
STANDARD CONTRACT RIDER NO. 3 PARALLEL OPERATION AND STANDBY SERVICE AND STATION POWER STANDBY SERVICE

There are two categories of standby service provided under this rider, "STANDBY SERVICE" AND "STATION POWER STANDBY SERVICE". STANDBY SERVICE applies to customers with generation facilities that are located within the Company's retail service territory and directly interconnected with the Company. STATION POWER STANDBY SERVICE applies to customers with generation facilities that are located within the Company's retail service territory and that are directly interconnected to ITC Transmission.

STANDBY SERVICE

STANDBY SERVICE: Available to customers with generation facilities that are located within the Company's retail service territory and directly interconnected with the Company. Customers who desire the Company to serve the power supply requirements of load that *is* normally served by the customer's generator or prime mover must take standby service under the provisions of this rider unless otherwise exempted by order of the Michigan Public Service Commission or by the provisions set forth below and must take supplemental service on one of the applicable filed rates listed below.

Customers purchasing their entire energy requirements from the Company with generators or prime movers installed for use only in emergency will not be considered as taking standby service.

Customers with generators or prime movers installed solely for use to provide a load for testing equipment such as regenerative dynamometers may elect not to purchase standby energy service for that equipment under this rider, must meet the applicable parallel operation requirement, must purchase power that would, absent this provision, be considered standby on another rate schedule and must take standby for any additional generating equipment normally site load.

APPLICABLE TO:	General Service Rate	Schedule Designation D3
	Secondary Educational Institution Rate	Schedule Designation D3.2
	Interruptible General Service Rate	Schedule Designation D3.3
	Large General Service Rate	Schedule Designation D4
	Primary Educational Institution Rate	Schedule Designation D6.2
	Interruptible Supply Rate	Schedule Designation D8
	<i>Primary Supply Rate</i>	<i>Schedule Designation D11</i>

PARALLEL OPERATION: The customer must meet the interconnection requirements of the Company specified in "The Michigan Electric Utility Generator Interconnection Requirements" as approved by the Commission, and must enter into an Interconnection and Operating Agreement with the Company before parallel operation will be permitted. Operating in parallel with the Company's system without written approval by the Company of the interconnection and any subsequent changes to the interconnection will make the customer subject to disconnection.

INDEMNIFICATION AND INSURANCE: Except for the acts or omissions of the Company's employees or agents which occur on the Customer's side of the point of interconnection the customer shall indemnify, defend and hold the Company and its officers, agents and employees harmless from any liabilities, claims, losses,

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STANDARD CONTRACT RIDER NO. 3 (Contd.) PARALLEL OPERATION AND STANDBY SERVICE AND STATION POWER STANDBY SERVICE

demands, costs, damages or damage which (i) occur on the Customer's side of the point of interconnection resulting from the installation, maintenance, possession or operation of the Facility, or (ii) occur on the Company's side of the point of interconnection up to the first point of the Company's General Facility Protection if at the time of the injury or damage, the Company is not providing electric energy to the customer and the injury or damage was caused by the customer's intentional defeat of the protective relays.

The Company shall indemnify, defend and hold the Customer and its officers, agents and employees harmless from any liabilities, claims, losses, demands, costs, damages or judgments, including reasonable attorneys' fees, arising out of all personal injuries or property damages which occur on the Company's side of the point of interconnection resulting from the installation, maintenance, possession or operation of the Company's General

Facilities; (i) except for the acts or omissions of the Customer's employees or agents which occur on the Company's side of the point of interconnection; and (ii) except for those injuries or damages for which the Customer is to indemnify the Company pursuant to the preceding paragraph.

The Customer taking service under this rider shall maintain and furnish current evidence of comprehensive general liability insurance in the amount of \$2,500,000 per occurrence. This insurance can be a combination of primary and excess insurance. The Company shall be named as an additional insured under the customer's policy. The customer need not provide insurance if it can demonstrate that its Tangible Net Worth as defined by GAAP is \$8,000,000 or more and provides an affidavit to that effect signed by an authorized agent of the Company. If the customer fails to provide insurance or does not meet the requirements of the preceding sentence for waiver of insurance, then the Company will purchase insurance in the amount of \$2,500,000 to protect the Company (but not the customer). The cost of such insurance will be paid by the customer. The customer's insurance, its waiver, or insurance purchased by the Company shall not limit the Customer's indemnity obligations. Parallel operation will not be permitted (or will be terminated) if the Customer fails to provide insurance, meet the waiver requirements or pay the cost of insurance obtained by the Company.

METERING REQUIREMENTS: All customers taking service under this rider must install the necessary equipment to permit metering. The Company will supply the metering equipment. The output of customer generation or, if appropriate, the load served by another source of power or the customer's prime mover, inflow from the Company and outflow to the Company if applicable will all be metered with demand-recording equipment by the Company.

