

# INTERCONNECTION AND PARALLEL OPERATING AGREEMENT

## FOR LEVEL 1, 2, AND 3 PROJECTS

This Interconnection and Parallel Operating Agreement ("Agreement") is entered into on \_\_\_\_\_ by \_\_\_\_\_ (the "Utility") \_\_\_\_\_ (the "Applicant"), and (if applicable under Paragraph 5) \_\_\_\_\_ (the "Property Owner"). Utility and Applicant are sometimes also referred to in this Agreement collectively as "Parties" or individually as "Party."

Applicant shall be the "Interconnection Customer" as used in and for purposes of the applicable Michigan Electric Utility Interconnection and Distributed Generation Standards ("Interconnection Procedures") approved by the Michigan Public Service Commission ("Commission").

This Agreement shall be used for all interconnection Level 1, 2 and 3 requests as defined in Michigan Rule 460.901b.

### I. RECITALS

- A. Applicant is an electric service customer of Utility in good standing and has submitted a Generator Interconnection Application ("Application") to Utility under Michigan Rule 460.936.
- B. An Applicant who desires to interconnect an inverter-based electrical generation system that has met acceptable safety and reliability standards by a nationally recognized testing laboratory in conformance with IEEE 1547.1-2020 and the UL 1741 September 28, 2021 edition except that prior to January 1, 2023, inverter-based systems which conform to the UL 1741SA September 7, 2016 edition are considered hereafter "Certified" and all other systems will not be considered Certified.
- C. Applicant desires to interconnect a Certified electric generating facility with a maximum capacity of 550 kW kilowatts associated with the alternating current output of a DER at unity power factor ("kWac") or less (the "Applicant Facility") with Utility's electric distribution system and operate Applicant Facility in parallel with Utility's distribution system, under the Utility's Interconnection Procedures for Level 1, 2, or 3 projects, as defined in the Interconnection And Distributed Generation Standards approved by the Commission (the "Standards"), as applicable.
- D. Applicant desires to interconnect a non-Certified electric generating facility with a maximum capacity of 150 kWac or less (the "Applicant Facility") with Utility's electric distribution system and operate Applicant Facility in parallel with Utility's distribution system, under the

Utility's Interconnection Procedures for Level 1, 2, or 3 projects, as defined in the Interconnection And Distributed Generation Standards (the "Standards"), as applicable.

- E. For purposes of this Agreement, , pursuant to MI Rule 460.901, "Interconnection" means the process undertaken by an electric utility to construct the electrical facilities necessary to connect a DER with a distribution system so that parallel operation can occur. (in this case, the "Applicant Facility") and Utility's distribution system. "Operate in parallel" means the operation, for longer than 100 milliseconds, of a DER while connected to the energized distribution system (in this case, the Applicant Facility) that is connected to Utility's system. In all cases, terms shall have the meaning as defined in the Standards.
  
- F. Interconnection of the Applicant Facility with Utility's distribution system is subject to this Agreement, the Application, the Interconnection Procedures, the Standards and utility tariffs approved by the MPSC, as applicable. Pursuant to Michigan Rule 460.964 (3) the Applicant shall sign and return the interconnection agreement with payment, if applicable, within 20 business days of receiving the agreement. If the Applicant does not sign and return the interconnection agreement and payment, if applicable, within 20 business days, the Utility shall notify the Applicant of the missed deadline and grant an extension of 15 business days. If the Utility does not receive the signed Agreement and any applicable payment during the 15-business-day extension, the Utility may consider the interconnection application withdrawn subject to Michigan Rule 460.964, subrule 3(b).
  
- G. This Agreement does not address any purchase or sale of electricity between Utility and Applicant nor does it create any agency, partnership, joint venture or other business arrangement between or among Utility, Applicant and/or Property Owner.

