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GENERAL INFORMATION

40. VALUE OF DISTRIBUTION ENERGY RESOURCES (VDER)

The VDER Phase One tariffs are comprised of two components: Phase One net energy metering (NEM) and the Value Stack tariff.

40.1 Phase One NEM

40.1.1 New mass market on-site projects (as defined in Rule 36.1.9) with eligible generating equipment under PSL Section 66-j interconnected before January 1, 2020~~, or a Commission order directing modifications,~~ will be compensated under Phase One NEM. Newly Eligible Technologies, as defined in Rule No. 29, will not be eligible for compensation under Rule 40.1 – Phase One NEM.

40.1.1.1 Projects eligible under Rule 40.1.1 placed in service after January 1, 2020 will receive compensation under Rule 40.1 until such time as a new compensation methodology for these types of projects is directed by Commission order. Projects eligible under Rule 40.1.1 placed in service on or after such Commission order's effective date will begin to receive compensation under the new methodology and cease to be compensated under Rule 40.1.

40.1.2 New mass market on-site projects (defined as those Customer-Generators served under a residential or small commercial service class that are not billed for demand) with eligible generating equipment under PSL Section 66-l that are not used to offset consumption at any other site and are interconnected after the 0.3% cap (as defined in Rule 37.3) is reached and before January 1, 2020~~, or a Commission order directing modifications,~~ will be compensated under Phase One NEM.

40.1.2.1 Projects eligible under Rule 40.1.2 placed in service after January 1, 2020 will receive compensation under Rule 40.1 until such time as a new compensation methodology for these types of projects is directed by Commission order. Projects eligible under Rule 40.1.2 placed in service on or after such Commission order's effective date will begin to receive compensation under the new methodology and cease to be compensated under Rule 40.1.

40.1.3 Projects with eligible generating equipment under PSL Section 66-j that have not met the deadlines established in Rule 36.1.8 will be compensated under Phase One NEM.

40.1.3.1 Projects, excluding RNM and CDG projects, with a rated capacity of 750 kW AC or lower that are: i) at the same location and behind the same meter as the electric customer whose usage they are designed to off-set, and ii) have an estimated annual output less than or equal to 110% of the customer's historical annual usage in kWh, will be eligible for compensation under Phase One NEM, for a twenty (20) year term from the project's in-service date.

~~40.1.4 RNM projects (as defined in Rule 36.7), large on-site projects (defined as Customer-Generators served under a non-residential demand or mandatory hourly pricing (MHP) service~~

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~~classification), and CDG projects with eligible generating equipment under PSL Section 66-j for which, by July 17, 2017, 25% of the interconnection costs have been paid or a Standard Interconnection Contract has been executed if no such payment is required, will be compensated based on Phase One NEM subject to the following additional limitation:~~

~~40.1.4.1 CDG projects will be subject to market capacity limitations which the PSC has established as 100 MW for the Company.~~

~~40.1.5 RNM projects, large on-site projects, and CDG projects with eligible generating equipment under PSL Section 66-j that do not qualify for Phase One NEM will be compensated under the Value Stack tariff.~~

~~40.1.6 Phase One NEM is identical to net metering in Rule 36.1 except that projects eligible for Phase One NEM will be subject to a compensation term length of 20 years from the date of interconnection and will have the ability to carryover excess credits to subsequent billing periods and annual periods as follows:~~

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GENERAL INFORMATION

40. VALUE OF DISTRIBUTION ENERGY RESOURCES (VDER) (Continued)

40.1.3.1.2 Project eligible under Rule 40.1.3.1 where 25% of interconnection costs have been paid, or an SIR contract has been executed if no such payment is required, on or after January 1, 2020 will receive compensation under Rule 40.1 until such time as a new compensation methodology for these types of projects is directed by Commission order. Projects eligible under Rule 40.1.3.1 that become eligible on or after such Commission order's effective date will begin to receive compensation under the new methodology and cease to be compensated under Rule 40.1.

40.1.4 RNM projects (as defined in Rule 36.7), large on-site projects (defined as Customer-Generators served under a non-residential demand or mandatory hourly pricing (MHP) service classification), and CDG projects with eligible generating equipment under PSL Section 66-j for which, by July 17, 2017, 25% of the interconnection costs have been paid or a Standard Interconnection Contract has been executed if no such payment is required, will be compensated based on Phase One NEM subject to the following additional limitation:

40.1.4.1 -CDG projects will be subject to market capacity limitations which the ~~PSC~~Commission has established as 100 MW for the Company.

40.1.5 RNM projects, large on-site projects, and CDG projects with eligible generating equipment under PSL Section 66-j that do not qualify for Phase One NEM will be compensated under the Value Stack tariff.

40.1.6 Phase One NEM is identical to net metering in Rule 36.1 except that projects eligible for Phase One NEM will be subject to a compensation term length of 20 years from the date of interconnection and will have the ability to carryover excess credits to subsequent billing periods and annual periods as follows:

a. Excluding credits held by CDG project sponsors, unused credits may be carried over to the next monthly billing period, including to the next annual period.

b. At the end of a project's compensation term, any unused credits will be forfeited.

c. CDG project sponsors will be given a two-year grace period beyond the end of the annual period to distribute any credits retained by the CDG project sponsor at the end of the annual period.

d. If at any time during the grace period the CDG project sponsor has credits in its account throughout the grace period, then at the end of the grace period the CDG project sponsor will be required to forfeit a number of credits equal to the smallest number of credits that were in its account at any point during the grace period, since that represents the number of credits that were held over from the previous period.

e. CDG project sponsors will only be permitted to retain credits for distribution during the two-year grace period if those credits remain after the sponsor has distributed as many

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credits as practicable to members, such that each member's consumption in the final month of the annual period is fully offset by the credits provided.

