

## RENEWABLE ENERGY RIDER SERVICE AGREEMENT

This Renewable Energy Rider Service Agreement (the “Agreement”) is made this \_\_\_\_ day of \_\_\_\_\_, 2019, by and between Madison Gas and Electric Company, a Wisconsin corporation with offices located at 623 Railroad Street, Madison, Wisconsin 53703 (“MGE” or the “Company”) and the City of Madison with offices located at 210 Martin Luther King Jr. Blvd., Madison, WI 53703 (the “Customer”).

### RECITALS

- A. The Public Service Commission of Wisconsin (the “Commission”) approved MGE’s Renewable Energy Rider (Schedule RER-1) by Final Decision dated July 14, 2017 in Docket No. 3270-TE-102 (PSC REF # 327993).
- B. The Customer takes service from MGE under one or more of the Rate Schedules identified in Schedule RER-1, as may be amended from time to time by the Company and approved by the Commission.
- C. To take service under Schedule RER-1, the Customer is required to execute this Agreement with the Company.

### AGREEMENT

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, MGE and the Customer, on behalf of themselves, their heirs, successors and assigns, agree as follows:

- 1. Schedule RER-1. The terms and conditions of Schedule RER-1, as may be amended from time to time by the Company and approved by the Commission, are hereby incorporated into this Agreement; provided, however, that if approved amendments to Schedule RER-1 materially reduce the benefits or materially increase the burdens under this Agreement for the Company or Customer, (1) the Company and Customer (the “Parties”) shall negotiate in good faith to modify this Agreement so that the Parties achieve the generally same net benefits and burdens as if no amendment to Schedule RER-1 occurred and to submit the modified version of this Agreement to the Commission for review and approval; and (2) if the Parties do not reach an agreement to modify the Agreement within 90 days of the Commission-approved amendment to Schedule RER-1 or if the Commission does not approve such modification of the Agreement within 180 days of the Commission-approved amendment to Schedule RER-1, the Company or Customer may terminate this Agreement upon 30 days written notice to the other Party without any costs, damages or penalties to or from either Party.

2. Availability and Customer Accounts.

- a. Customer currently takes service from MGE under accounts listed in Exhibit A. Accounts offset by and subject to this Agreement are listed in Exhibit B. Customer shall be permitted to modify the accounts listed in Exhibits A and B, provided that it gives MGE 12 months' notice prior to adding or removing any account from Exhibits A or B, and shall provide updated exhibits to MGE.
- b. During the term of this Agreement, if the Customer modifies an account that is subject to this Agreement to a rate schedule that is not qualified to take service under Schedule RER-1, the account shall remain subject to this Agreement, however, the account's consumption shall be entirely excluded from any consideration set forth in Section 4 below until the account is again qualified to take service under Schedule RER-1.
- c. Customer agrees that for any and all Customer accounts subject to this Agreement, the existing billing cycle schedule and related reading and payment dates may be changed by MGE.

3. Dedicated Renewable Energy Facility Details.

- a. *Source.* The Hermsdorf Solar Project ("Project") is a photovoltaic ("PV") solar array located in Fitchburg, Wisconsin. The Project will use Hanwha Q Cells 72-cell modules or similar Tier 1 modules with 125 kW Sungrow inverters (or similar). The Project's fully-loaded capital cost is forecast to be approximately \$13,600,000.
- b. *Size in kW and projected kWh energy produced.* The Project is sized at 7,000 kW-AC (9,800 kW-DC) of capacity and is anticipated to generate 14,820,000 kWh in its first full year of production.
- c. *Contracted kW and projected kWh energy obligation.* Customer subscribes to a Dedicated Renewable Energy Facility ("DREF") comprised of 5,000 kW-AC (7,000 kW-DC) of capacity from the Project and is thereby obligated to purchase the associated pro-rata energy produced, calculated each 15-minute interval as

$$\frac{DREF\ kW - AC}{Project\ kW - AC} \times Project\ kWh\ Produced$$

Accordingly, Customer will purchase 71.4 percent of the energy produced each 15-minute interval by the 5,000 kW-AC Project (“DREF Energy Production”). The DREF Energy Production is the renewable energy supplied under this Agreement subject to the Renewable Resource Rates described in Section 4 and is estimated to be 10,585,000 kWh during the first full year of operation. \$9,715,000 of Project costs are attributable to the Customer’s respective participation.

