation Deposit” means the monetary payment made by an Applicant to secure a Reserved Position.
- 3.20 “Reserved Position” means an allotted share of the Feed-In Tariff Available Capacity. An Applicant must comply with the requirements of these Procedures and the requirements of the Power Purchase Agreement, to maintain its Reserved Position.
- 3.21 “Scheduled Commercial Operation Date” means the planned Commercial Operation Date of the Facility declared by Applicant.
- 3.22 “SMUD Distribution System” means the wires, transformers, and related equipment used by SMUD to deliver electric power to its retail customers typically at sub-transmission level voltages and lower.
- 3.23 “Unreserved Position” means that an Applicant has a ranked place in the Queue, but has not been assigned a Reserved Position.

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
4.0 General Rules, Rights And Obligations

- 4.1 *Arrangement for other services.* A Facility requiring other electric services from SMUD including, but not limited to, Distribution Service during periods of curtailment or interruption of its Facility, must sign separate agreements with SMUD for such services, in accordance with approved tariffs.
- 4.2 *Compliance with laws, rules, and tariffs.* An Applicant shall comply with applicable SMUD Board-approved tariffs; applicable Federal Energy Regulatory Commission-approved rules, tariffs, and regulations; and any local, state or federal law, statute or regulation which applies to the Facility, including its design, siting, construction, installation and operation.
- 4.3 *Interconnection.* Facility interconnection on SMUD’s system will fully comply with Rate Policy and Procedure No. 11-01, Interconnection Guidelines, unless otherwise specified herein. These guidelines conform to the technical aspects of the CPUC and CEC’s Rule 21 Interconnection Rules. This Procedure 8-04 identifies specific procedural modifications to Rate Policy and Procedure No. 11-01 in Sections 5.4, “SMUD Interconnection Review”, and 15.0, “Posting of Queue Information.”
- 4.4 *Costs.* All upfront or ongoing costs resulting from the Facility interconnection shall be the responsibility of the Applicant.

5.0 Application Process

The following procedure will be observed to manage the Feed-In Tariff process. Forms are available at www.smud.org.

- 5.1 *Applicant submits Application Package.* The following materials must be submitted as an Application Package:
- 5.1.1 Completed and signed Feed-in Tariff Application (SMUD Form 3259);
 - 5.1.2 SMUD Generating Facility Interconnection Application (SMUD Form 2655);
 - 5.1.3 Interconnection Review fee of \$1400; and

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5.1.4 Reservation Deposit calculated as the product of \$20/kW times the proposed Facility Capacity.


5.2 *SMUD review of Application.* SMUD will assign a Record Number to each Application upon receipt, and all Applications will be reviewed for completeness. SMUD will then assign Complete Applications to Reserved Positions. Incomplete Applications will be returned to the Applicant with the Reservation Deposit and Interconnection Review Fee. Complete Applications exceeding the Feed-In Tariff Available Capacity will be assigned an Unreserved Position in the Queue, and the associated Reservation Deposit and Interconnection Review Fee will be returned.

5.3 *SMUD reply with confirmation of FIT Reservation.* SMUD will indicate by written reply to Applicant confirmation as to whether the Application is assigned a Reserved Position or an Unreserved Position, along with Queue position specific to that Application's Record Number.

5.4 *SMUD Interconnection Review.* SMUD will perform initial and supplemental reviews of the proposed interconnection, as described in Section 4.3 of SMUD's Rate Policy and Procedure 11-01, "Interconnection Guidelines," to verify interconnection availability; and will develop preliminary cost estimates and interconnection requirements. The fee for this Interconnection Review is \$1,400. SMUD reserves the right to modify the interconnection review timeline beyond that outlined in SMUD's Rate Policy and Procedure 11-01.

5.5 *Linework and "Meter & Service" Work.* Because generators under the Feed-In Tariff are not interconnected behind an existing meter, all interconnections will require, at a minimum, "Meter & Service" work. In addition, distribution line extensions to the metering location and system reinforcements may be required, and are billable to the customer. This work will be designed and constructed by SMUD, and may require the Applicant to install civil infrastructure at Applicant's expense to accommodate such extensions. All SMUD design and construction costs associated with the interconnection are billable to the Applicant.