## II. AGREEMENT

NOW THEREFORE, in consideration of the above recitals, the mutual covenants contained herein and for good and valuable consideration, the Parties agree as follows:

### **I. Description of Applicant Facility**

- 1.1 The Applicant Facility must be built with the following ratings, which shall not be changed without thirty (30) days advance written notice to Utility according to the notice requirements herein and as depicted in Exhibit 1 - Interconnection Diagram:

Photovoltaic/Solar ("PV") Array Rating: \_\_\_\_\_ (AC) kWac

Photovoltaic/Solar ("PV") Array Rating: \_\_\_\_\_ (DC) kW

Wind Turbine (WT) Rating: \_\_\_\_\_ kWac

Hydroelectric Turbine (HT) Rating: \_\_\_\_\_ kWac

Fuel Cell (FC) Rating: \_\_\_\_\_ kWac

Other (specify type and rating): \_\_\_\_\_ kWac

Inverter Rating \_\_\_\_\_ kWac

Service Type (circle one): Single Phase / Three Phase

Voltage Level: \_\_\_\_\_

Equipment Specifications: Make: \_\_\_\_\_ & Model: \_\_\_\_\_

1.2 Applicant Facility Location:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Street Address, City, State, ZIP)

If Applicant is not the owner of the property identified above, the Property Owner must sign this Agreement for the purposes indicated in Paragraph 5.

1.3 Applicant's Utility service account number: \_\_\_\_\_

Property Owner's Utility service account number (if applicable): \_\_\_\_\_

1.4 The Applicant Facility is planned to be ready for parallel operation on or about: \_\_\_\_\_

\_\_\_\_\_

**2. Interconnection Facilities**

2-1 If it is necessary for Utility to install certain interconnection facilities ("Interconnection Facilities") and make certain system modifications in order to establish an interconnection between the Applicant Facility and Utility's distribution system, the Interconnection Facilities and modifications shall be described to the Applicant in writing.

2-2-Pursuant to MI Rule 460.964(2), for Level 1, 2, or 3 interconnection applications, where construction of interconnection facilities or distribution upgrades is required, the parties will execute a Construction Agreement setting forth any special operating conditions, required construction activities, construction milestone timing, and cost to an applicant within 5 business days of reaching this stage. to the Applicant. The Applicant and the Utility shall mutually agree on the timing of construction milestones.

### **3. Design Requirements, Testing and Maintenance of Applicant Facility**

- 3.1 Applicant shall be responsible for the design and installation of the Applicant Facility and obtaining and maintaining any required governmental authorizations and/or permits, which may include, but shall not be limited to, easements to clear trees, and necessary rights-of-way for installation and maintenance of the Utility Interconnection Facilities.
- 3.2 Applicant shall, at its sole expense, install and properly maintain protective relay equipment and devices to protect its equipment and service, and the equipment and system of Utility, from damage, injury or interruptions, and will assume any loss, liability or damage to the Applicant Facility caused by lack of or failure of such protection. Such protective equipment specifications and design shall be consistent with the applicable Interconnection Procedures. Prior to the Applicant Facility operating in parallel with Utility distribution system, Applicant shall provide satisfactory evidence to Utility that it has met the Interconnection Procedures, including but not limited to the receipt of approval from the local building/electrical code inspector. The Utility's approval, or failure to approve, under this section shall in no way act as a waiver or otherwise relieve the Applicant of its obligations under this section.
- 3.3 Pursuant to Michigan Rule 460.966, the Applicant shall notify the Utility when installation of a DER and any required local code inspection and approval is complete. The Utility shall review the Applicant's inspection, test reports, or configuration documents, and communicate its intent to perform a witness or commissioning test, or waive its right to perform a witness test and commissioning test within 10 business days.
- 3.4 If the Utility intends to witness or perform commissioning tests required to comply with the interconnection agreement or the interconnection

procedures and inspect the DER, the Utility shall witness or perform the commissioning tests and inspect the DER within either of the following: the

(a) Ten business days of receiving the notification from the Applicant pursuant to Michigan Rule 460.966 (2), for level 1 applications.

(b) Twenty business days of receiving the notification from the Applicant pursuant to Michigan Rule 460.966 (2) for level 2 and level 3 applications.

3.5 The Utility may waive its right to visit the site and inspect the DER or perform the commissioning tests.

(a) If the Utility waives this right, it shall provide a written waiver to the Applicant within 10 business days from receiving the notification from the applicant pursuant to Michigan Rule 460.966 (2).