~~40.1.7 Excluding mass market on-site projects, all other projects compensated under Phase One NEM must be equipped with interval meters in accordance with Rule No. 25 – Meter, capable of recording net hourly consumption and injection. The Customer-Generator will be responsible for the cost of such interval meters. For RNM and CDG projects, interval meters must be installed by the time of interconnection. For large on-site projects, where an insufficient meter may already be present, the required metering should be installed by a date mutually agreed upon by the customer and the Company.~~

~~40.1.8 Mass market customers served under Phase One NEM that opt in to the VDER Value Stack tariff, must have an interval meter installed before the VDER Value Stack compensation can be received. Such mass market customers will be responsible for the cost of such interval meters in accordance with Rule No. 25 - Meters.~~

~~40.1.9 Mass market on-site projects subject to Phase One NEM compensation will be permitted to pair on-site energy storage with the eligible generating equipment under PSL Sections 66-j and 66-l and remain eligible under Phase One NEM. However, customers that wish to pair energy storage with a RNM, large on-site, or CDG project will be required to receive compensation based on the VDER Value Stack tariff.~~

~~40.1.10 The compensation methodology should be determined at the time that a project pays 25% of its interconnection costs or at the time the Standard Interconnection Contract is executed if no such payment is required. However, projects electing compensation under Phase One NEM will be provided a one-time, irrevocable opt in to the VDER Value Stack tariff. Changes in project ownership, as well as subscription changes for CDG projects, are not a basis for seeking a change in a project's compensation methodology.~~

~~40.1.11 Once the compensation term under Phase One NEM ends, projects still in operation and interjecting energy onto the Company's electric system will be compensated under the tariff then in effect.~~

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GENERAL INFORMATION

40. VALUE OF DISTRIBUTION ENERGY RESOURCES (VDER) (Continued)

40.1.7 Excluding mass market on-site projects, all other projects compensated under Phase One NEM must be equipped with interval meters in accordance with Rule No. 25 – Meter, capable of recording net hourly consumption and injection. The Customer-Generator will be responsible for the cost of such interval meters. For RNM and CDG projects, interval meters must be installed by the time of interconnection. For large on-site projects, where an insufficient meter may already be present, the required metering should be installed by a date mutually agreed upon by the customer and the Company.

40.1.8 Mass market customers served under Phase One NEM that opt in to the VDER Value Stack tariff~~,~~ must have an interval meter installed before the VDER Value Stack compensation can be received. Such mass market customers will be responsible for the cost of such interval meters in accordance with Rule No. 25 - Meters.

40.1.9 Mass market on-site projects subject to Phase One NEM compensation will be permitted to pair on-site energy storage with the eligible generating equipment under PSL Sections 66-j and 66-l and remain eligible under Phase One NEM. However, customers that wish to pair energy storage with a RNM, large on-site, or CDG project will be required to receive compensation based on the VDER Value Stack tariff.

40.1.10 The compensation methodology should be determined at the time that a project pays 25% of its interconnection costs or at the time the Standard Interconnection Contract is executed if no such payment is required. However, projects electing compensation under Phase One NEM will be provided a one-time, irrevocable opt in to the VDER Value Stack tariff. Changes in project ownership, as well as subscription changes for CDG projects, are not a basis for seeking a change in a project's compensation methodology.

40.1.11 Once the compensation term under Phase One NEM ends, projects still in operation and interjecting energy onto the Company's electric system will be compensated under the tariff then in effect.

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GENERAL INFORMATION

40. VALUE OF DISTRIBUTED ENERGY RESOURCES (VDER)

~~40.2 VALUE STACK~~

40.2.1.2 A mass market customer (defined as a customer served under a residential or small commercial service class that is not billed for demand) that ~~has installed on-site generation that is not used to offset consumption at any other site, where the Facility is interconnected the later of January 2, 2020 or a Commission order directing modifications for such projects~~is not eligible for Phase One NEM as set forth in Rule 40.1;

40.2.1.3 A large on-site customer (non-residential, demand-billed customer) that installs on-site generation that is not used to offset consumption at any other site, for which the Eligibility Date is after July 17, 2017. The Eligibility Date is defined herein as the date at which 25% of the interconnection costs have been paid or a Standard Interconnection Contract has been executed if no such payment is required;

40.2.1.4 A project eligible for RNM, pursuant to Rules 36.7 and 37.10, for which the Eligibility Date is after July 17, 2017. The requirement that satellite accounts must be in the same load zone as the host account Customer-Generator specified in Rule 36.7.2 and 37.10.2 shall not apply to RNM projects compensated under this Rule 40.2;

40.2.1.5 A project eligible for CDG, pursuant to Rule 29, for which the Eligibility Date is after July 17, 2017. The requirement that CDG Hosts and associated CDG Satellites must be in the same load zone as specified in Rule 29.1.2 shall not apply to CDG projects compensated under this Rule 40.2;

40.2.1.6 A CDG, RNM, or large on-site customer as specified in Rule 40.2.1.1 with a Facility paired with energy storage (“Hybrid Facility”), subject to the additional requirements in Rule 40.2.3.2;

40.2.1.7 A CDG, RNM, or large on-site customer who has not met the requirements in Rule No. 40.1.3 to qualify for Phase One NEM; or

40.2.1.8 A customer with a Facility compensated pursuant to Rule No. 36 or 40.1 may opt to take service under this Rule. Such election shall be a one-time election and shall be irrevocable.