5.6 *Preparation of Final Agreements.* SMUD will request detailed Facility information from Applicant in order to complete standard Power

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Purchase Agreement and Interconnection Agreement for a given FIT Application. Should Applicant not respond and provide the requested data in a timely manner, SMUD will send Applicant a written notice of deficiency, giving Applicant 10 days in which to provide this information or lose its Reserved Position. In such case, 100% of the Reservation Deposit will be returned to the Applicant

5.7 *Presentation of Agreements.* SMUD will present Applicant with the Power Purchase Agreement and Interconnection Agreement, following receipt of detailed Facility information from Applicant. SMUD will prepare and issue executable copies of the Power Purchase Agreement and Interconnection Agreement.

5.8 *Applicant Returns Executed Agreements.* Applicant shall complete the steps listed below within 30 days of receipt of the executable copies of the Power Purchase Agreement and Interconnection Agreement. If Applicant does not provide the items listed below within the 30 day period, the Applicant will lose its Reserved Position, and 100% of the Reservation Deposit will be returned to the Applicant.

5.8.1 Return the executed Power Purchase Agreement.


5.8.2 Return the executed Interconnection Agreement.

5.8.3 Include a check for the full amount of the estimated interconnection costs.

5.8.4 Provide evidence of site control, such as a letter of intent from property owner(s), lease agreement(s), title documents, or other form of evidence acceptable to SMUD.

5.9 *SMUD executes Agreements.* SMUD will perform a final review of returned agreements and the evidence of site control, and will deposit the funds for the estimated interconnection costs. SMUD will then execute the Agreements, and confirm to Applicant via written notification the acceptance of completed agreements.

5.10 *Work proceeds on Facility.* Applicant will proceed with development and construction of Facility. SMUD will coordinate and complete the interconnection facilities.

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5.11 *Facility achieves Commercial Operation.* Commercial Operations begin in accordance with the terms of the Power Purchase Agreement.

5.12 *Payments.* SMUD's Energy Settlements will process billing and payments for energy purchased by SMUD under the Power Purchase Agreement. SMUD's Customer Services will manage billing and payments on the Customer's retail account.

6.0 Feed-In Tariff Available Capacity

The combined total of reserved and installed Facility Capacity under the FIT cannot exceed the Feed-In Tariff Available Capacity.

6.1 The capacity of any individual Facility cannot exceed 5,000 kW (AC) as measured at the proposed Delivery Point.

6.2 There is no minimum Facility size for Feed-In Tariff eligibility.

6.3 In accordance with the Feed-In Tariff for Distributed Generation, SMUD will manage the 100 MW AC combined rated generation capacity as follows:


6.3.1 Pool A: 33.5 MW will be reserved for Eligible Renewable Energy Resources with a rated generation capacity of 3 MW or less.

6.3.2 Pool B: 66.5 MW will be available for all CHP facilities, and Eligible Renewable Energy Resources between 3 MW and 5 MW; and, in the event Pool A has reached maximum capacity, Eligible Renewable Energy Resources <3 MW.

6.3.3 SMUD reserves the right and flexibility to re-allocate between Pool A and Pool B, as long as the maximum MW criteria for each Pool are met.

7.0 Eligibility Requirements

7.1 A Facility may be either an Eligible Renewable Energy Resource, selling one hundred percent (100%) of its energy output and Green Attributes associated with that energy, under contract to SMUD; or a Combined Heat and Power Facility that sells the excess output of the Facility to SMUD.

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7.2 The Facility must be connected to the SMUD Distribution System.

7.3 A Facility taking service under the Feed-In Tariff may not also obtain benefits from any of the following for the same Facility:

7.3.1 A bilaterally negotiated power purchase agreement with SMUD for deliveries of additional power;

7.3.2 Incentives from SMUD under customer programs implemented in compliance with SB 1 requirements or similar program; or

7.3.3 Use of the net metering option for energy deliveries in excess of Host Customer load (as otherwise applicable to solar PV resources).