(b) The Applicant shall provide the Utility with the completed commissioning test report within 20 business days of receipt of the Utility's written waiver.

3.6 If the Utility attempts to conduct the inspection and testing pursuant to Michigan Rule 460.966 (4) at the arranged time and is unable to access the DER or complete the testing, the DER must remain disconnected until the Applicant and the Utility can complete the inspection and testing.

3.7 If the Utility witnessed or performed commissioning tests and inspected the DER within 5 business days of the receipt of the completed commissioning test report, the electric utility shall notify the Applicant whether it has accepted or rejected the commissioning test report and found the site to be satisfactory or unsatisfactory.

If the commissioning test report is accepted and the site was found satisfactory, the Utility shall provide the notification of acceptance in writing, and the interconnection application proceeds to MI Rule 460.968.

If the Utility rejects the commissioning test report or did not find the site satisfactory, the Utility shall provide its reasons for doing so in writing and the Applicant has not less than 20 business days to implement corrections. The Applicant, after taking corrective action, shall request the Utility to reconsider its findings. The Applicant may be billed the actual cost of any re-inspections.

3.8 If the Utility waives its right to witness or perform commissioning tests and inspect the DER, within 5 business days of the receipt of the completed commissioning test report, the Utility shall notify the Applicant whether it has accepted or rejected the commissioning test report.

If the commissioning test report provided by the Applicant is accepted, the Utility shall provide notification of acceptance, and the interconnection application proceeds to Michigan Rule 460.968.

( If the Utility rejects the commissioning test report, the Utility shall provide its reasons for doing so in writing and the Applicant has not less than 20 business days to implement corrections. The Applicant, after taking corrective action, may then request the electric utility to reconsider its findings

3.9 Applicant shall operate and maintain the Applicant Facility in a safe and prudent manner and in conformance with all applicable laws and regulations. Applicant shall obtain or maintain any governmental authorizations and permits required for construction and operation of the Applicant Facility.

#### **4. Disconnection**

4.1 Pursuant to Michigan Rule 460.978 (Rule 78), The Utility may refuse to connect or may disconnect a project from the distribution system if any of the following conditions apply:

- (a) Failure of the interconnection customer to bring a DER into compliance pursuant to Michigan Rule 460.976(1).
- (b) Failure of the interconnection customer to pay costs of remedy pursuant to Michigan Rule 460.976(2).
- (c) Termination of interconnection by mutual agreement.
- (d) Distribution system emergency, but only for the time necessary to resolve the emergency.
- (e) Routine maintenance, repairs, and modifications performed in a reasonable time and with prior notice to the interconnection customer.
- (f) Noncompliance with technical or contractual requirements in the interconnection agreement that could lead to degradation of distribution system reliability, electric utility equipment, and electric customers' equipment.
- (g) Noncompliance with technical or contractual requirements in the interconnection agreement that presents a safety hazard.
- (h) Other material noncompliance with the interconnection agreement.
- (i) Operating in parallel without prior written authorization from the electric utility as provided for in Michigan Rule 460.968.