- d. *Coincidence with customer’s energy usage.* During the first full year of operation, approximately 10,500,000 kWh is forecasted to be generated in coincidence with the Customer’s energy usage.
- e. *Project timeline.* Project approval and construction milestones are anticipated to be achieved as follows:
  - October 2019 – RER Service Agreement Approved by Customer
  - November 2019 – Limited Notice to Proceed Issued to EPC Contractor
  - May 2020 – RER Service Agreement Approved by PSCW
  - April 2021 – Start of Construction
  - October 2021 – Commercial Operation Achieved
- f. *Renewable Energy Credits.* Customer shall receive ownership of all Renewable Energy Certificates (“RECs”) associated with the DREF Energy Production. Notwithstanding how REC is defined below, the Company shall validate the Customer’s RECs using the same Commission-approved methodology required to comply with the Company’s renewable portfolio standard requirements. The Company will also make available to the Customer all DREF energy production data that is readily available to the Company so the Customer may perform additional REC validation. The Company may assist the Customer in the performance of additional validation efforts, but the Company will require reimbursement for any additional incurred costs. “REC” means a renewable energy credit or certificate under any state renewable portfolio, standard or federal renewable energy standard, voluntary renewable energy credit certified by a non-governmental organization, pollution allowance, carbon credit and any similar environmental allowance or credit and green tag or other reporting right under Section 1605(b) of The Energy Policy Act of 1992 or any present or future federal, state, or local law, regulation or bill, or international or foreign emissions trading program, in each case relating to the construction, ownership, use or production of energy from the Project.

4. Renewable Resource Rate.

- a. *General.* In addition to the renewable energy supplied under this Agreement, the Customer shall be responsible for all charges and rates specified in the Customer's other accounts. The renewable energy supplied under this Agreement shall replace an equal amount of energy for which the Customer would otherwise be billed under the Customer account(s) listed on Exhibit B, pursuant to the following terms:
- (1) The Customer energy that is replaced shall be done on a 15-minute interval basis. Renewable energy supplied within one 15-minute interval shall not be used to replace energy within a separate 15-minute interval for which the Customer would otherwise be billed.
  - (2) If the renewable energy supplied is not enough to replace all of the energy for which the Customer would otherwise be billed for the account(s) listed on Exhibit B within a 15-minute interval, the available renewable energy will be proportionally divided between the Customer's account(s) listed on Exhibit B.
  - (3) The matching portion of the renewable energy supplied to the Customer account(s) listed on Exhibit B shall be billed to each account at the rate of \$0.0630 per kWh. This rate will increase by 2.0% each year, and this annual increase shall occur each year after the first year on the first (1<sup>st</sup>) day of the month that renewable energy was first supplied from the DREF to the Customer for the term of this Agreement.

In addition to the replacement of the energy for which the Customer would otherwise be billed as described above, the following shall be included in the Customer's bill(s) under this Agreement:

- (4) The Customer shall be billed \$0.0630 per kWh for the portion of renewable energy supplied in excess of the total amount of energy used by the Customer account(s) listed in Exhibit B within a 15-minute interval. This rate shall increase by 2.0% each year, and this annual increase shall occur each year after the first year on the first (1<sup>st</sup>) day of the month that renewable energy was first supplied from the DREF to the Customer for the term of this Agreement. The Parties agree that this rate combined with the rate in Section 4.a.(3) reflects all of the costs associated with the DREF including any up-front contributions or administrative charges.

- (5) The Customer shall receive a credit per kWh (“Per kWh Credit”) for the portion of renewable energy supplied in excess of the total amount of energy used by the Customer account(s) listed in Exhibit B within a 15-minute interval. The Per kWh Credit rate will include all applicable non-capacity related rates listed under Parallel Generation Buyback Rates in the Miscellaneous Service Credits schedule. If the applicable non-capacity related rates listed under Parallel Generation Buyback Rates are discontinued, the Parties will work together in good faith to implement an alternative Per kWh Credit rate that is based on similar rate principles as the applicable non-capacity related rates listed under Parallel Generation Buyback Rates. The Per kWh Credit shall appear each month on the bill(s) from the Company to the Customer under this Agreement.
- (6) The Customer shall receive an on-peak capacity credit in accordance with the on-peak demand reduction attributed to the DREF (“On-peak Demand Reduction”). The On-peak Demand Reduction credit rate shall be determined according to the Midcontinent Independent System Operator (MISO) Cost of New Entry (CONE), at the time this Agreement is executed, for the relevant Local Resource Zone, which at present is Eastern WI and Upper MI (LRZ2). This credit rate of \$0.23882 per kW per day (the “On-Peak Demand Reduction Credit Rate”), derived from \$87,170 per MW-AC per year, shall not change for the duration of the Agreement. The on-peak capacity credit amount shall be determined based on the On-Peak Demand Reduction that occurs during each billing month, which is calculated in accordance with Sections 4.b to 4.d. The on-peak capacity credit amount that Customer shall receive each billing month shall equal the billing period’s On-Peak Demand Reduction times the On-Peak Demand Reduction Credit Rate times the number of days in the billing month.