8.0 Reservation Deposit

Applicant must submit a Feed-In Tariff Reservation Deposit along with a Feed-In Tariff Application. The deposit shall equal the proposed Facility Capacity, as measured at the Delivery Point, times the Reservation Deposit rate of \$20/kW.

8.1 An Application made without the Reservation Deposit will be rejected.


8.2 At the time of determining the completeness of an Application, SMUD will assume that any check made for payment of the Reservation Deposit will be honored by Applicant's financial institution and that Applicant has sufficient funds to cover the check.

8.3 Should Applicant's check be returned for insufficient funds, SMUD will release the Applicant's Reserved Position and deem that the Application is rejected. The Applicant will lose any Queue status and will have to resubmit the Application in its entirety.

8.4 Should an Applicant decide not to go forward with its Facility at any time before the Power Purchase Agreement is executed, 100% of the Reservation Deposit shall be returned to Applicant.

9.0 Reservation Queue Management

SMUD will maintain a Reservation Queue for Feed-In Tariff Applications in order to establish both Reserved and Unreserved Positions.

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9.1 *Reserved.* SMUD will assign Reserved Positions to Complete Applications on a first-come-first-served basis until maximum available capacity has been met, as per Section 6.0, Feed-In Tariff Available Capacity.

9.2 *Unreserved.* SMUD may also assign Unreserved Positions on a first-come-first-served basis. As Reserved Positions may become available, Unreserved Positions move up in the Queue. If an applicant with an Unreserved Position is offered a Reserved Position, the Applicant has 10 days to submit the Reservation Deposit and Interconnection Review Fee, or Applicant loses the Reserved Position. Applicants with an Unreserved Position in the Queue will receive the Feed-In Tariff pricing in effect at the time that Applicant secures a Reserved Position in the Queue.

9.3 *Receipt of Application.* When delivered to the SMUD Headquarters Security Officer, Applications will be assigned a record number indicating the order in which Applications were received by SMUD.

9.3.1 SMUD cannot guarantee the rank ordering of Applications delivered via US Postal Service or by overnight or air express.


9.3.2 Should Applicant wish to ensure a timely rank ordering, SMUD recommends that Applicant receive a date and time stamp upon hand delivery to the SMUD Headquarters Security Desk.

9.4 Queue information will be posted on SMUD’s website at www.smud.org. Each Facility will be given a status code. Status codes will be as follows:

9.4.1 *Complete.* An initial determination by SMUD that Applicant has provided all required documents, information and funds.

9.4.2 *Rejected.* A determination by SMUD that an Application has been rejected, due to missing documents, incomplete information or funds not being provided to SMUD.

9.4.3 *Reserved Position.* An indication that the Application has been granted a Reserved Position in the Queue.

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
- 9.4.4 *Interconnection Review.* An indication that SMUD is in the process of conducting the interconnection review for the Facility.
- 9.4.5 *Withdrawn.* An indication that Applicant has withdrawn its Application.
- 9.4.6 *Contracts Issued.* An indication that SMUD has issued a Power Purchase Agreement and Interconnection Agreement to Applicant for execution.
- 9.4.7 *Contracts Executed.* An indication that Applicant has returned executed contracts to SMUD, along with all required information and funds, and that SMUD has executed the contracts.
- 9.4.8 *Terminated.* An indication that the Reserved Position for the Applicant has been terminated, either from failure to return executed contracts in a timely manner, or because the Power Purchase Agreement was terminated under its own terms.
- 9.4.9 *Project Operational.* An indication that the Facility has achieved Commercial Operation.
- 9.4.10 *Unreserved Position/Wait List.* An indication that the Queue has reached the maximum Feed-In Tariff Available Capacity, and the Applicant is in line for the availability of a Reserved Position.

10.0 Power Purchase Agreement

Applicants that are assigned Reserved Positions will be offered a standard form Power Purchase Agreement that will require execution with SMUD in order for sales to SMUD under the Feed-In Tariff to take place.

10.1 Eligible contract terms are available for 10, 15, or 20 years at the Facility Owner's option. Applicant shall inform SMUD of its choice of term prior to the issuance of executable contracts.