4.2 An Utility may disconnect electric service, where applicable, pursuant to Michigan Rule 460.136.

## **5. Access to Property**

- 5.1 At its own expense, Applicant shall make the Applicant Facility site available to Utility. The site shall be free from hazards and shall be adequate for the operation and construction of the Interconnection Facilities. Utility, its agents and employees, shall have full right and authority of ingress and egress at all reasonable times on and across the property at which the Applicant Facility is located, for the purpose of installing, operating, maintaining, inspecting, replacing, repairing, and removing the Interconnection Facilities. The right of ingress and egress shall not unreasonably interfere with Applicant's or (if different) Property Owner's use of the property and does not include the right to enter applicant's residence or other enclosed structure on the property where the Applicant Facility is located, except on reasonable notice where the Interconnection Facilities are located within the residence or other enclosed structure.
- 5.2 Utility may enter the property on which the Applicant Facility is located to inspect, at reasonable hours, Applicant's protective devices and read or test meters. Utility will use reasonable efforts to provide Applicant or Property Owner, if applicable, at least 24 hours' notice prior to entering said property, in order to afford Applicant or Property Owner the opportunity to remove any locks or other encumbrances to entry; *provided, however*, that Utility may enter the property without notice (removing, at Applicant's expense, any lock or other encumbrance to entry) and disconnect the Interconnection Facilities if Utility believes that disconnection is necessary to address a hazardous condition and/or to protect persons, Utility's facilities, or the property of others from damage or interference caused by Applicant Facility.
- 5.3 By executing this Agreement, Applicant and Property Owner consent to and agree to provide access to its property, including all rights of ingress and egress, on which the Applicant Facility is located to Utility as described in this section, but does not assume or guarantee other performance obligations of the Applicant under this Agreement.

## **6. Liability**

- 6.1 As between the Parties, unless caused by the sole negligence or intentional wrongdoing of the other Party, each Party to this Agreement shall at all times assume all liability for, any and all damages, losses, claims, demands, suits, recoveries, costs, legal fees, and expenses to the extent caused by its directors, officers, employees, and agents: (a) for injury to or death of any person or persons

whomsoever occurring on its own system, and/or (b) for any loss, destruction of or damage to any property of third persons, firms, corporations or other entities occurring on its own system, including environmental harm or damage arising out of or resulting from, either directly or indirectly, the Interconnection Facilities or the Applicant Facilities, or arising out of or resulting from, either directly or indirectly, any electric energy furnished to it hereunder after such energy has been delivered to it by such other Party.

- 6.2 The provisions of this Section 6 shall not be construed to relieve any insurer of its obligations to pay any insurance claims in accordance with the provisions of any valid insurance policy.
- 6.3 Notwithstanding anything in this Section, or any other provision of this Agreement to the contrary, any liability of a Party to the other Party shall be limited to direct actual damages, and all other damages at law or inequity are hereby waived. Under no circumstances shall a Party be liable to the other Party, whether in tort, contract or other basis in law or equity for any special, indirect, punitive, exemplary or consequential damages, including lost profits.
- 6.4 The obligations and limits on liability in this Section 6 shall continue in full force and effect notwithstanding the expiration or termination of this Agreement, with respect to any event or condition giving rise to an obligation that occurred prior to such expiration or termination.
- 6.5 Nothing in this Section 6 waives or limits, or shall be construed to waive or limit, the governmental immunity of a Party.
- 6.6 Nothing in this Section 6 shall imply, or be construed to imply indemnification of any Party by the State of Michigan, its department, and agencies, or by other governmental customers that are restricted from entering into indemnification provisions by law.

## **7. Subcontractors**

Either Party may contract with a subcontractor to perform its obligations under this Agreement and shall incorporate the obligations of this Agreement into its respective subcontracts, agreements and purchase orders. Each Party shall remain liable to the other Party for the performance of such subcontractor under this Agreement subject to the provisions of Section 6.



## **8. Force Majeure**

As set forth in MI Rule 460.901a(ee), Force majeure event means an act of God; labor disturbance; act of the public enemy; war; insurrection; riot; fire, storm, or flood; explosion, breakage, or accident to machinery or equipment; an emergency order, regulation or restriction imposed by governmental, military, or lawfully established civilian authorities; or another cause beyond a party's control. A force majeure event does not include an act of negligence or intentional wrongdoing.

## **9. Breach and Default**

A breach of this Agreement ("Breach") shall occur upon the failure of a Party to perform or observe any material term or condition of this Agreement. Upon a Breach by one Party, the non-breaching Party shall give written notice of such Breach to the breaching Party. The Party in Breach shall have thirty (30) days from the date of the written notice to cure the Breach. If a Breach is not cured within the thirty (30) day period provided for herein, the party in Breach shall be deemed in default ("Default"). If the Breach is not cured within 30 business days, the Utility, at its sole discretion, may apply a remedy and bill the Applicant. The Applicant shall pay this bill within 5 business days. The non-defaulting Party shall then have the right to terminate this Agreement by written notice, shall be relieved of any further obligations hereunder, and may pursue any and all remedies available to it at law or in equity.