All energy purchased under this Agreement is exempt from fuel cost surcharges and credits. Any energy that is not supplied by the DREF and, therefore, is not purchased by the Customer under this Agreement is subject to the terms and conditions of the applicable tariff, in which case the energy may not be exempt from fuel cost surcharges and credits.

b. *Pricing Period Definitions.*

The pricing periods are defined in the applicable rate schedules for the Customer’s account(s) listed in Exhibit B.

- c. *Determination of On-Peak Demand.* The maximum on-peak 15-minute demand shall be the greatest rate at which electrical energy has been used during any on-peak period of 15 consecutive minutes in the billing month.
- d. *Determination of On-Peak Demand Reduction.* The On-peak Demand Reduction as used in this Agreement is defined as the difference between the maximum monthly on-peak 15-minute demand of the aggregate usage of the Customer account(s) listed in Exhibit B and the maximum monthly on-peak 15-minute demand of the same aggregate usage reduced by the coincident production of the DREF.

Formulaically this is represented as the following:

$$\max_{OPD}[Usage_{Agg}] - \max_{OPD}[Usage_{Agg} - Generation_{Agg}]$$

Where

OPD  $\stackrel{\text{def}}{=}$  On-peak 15-minute demand

Agg  $\stackrel{\text{def}}{=}$  Aggregated by 15-minute intervals

- e. *Additional Rate Interactions.*
  - (1) Each account that is served on this Agreement that is also served on Schedule BWE-1 shall have the contracted kWh amount specified in Schedule BWE-1 calculated respective to the amount of energy that is not supplied by the DREF to the Customer under Section 4.a.(3).
  - (2) Each account that is served on this Agreement that is also served on Schedule Is-3 or Schedule Is-4 shall:
    - (i) Be subject to all the terms and conditions set forth in the Is-3 and Is-4 Schedules as well as any associated Is-3 or Is-4 contract. Specifically, the availability of energy from the DREF during an interruption or buy-through called by the Company will in no part waive the Customer's obligation to interrupt or buy-through with respect to energy that is not replaced by the DREF.
    - (ii) Not have that portion of the account's load designated as interruptible included in the Determination of On-Peak Demand Reduction as set forth in section 4.d above.
    - (iii) Have its energy replaced as set forth in section 4.a.(1) above during a buy-through called by the Company. Any energy

purchased that is not replaced by the DREF will be subject to all the terms and conditions of the buy-through or interruption.

- (3) Each account that is served on this Agreement that is also eligible for the Primary Discount Provision that is included in Schedules Cg-2 and Cg-6 shall receive the applicable per kWh credit on the energy provided by the DREF as set forth in section 4.a.(1) above.
5. Payment. The Company shall bill Customer on a monthly basis. Payment by the Customer is due no later than the due date shown on any bill received from the Company which shall be consistent with standard regulated billing practices. Any Company billing charges unpaid after the due date shall be subject to a late payment charge as described in the Company's electric service rules under Late Payment Charge.
6. Customer Credit Worthiness. The Customer has an exceptional credit worthiness as evidenced by its current debt rating of Aaa from Moody's Investor Service, Inc., on its long-term senior general obligation debt.
7. Term of Agreement; Early Termination. This is a 30-year agreement. Except as provided in Sections 1 and 9.e, there is no early termination option by either the Company or the Customer.
8. Waiver. The Customer waives all rights to any billing adjustments arising from a claim that the bill for the Customer's service under this Agreement would be cheaper on any alternative rate schedule for any period of time, including, but not limited to, any rights under Wis. Admin. Code § PSC 113.0406(4).
9. General Terms.
  - a. The individuals signing below on behalf of MGE and the Customer have full power and authority to execute this Agreement, and all necessary resolutions, if any, have been approved authorizing the execution of this Agreement.
  - b. This Agreement is binding on MGE, the Customer, and their heirs, successors and assigns.
  - c. Nothing in this Agreement shall be deemed to create any right or privilege in any person or entity not a party to this Agreement.