10.2 Power Purchase Agreement terms and conditions will reflect this Procedure in effect at the time of execution of the Power Purchase Agreement. Should this Procedure be revised following execution

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of a Power Purchase Agreement, the terms of the Power Purchase Agreement shall prevail in the event of any conflict

10.3 The Power Purchase Agreement will conform at all times to SMUD's Rates, Rules and Regulations, as amended from time to time.

10.4 A Facility shall be no larger than 5,000 kW AC. Under the FIT, an Eligible Renewable Energy Resource must sell to SMUD all energy output and Green Attributes associated with that energy, and a CHP must sell to SMUD the excess output of the Facility.

10.5 Should an Applicant propose a Facility configuration or agreement structure requiring negotiation of the Power Purchase Agreement terms and conditions that are different than those included in the standard form Power Purchase Agreement, SMUD will reject the Application.

10.6 An Applicant may request a decrease in the contract capacity after the Power Purchase Agreement is signed. In this case:

10.6.1 Applicant will be subject to an associated penalty, dependent on the timing and magnitude of the reduction, in accordance with the formula in Section 7.3.4 of the Power Purchase Agreement.


10.6.2 Applicant will be required to pay an additional administrative fee of \$1,500.

10.6.3 SMUD will refund that portion of the reservation deposit associated with the reduction in capacity, less the penalty and administrative fee. If the penalty and administrative fee are greater than the refund, Applicant will be billed the additional amount.

11.0 Commercial Operation Date

Applicant must specify the Scheduled Commercial Operation Date at the time the Application is submitted. The Scheduled Commercial Operation Date must meet the following criteria:

11.1 The Scheduled Commercial Operation Date proposed by Applicant must fall within the date range bounded by the published FIT Rates at the time the Application is submitted.

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11.2 Revision of Commercial Operation Date prior to the execution of the PPA.

11.2.1 SMUD will allow Applicant to modify its Facility’s Commercial Operation Date prior to execution of the PPA to accommodate reasonable changes in the factors affecting when a Facility can be brought on line.

11.2.2 Applicants may petition SMUD and request a change to the Commercial Operation Date, so long as the revised proposed Commercial Operation Date remains within the period covered by then current published Feed-In Tariff rates. [Currently, SMUD’s published Feed-In Tariff rates span 2010, 2011, and 2012.]


11.3 Revision of Commercial Operation Date after execution of the PPA.

Once a Power Purchase Agreement is executed between SMUD and Applicant, the Scheduled Commercial Operation Date can only be modified as provided under the terms of the Power Purchase Agreement.

12.0 Certification as Renewable/CHP

12.1 To qualify for this Feed-In Tariff as an Eligible Renewable Energy Resource, the Facility shall obtain certification from the California Energy Commission as an Eligible Renewable Energy Resource prior to Commercial Operation, and shall maintain such certification throughout the term of the Power Purchase Agreement.

12.2 To qualify for this Feed-In Tariff as a qualifying Combined Heat and Power (CHP) Facility, the CHP Facility shall obtain certification by the California Energy Commission as outlined in the CEC’s “Guidelines for Certification of Combined Heat and Power Systems Pursuant To The Waste Heat and Carbon Emissions Reduction Act Public Utilities Code, Section 2843 Et Seq.” issued November, 2009, or as finally adopted by the CEC; and shall maintain such certification throughout the term of the Power Purchase Agreement.

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13.0 Pricing under the Feed-In Tariff

The Feed-In Tariff prices will be posted on the SMUD Web site (www.smud.org).

13.1 Pricing will be differentiated by Renewable or CHP Facility, start date, term of contract, and time-of-day (TOD) delivery of energy.

13.2 The Feed-In Tariff prices reflect SMUD's underlying marginal costs for procurement and delivery of comparable power during the specified terms and time periods.