## **10. Retirement**

Upon termination or cancellation of this Agreement or at such time after any of the Interconnection Facilities described herein are no longer required, the Parties shall mutually agree upon the retirement of the Interconnection Facilities, which may include without limitation (i) dismantling, demolition, and removal of equipment, facilities, and structures, (ii) security, (iii) maintenance and (iv) disposing of debris. The cost of such removal shall be borne by the Utility.

## **11. Governing Law**

This Agreement shall be interpreted, governed, and construed under the laws of Michigan.

## **12. Amendment, Modification or Waiver**

Any amendments or modifications to this Agreement shall be in writing and agreed to by both Parties. The failure of any Party at any time to require performance of any provision hereof shall in no manner affect its right at a later time to enforce the same. No waiver by any Party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, shall be deemed to be construed as a further or continuing waiver of any such breach or a waiver of the breach of any other term or covenant unless such waiver is in writing.

**13. Insurance**

Pursuant to MI Rule 460.986, An Applicant interconnecting a level 1 or 2 project to the distribution system of the Utility is not required by the Utility to obtain any additional liability insurance.

For a level 3 project, the Applicant shall obtain and maintain general liability insurance of a minimum of \$1,000,000.

Evidence of insurance coverage on a certificate of insurance shall be provided to the Utility upon execution of this Agreement and thereafter within ten (10) days after expiration of coverage; however, if evidence of insurance is not received by the 11th day, the Utility has the right, but not the duty, to purchase the insurance coverage required under this Section and to charge the annual premium to Project Developer. The Utility shall receive thirty (30) days advance written notice if the policy is cancelled or substantial changes are made that affect the additional insured. At the Utility's request, Project Developer shall provide a copy of the policy to the Utility.

**13. Notices**

Any notice required under this Agreement shall be in writing and mailed or personally delivered to the Party at the address below. Written notice is effective within 3 days of depositing the notice in the United States mail, first class postage prepaid. Personal notice is effective upon delivery. Written notice of any address changes shall be provided. All written notices shall refer to the Applicant's Utility account number, as provided in Section 1 of this Agreement. All written notices shall be directed as follows:

Notice to Utility:

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Notice to Applicant:

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Notice to Property Owner (if different than Applicant):

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**14. Term of Agreement and Termination**

This Agreement shall become effective upon execution by all Parties and, if applicable, the Property Owner, and it shall continue in full force and effect until terminated upon thirty (30) days' prior notice by the Applicant, upon Default of either Party as set forth in Section 9, or upon mutual agreement of the Parties. The Utility may terminate the agreement on reasonable notice for reasons consistent with existing law, regulations and tariffs.

**15. Entire Agreement**

This Agreement supersedes all prior discussions and agreements between the Parties with respect to the subject matter hereof and constitutes the entire agreement between the Parties hereto.

**16. No Third Party Beneficiary**

The terms and provisions of this Agreement are intended solely for the benefit of each Party, and it is not the intention of the Parties to confer third-party beneficiary rights upon any other person or entity.

### **17. Assignment and Binding Effect**

This Agreement shall not be assigned by a Party without the prior written consent of the other Party, which shall not be unreasonably withheld. Any attempt to assign this Agreement without consent will be void. Subject to the preceding, this Agreement is binding upon, inures to the benefit of, and is enforceable by the Parties and their respective successors and assigns. Applicant agrees to notify Utility in writing upon the sale or transfer of the Applicant Facility. This Agreement shall terminate upon such notice unless Utility consents to an assignment in writing.

### **18. Severability**

If any provision of this Agreement is determined to be partially or wholly invalid, \_ illegal, or unenforceable, then such provision shall be deemed to be modified or restricted to the extent necessary to make such provision valid, binding, and enforceable; or, if such provision cannot be modified or restricted in a manner so as to make such provision valid, binding or enforceable, then such provision shall be deemed to be excised from this Agreement and the validity, binding effect, and enforceability of the remaining provisions of this Agreement shall not be affected or impaired in any manner.

