**SHELBY ELECTRIC COOPERATIVE**
**BOARD POLICY 323**

# SMALL DISTRIBUTED GENERATION FACILITIES INCENTIVE

## I. OBJECTIVE

To provide an incentive for members generating electricity from small distributed generation facilities, as defined below, and to provide for the purchase of kWhs produced in excess of the members' electrical consumption, while honoring the Cooperative's obligation to provide electricity to all Members on a cooperative basis as required by the Illinois Not-for-Profit Corporation Act and Internal Revenue Code Section 501(c)(12) and while complying with the Cooperative's Wholesale Power Contract obligations with Prairie Power, Inc. (PPI) and with PPI's Policy #510 (Small Distributed Generation Facilities Incentive).

## II. DEFINITIONS

To the extent the following terms are used in this policy, the following definitions shall apply.

**"Billing period"** means the period of time over which the Cooperative bills a member for electric energy consumed during that time and for other applicable charges from the Cooperative.

**"Cooperative"** means Shelby Electric Cooperative and its successors and assigns.

**"Member" or "Members"** means one or more Class A Members of the Cooperative.

**"Nameplate rating"** means the maximum electric energy production capability of a resource, specified in alternating current (AC) kilowatts after the inverter.

**"Prairie Power, Inc." or "PPI"** means Prairie Power, Inc., an Illinois not-for-profit corporation, or its successors in interest, which is an electric generation and transmission cooperative of which the Cooperative is a member and from which, by contract, the Cooperative obtains its wholesale supply of electricity.

**"Small DG Incentive"** means a monetary payment in the form of a bill credit by the Cooperative to the owner of a Small DG for excess energy generated by the Small DG and registered on the designated meter.

**"Small Distributed Generation Facilities" or "Small DG"** means one or more electricity production resources which meet all of the following criteria: (1) owned by a Member of the Cooperative; (2) located in the retail service area of the

Cooperative; (3) connected to and operating on the Member's low-voltage electric premises wiring associated with a single, specified service metering point; (4) the total combined Nameplate Rating for such resources at the single, specified service metering point is less than or equal to 100 kilowatts and resources over 25 kW must also be sized to offset no more than 110% of the Member's energy requirements over the previous 12 months (if 12 months of data is not available, the average amount of similar Members shall be used) either at the time of application or on an ongoing basis as determined by the Cooperative; (5) such resources produce electric energy using biomass, waste, renewable resources, including wind, solar energy, and water; (6) if such resources have storage capability, the combination of the storage component and non-storage component is less than or equal to 100 kilowatts and resources over 25 kW must also be sized to offset no more than 110% of the Member's energy requirements over the previous 12 months (if 12 months of data is not available, the average amount of similar Members shall be used) either at the time of application or on an ongoing basis as determine by the Cooperative; and (7) such resources are not taking service as either an EREGF under PPI Policy #504 (net metering) or the Cooperative Policy #308 or a Qualifying Facility under PPI Policy #509 (QF) or the Cooperative Policy #321.

## III. AVAILABILITY

This incentive is available, at the option of an eligible Member, to Small DG Facilities in the service territory of the Cooperative and after first complying with the provisions of the Cooperative's Board Policy #307 (Interconnection and Parallel Operation of Distributed Generation) as it relates to the connection of a Small DG to, and the operation of such Small DG on, the Member's low-voltage electric premises wiring associated with the specified metering point. This incentive is available to any eligible renewable electric generating facility (EREGF) taking service under PPI Policy #504 where the Cooperative has discontinued such net metering policy.

This incentive is not simultaneously available to an EREGF taking service under the provisions of PPI Policy #504 (Net Metering and Delivery of Excess Member-Consumer-Generated Energy to Member Distribution Cooperatives) or the Cooperative Policy #308. This incentive is not simultaneously available to a QF taking service under the provisions of PPI Policy #509 (Interconnection Policy for Co-generators and Small Power Producers Under Public Utility Regulatory Policies Act (PURPA)) or the Cooperative Policy #321.

## IV. INCENTIVE PROVIDED

**Beginning January 1, 2026,**

The Small DG Incentive is equal to:

The ***product of*** the

kWh per month** produced by the Small DG which are: (i) in excess of the Member's electrical consumption, (ii) flowing to and received by the Cooperative's distribution system, and (iii) registered and recorded by the Cooperative's retail service meter

***multiplied by***

The weighed average of the five weekday On Peak Energy Charge Rates and the two weekend-day Energy Charge Rates as specified in Rate Schedule A of the Wholesale Power Contract between PPI and the Cooperative, including capacity and losses, which is mathematically defined as the ***product of*** five times the weekday On Peak Energy Charge Rate ***summed with*** the ***product of*** two times the weekend-day Energy Charge Rate and the ***total sum*** of which is then ***divided by*** seven and that result is ***summed with*** a capacity component and a losses component, each stated in dollars per kWh.

Any mid-year change in the value of the weekday On Peak Energy Charge Rate, the weekend-day Energy Charge Rate, the capacity component, or the losses component shall be implemented for the entirety of the billing period month in which the change was adopted and made effective by the PPI Board of Directors.