13.3 For customers with CHP generation facilities, the Feed-In Tariff prices for energy delivered to SMUD are based on the following cost components:

13.3.1 Market Energy Price including losses.

13.3.2 Ancillary Services.

13.3.3 Generation Capacity.

13.3.4 Transmission.


13.3.5 Sub-Transmission Capacity.

13.4 For customers with eligible renewable generation facilities, the Feed-In Tariff prices for energy delivered to SMUD will include the above cost components and the following additional premiums:

13.4.1 Projected cost offsets associated with avoided greenhouse gas mitigation.

13.4.2 Estimates of risk avoidance from future natural gas price increases.

13.5 The time periods specified in this Schedule correspond to the following definitions:

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Time of Delivery	Months	Super Peak	On Peak	Off Peak
Summer	June – Sept	2-8 PM Mon – Sat except holidays	6 AM – 2 PM & 8 PM – 10 PM Mon-Sat except holidays	All other hours
Fall & Winter	Oct – Feb			
Spring	Mar – May			
Holidays	New Years, July 4 th , Memorial Day, Labor Day, Thanksgiving, Christmas			


13.6 SMUD reserves the right to change pricing development methodology as industry circumstances warrant.

13.7 SMUD will review and adjust its Feed-In Tariff rates periodically, but not less than one time per calendar year, based on the above criteria. The adjusted rates will apply to any Applicant that secures a Reserved Position in the Queue after the adjusted rates become effective.

14.0 Interconnection

Feed-In Tariff interconnections, and the interconnection review process for Feed-In Tariff Applications, will be managed using SMUD’s Rule 21 process for distribution-located generator interconnections, as further specified in SMUD’s Rate Policy & Procedure 11-01, “Interconnection Guidelines”.

14.1 During the interconnection review process, SMUD may determine that the Facility capacity proposed by Applicant is too large for the proposed interconnection location. In this event, SMUD will allow Applicant to reduce the proposed Facility capacity to a size that can be accommodated at the proposed interconnection location. In addition, when SMUD Distribution System improvements can reasonably be made which will increase SMUD’s ability to receive capacity from the Applicant’s proposed location, the Applicant will have the option of proceeding at the proposed capacity while assuming the costs of these improvements to the SMUD Distribution System.

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14.2 In no event will SMUD allow Applicant to increase the proposed Facility capacity of the Application.

14.3 A Feed-In Tariff Application for a Facility that is proposed to be interconnected to the downtown network within the SMUD Distribution System may be rejected. SMUD may substitute conventional distribution interconnection for many network locations. Service extensions for interconnection of a Generating Facility with the conventional SMUD Distribution System will be made at the Applicant's expense.

15.0 Posting of Queue Information

SMUD will post Queue information on its website, www.smud.org. Once an Application that has been submitted is complete and deemed accepted by SMUD, information on that Application shall be made available, along with the information of other Applications, in the Queue. Note that irrespective of the confidentiality language in SMUD's Rate Policy and Procedure 11-01, "Interconnection Guideline," the following Application information will be made available to the public on the posting:


- 15.1 Record Number.
- 15.2 Application received date.
- 15.3 Facility capacity.
- 15.4 Facility location (city or area).
- 15.5 Application status.
- 15.6 Next milestone due.

16.0 Authorized SMUD Representative

Feed-In Tariff Applications delivered in-person must be received by the SMUD Headquarters Security Officer. The time and date stamp given by the Security Officer will be the official time and date of receipt of the Application by SMUD.

- 16.1 For US Mail delivery:

Sacramento Municipal Utility District
 Power Contracts

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Rate Policy and Procedures Manual	Section: Renewable and Self Generation	Subject: Feed-In Tariff Procedures
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P.O. Box 15830, Mail Stop A404
Sacramento, CA 95852-1830

16.2 For Air Express/Overnight Delivery:

Sacramento Municipal Utility District
Power Contracts
6201 S Street, Mail Stop A404
Sacramento, CA 95817-1899


16.3 For In Person Delivery:

Sacramento Municipal Utility District
Headquarters Security Officer
6201 S Street
Sacramento, CA 95817-1899

Limited parking is available in front of the SMUD Headquarters building. Additional parking is located across the street. Check in with the Security Officer at the Security kiosk in the lobby to time and date stamp the Application. Notify them that you want it delivered to the Power Contracts Department. Have them call extension 6244 to notify staff that Application has been delivered.

16.4 For correspondence regarding the status of an Application:

email: powercontractsadmin@smud.org
phone: 916-732-6244

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