### **19. Signatures**

The Parties to this Agreement hereby agree to have two originals of this Agreement executed by their duly authorized representatives (three originals are necessary if the Property Owner signs this Agreement). This Agreement is effective as of the later (or latest) of the dates set forth below.

**20. Counterparts and Electronic Documents**

This Agreement may be executed and delivered in counterparts, including by a facsimile or an electronic transmission thereof, each of which shall be deemed an original. Any document generated by the parties with respect to this Agreement, including this Agreement, may be imaged and stored electronically and introduced as evidence in any proceeding as if original business records. Neither party will object to the admissibility of such images as evidence in any proceeding on account of having been stored electronically.

UTILITY

By:\_\_\_\_

(Duly Authorized Signature)

\_\_\_\_\_  
(Applicant)

By:\_\_\_\_

(Duly Authorized Signature)

\_\_\_\_\_  
(Print or Type Name)

Title:\_\_\_\_

Date:\_\_\_\_

\_\_\_\_\_  
(Print or Type Name)

Title:\_\_\_\_ Date:\_\_\_\_\_

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(Property Owner, if applicable)

By: \_\_\_\_\_

(Duly Authorized Signature)

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(Print or Type Name)

Title: \_\_ Date: \_\_\_\_\_

**EXHIBIT 1**

**INTERCONNECTION DIAGRAM**

(Insert one of the eighteen One-Line Diagrams (PDF file) for the various size and type of generator that will be installed.)

**EXHIBIT 2  
CONSTRUCTION AGREEMENT  
LEVEL 1 – 3 DISTRIBUTED ENERGY RESOURCES**

[APPLICANT NAME]  
[APPLICANT STREET ADDRESS]  
[APPLICANT CITY AND STATE]

Dear [APPLICANT]:

[UTILITY NAME] completed the distribution study to determine if upgrades are required to our distribution system to accommodate your proposed generating facility and found that system upgrades are required.

The total estimated cost of these upgrades is \$XXXXXX (the “Estimate”) The system upgrades will require the following activities to be completed by the [UTILITY NAME] or its agents:

	<b>Construction Activity</b>	<b>Estimated Completion Date</b>	<b>Estimated Cost of Activity</b>
Milestone #1			
Milestone #2			
Milestone #3			
Milestone #4			
Milestone #5			
Total Estimate Cost:			

You shall pay the actual cost of the interconnection facilities and distribution upgrades. Should the costs for these interconnection facilities and distribution upgrades exceed 110% of the Estimate an itemized summary and explanation of cost increases will be provided to you prior to being incurred and should the cost exceed 125% of the Estimate [UTILITY NAME] will contact you for consent prior to the costs being incurred.

[UTILITY NAME] shall provide you with a final accounting report of any difference between the actual costs charged to you and all payments to [UTILITY NAME] received from you for interconnection facilities or distribution upgrades.

If the final cost of construction exceed all of your previous payments, the [UTILITY NAME] shall bill you for the remaining amount due and this final payment will be due to [UTILITY NAME] within 20 business days of the final accounting report. Initial billing shall take place 30-60 days after project completion.



If the all of your payments for this project exceed the final cost of construction, [UTILITY NAME] shall refund to you the difference within 20 business days of the final accounting report

[UTILITY NAME] will schedule the work upon receipt of the sketch, signed letter and payment. Payment can be made by check, calling [UTILITY PHONE] or online at [UTILITY WEB ADDRESS] When the upgrades are complete, your equipment can be installed or interconnected, as applicable, within an agreeable time frame. You may then proceed with the interconnection process after signing and returning the INTERCONNECTION AND PARALLEL OPERATING AGREEMENT in the enclosed envelope

Once you notify [UTILITY NAME] the installation is complete, [UTILITY NAME] will conduct the commissioning test. Please contact me at [UTILITY REPRESENTATIVE] with questions or visit [UTILITY WEB ADDRESS] for more information on customer-owned generation.

Sincerely,

Enclosures

Accepted: \_\_\_\_\_ Date: \_\_\_\_\_

Print name: \_\_\_\_\_