- d. This Agreement may only be amended by a written amendment instrument approved and executed by MGE and the Customer, which amendment is subject to approval by the Commission.
- e. If any part, term or provision of this Agreement is held to be illegal or otherwise unenforceable by the Commission or a court of competent jurisdiction, such illegality or unenforceability shall not affect the validity of any other part, term or provision of this Agreement, and the rights of the Parties will be construed as if the part, term or provision was never part of the Agreement; provided, however, that if such modification materially reduces the benefits or materially increases the burdens under this Agreement to the Company or Customer, (1) the Parties agree to negotiate in good faith to modify this Agreement so that the Parties achieve generally the same net benefits and burdens as if no part, term or provision was removed from the Agreement and to submit the modified version of this Agreement to the Commission for review and approval and (2) if the Parties do not reach an agreement to modify the Agreement within 90 days of any part, term or provision being held to be illegal or otherwise unenforceable or if the Commission does not approve such modification of the Agreement within 180 days of any part, term or provision of the Agreement being held to be illegal or otherwise unenforceable, the Company or Customer may at its sole discretion terminate this Agreement upon 30 days' notice without any costs or penalties to or from either party.
- f. This written agreement shall constitute the entire agreement between MGE and the Customer on the subject hereof.
- g. This Agreement shall be governed by, and enforced in accordance with, the laws of the State of Wisconsin, without regard to the choice of law principles. Any claim arising under this Agreement shall be brought before the Commission.
- h. This Agreement shall be construed without regard to the identity of the party who drafted the various provisions of this Agreement. Moreover, each and every provision of this Agreement shall be construed as though all Parties to this Agreement participated equally in the drafting of this Agreement. As a result of the foregoing, any rule of construction that a document is to be construed against the drafting party shall not be applicable to this Agreement.
- i. This Agreement may be executed in one or more counterparts and upon execution and delivery by each of the Parties hereto shall constitute one and the same enforceable agreement.



- j. Customer shall not assign this Agreement without the express written consent of MGE, which consent shall not be unreasonably withheld, conditioned or delayed. MGE shall not assign this Agreement without the express written consent of Customer, which consent shall not be unreasonably withheld, conditioned or delayed.
- k. Whenever notice may be required to be given under this Agreement, it shall be deemed to have been validly given if delivered by hand; certified or registered U.S. Mail, return receipt requested; email; confirmed facsimile transmission; or Federal Express or other internationally recognized overnight carrier. Notices are effective when received by the intended party. Notice addresses are as provided on page 1 herein and shall be sent to the authorized representative who executes this Agreement, unless a party provides written notice consistent with this Section 9.k that modifies the address to which the notice is to be sent and/or the authorized representative that is to receive notices.
- l. This Agreement is subject to review and approval by the Commission, shall not become effective until such approval is issued, and shall be subject to conditions of approval, if any, identified by the Commission in its approval order. Notwithstanding the preceding sentence, if any conditions of approval identified by the Commission in its approval order materially change the terms and conditions of this Agreement, MGE or Customer may terminate this Agreement within thirty (30) days of the issuance of the Commission order upon written notice to the other party.

IN WITNESS WHEREOF, the Parties have executed this instrument as of the date set forth above.

MADISON GAS AND ELECTRIC COMPANY

By: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Date: \_\_\_\_\_

CITY OF MADISON

\_\_\_\_\_  
Satya Rhodes-Conway, Mayor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Maribeth Witzel-Behl, City Clerk

\_\_\_\_\_  
Date

Countersigned:

\_\_\_\_\_  
David P. Schmiedicke, Finance Director

\_\_\_\_\_  
Date

\_\_\_\_\_  
Eric Veum, Risk Manager

\_\_\_\_\_  
Date

Approved as to form:

\_\_\_\_\_  
Michael P. May, City Attorney

\_\_\_\_\_  
Date

Execution of this Agreement by the City was authorized by Resolution Enactment No. RES-\_\_\_\_ - \_\_\_\_\_, ID No. \_\_\_\_\_, adopted by the Common Council of the City of Madison on \_\_\_\_\_, 20\_\_\_\_.

Attachment: Addendum

Exhibit A – Customer Accounts with MGE

Exhibit B – Customer Accounts offset by and subject to this Agreement

## **Nondiscrimination Addendum**

Sec. 39.02(9)(b), Madison General Ordinances

The parties agree to add the following paragraph to the Renewable Energy Rider Service Agreement to which this addendum is attached:

“In the performance of the services under this agreement, Company agrees not to discriminate against any employee or applicant for employment because of race, religion, marital status, age, color, sex, handicap, national origin or ancestry, income level or source of income, arrest record or conviction record, less than honorable discharge, physical appearance, sexual orientation, gender identity, political beliefs or student status. Company further agrees not to discriminate against any subcontractor or person who offers to subcontract on this agreement because of race, religion, color, age, disability, sex, sexual orientation, gender identity, or national origin.”