**In the event the meter registers a flow of electric energy out of a single, specified service metering point in an amount greater than 100 kWh during any clock-hour, 100 kWh shall be used for that clock-hour rather than any amounts greater than 100 kWh.

Any excess bill credit balance may be carried into future billing periods, however, no bill credit balance shall carry over the end of the calendar year.

## V. LIMITATIONS OF INCENTIVE

Nothing in this Small DG Incentive Policy eliminates or reduces any payment, fee, cost, requirement, process, program, service, or arrangement with any person or entity whether it be PPI, the Cooperative, a Member, MISO, a governmental or regulatory authority, or a utility regarding any aspect of the Small DG, such as interconnection, maintenance, registration, operation, or service.

Any credit to an eligible Member under this policy shall only be applied to offset no more than the electric energy (kWh) cost delivered to the eligible Member. No part of such credit shall be applied to, and the eligible Member shall remain responsible for, (a) taxes, fees, and other charges that would otherwise be applicable, and (b) other charges to the eligible Member under any Cooperative policy, bylaws, rules, regulations, or rates, that are not based on a unitized charge per kilowatt-hour, including, but not limited to, basic service charges, facilities charges, demand charges, or transformation charges. The Member will always be required to pay these charges to stay connected to the Cooperative's distribution system.

## VI. PROVISIONS

An eligible Member shall first comply with the provisions of Cooperative Policy #307 for Interconnection. Application for the Small DG Incentive shall be submitted to the Cooperative. The application shall specify basic information about the Small DG, including but not limited to the Nameplate Rating, location, and specify a single metering point. The Cooperative shall provide such information to PPI.

## VII. METERING

Metering equipment capable of measuring the flow of electric energy both into and out of the Member's single, specified service metering point and recording the flow of energy in both directions shall be required. Recording the flow of energy in both directions on a clock-hour basis is preferred. If the existing retail service meter is not capable of meeting these requirements, or if the Member requests additional metering, the cost of installing and maintaining a retail service meter having the capability or an additional meter shall be paid by the Member.

Energy produced at a location other than the single specified service metering point where the Small DG is connected to and operating on the eligible Member's low-voltage electric premises wiring associated with the specified service metering point, shall not qualify for Small DG Incentive under this policy.

## VIII. METER DATA REPORTING REQUIREMENTS

The Cooperative shall report in electronic format to PPI each month certain information required by PPI, including but not limited to, the total number of Members taking service under this Policy, the electrical size and type of Small DG system, and the aggregate amounts of excess electricity metered and recorded during the billing period. PPI requests the Cooperative to provide hourly meter data, where available, to allow for better analysis on the value and impact of Small DG with respect to market energy prices.

## IX. TRANSACTION ACCOUNTING

A. In the event the Cooperative receives any excess electricity produced and makes use of such for meeting the native load requirements of its Members, then:

1. The Cooperative shall be solely responsible for payment of the Small DG Incentive to the Member under this Policy in the form of a bill credit, and

2. The Cooperative will not be charged by PPI for the supply and delivery of the equivalent amount of excess electricity.

B. To the extent this Policy results in reduced kilowatt-hour sales and reduced net aggregate electrical demand supplied and delivered, then any uncompensated costs incurred by PPI shall be socialized across all PPI Members in accordance with existing practices and provisions of the Wholesale Power Contract.

## X. TERMS OF INCENTIVE

A. If the Cooperative receives excess electric energy from a Member under this Policy, then it shall not be deemed to violate the all-requirements provisions of the Wholesale Power Contract, if all of the following occur:

- There is full compliance with the requirements and limitations set forth in this Policy;

- The Cooperative installs and maintains metering equipment capable of measuring the flow of electric energy both into and out of the Member's single, specified service metering point and recording the flow of energy in both directions;

- The Cooperative provides aggregate meter data and other required information to PPI;

- The Cooperative calculates and pays the Small DG Incentive to the Member in the form of a bill credit.

B. The Small DG Incentive provided under this Policy is available until December 31, 2030, unless terminated earlier or unless terminated by PPI. On or before December 31, 2029, PPI shall revisit PPI Policy #510 to decide whether to extend it, modify it, or allow it to expire.

## XI. Revision of Policy

This Policy and its terms and conditions may be adjusted or changed at the discretion of PPI and and Shelby Electric Cooperative.

***Adopted: February 22, 2022***
***Amended: August 23, 2022***
***Amended: October 25, 2022***
***Amended: April 25, 2023 (effective June 1, 2023)***
***Amended: January 23, 2025***
***Amended: January 21, 2026***
***Amended: July 1, 2026***

**Appendix A**
**PPI's Rates**

| Scheduled Start Date | Scheduled End Date | Energy Charge Rate ($/kWh) | Capacity Charge Rate ($/kWh) | Losses Charge Rate ($/kWh) | Excess Electricity Value ($/kWh) |
|---|---|---|---|---|---|
| 01/01/2026 | 12/31/2026 | $.03594 | $0.00073 | $.0023 | $0.03897 |
| 01/01/2027 | 12/31/2027 | TBD | TBD | TBD | TBD |