STANDBY CONTRACT CAPACITY: Standby contract capacity in kW will be established for electric capacity sufficient to meet the customer's standby load. Unit sizes, number of units, site demands, operating characteristics and other factors impact the amount of electric capacity that is sufficient to meet the customer's standby load. Standby contract capacity will be established according to one of the following methods with the intent to use the method which best determines the electric capacity sufficient to meet the customer's standby load.

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(Continue from Sheet No. D-68.00)

**STANDARD CONTRACT RIDER NO. 3 (Contd.) PARALLEL OPERATION AND STANDBY SERVICE AND
STATION POWER STANDBY SERVICE**

(a) If the customer's generating units are electrically base loaded during peak hours the standby contract capacity for billing months that include periods from calendar months June through October will be set at the 1001st highest half-hourly kW output toward internal load during billing months that include periods from calendar months June through October over the latest 12-month period. The standby contract capacity for remaining billing months will be set at the 1001st highest half-hourly kW output during those months over the latest 12-month period. The standby contract capacity will be adjusted on an ongoing basis reflecting the current month and preceding eleven months.

“output toward internal load” means the simultaneous output of all units less excess generation flowing back through the interconnection to the Company's system.

(b) If the customer's generating units are operated with the intent to provide energy to the system and standby is only required for site load during outages the standby contract capacity will be set at the maximum half-hourly demand provided to the facility.

(c) For customers with units that do not operate in parallel with the system but have the ability to connect load normally served by unmetered on site generation to the system during generation outages, (throw over standby), the standby contract capacity will be set at the maximum metered half-hourly demand thrown over to the system and supplemental demand will be the metered inflow less the metered throw over load.

(d) For customers demonstrating unusual operating conditions, including but not limited to initial unit operation, unpredictable generation from renewable resource units or generation that follows thermal load and prolonged periods with no generation, standby contract capacity may be set by mutual agreement of the Company and the customer to levels sufficient to meet the customer's standby load.

STANDBY POWER: Standby energy is electric energy provided by the Company to serve the customer's total internal load which would have been provided by the customer's generation had it operated at its contract capacity. Standby demand is electric capacity provided by the Company to serve the customer's total internal load which would have been provided by the customer's generation had it operated at its contract capacity less any reduction the customer can accomplish by reducing the supplemental demand at the time of the daily on-peak standby demand below the maximum monthly on peak supplemental demand but not less than zero.

SUPPLEMENTAL POWER: Supplemental power is electric energy and capacity provided by the Company to serve the customer's total internal load which is in addition to that portion of the customer's total internal load equal to the standby contract capacity. For each point of service, total internal load equals the output toward internal load of the customer's generation plus the power supplied by the Company. Supplemental demand equals total internal load less standby contract capacity, but not less than zero. Supplemental high on-peak demand used to establish Power Supply Demand will be highest supplemental demand from the dates and times at which the daily on-peak standby demands are set. Supplemental power will be billed under the applicable rate schedule for supplemental service ("supplemental rate schedule").

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STANDARD CONTRACT RIDER NO. 3 (Contd.) PARALLEL OPERATION AND STANDBY SERVICE AND STATION POWER STANDBY SERVICE

RATES:

Power Supply Charges:

Monthly Generation Reservation Fee:

\$2.03 times the standby contract capacity in kW, per month.

Demand Charges:

A daily on-peak standby demand charge will be charged based on the determination of standby power coincident with the daily highest 30-minute integrated reading during on-peak hours of the demand meters which measure the total load served by the Company. Standby demand equals standby contract capacity minus the 30-minute output toward internal load of the customer's generator less any reduction the customer can accomplish by reducing the supplemental demand below the maximum monthly on peak supplemental demand, but not less than zero, and not greater than the total load served by the Company.

The daily on-peak backup demand charge is \$5.33 per kW per day during periods other than maintenance periods as defined below.

The daily on-peak backup demand charge is \$2.92 per kW per day during maintenance periods as defined below.

Energy Charge:

An energy charge for back-up and maintenance power will be charged based on standby contract capacity less the output toward internal load of the customer's generator, but not less than zero. For customers served on supplemental rate schedules D4, D8 and *D11*, the energy charge will be the *D11* on-peak power supply energy charge, 3.719¢ per kWh, plus appropriate power supply credits, including but not limited to off-peak credit, and voltage level credit. For customers served on supplemental rate schedules D3 and D3.3, the energy charge will be the applicable power supply energy charge specified in the customer's supplemental rate.

The energy as stated herein, is also subject to provisions of the PSCR clause and other Surcharges and Credits Applicable to Power Supply as approved by the Commission. See Section C8.5.

Waivers and limits for demand/energy rates:

For customers taking supplemental service at demand/energy rates schedules D4, D8 and *D11*, and customers switching from energy only rates to demand/energy/rates, the following applies.

If the total of daily demand charges for the month is less than the monthly generation reservation fee, then the daily demand charges will be waived for that month.

If the total of daily demand charges for the month is greater than the monthly generation reservation fee, then the generation reservation fee will be waived for that month.

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STANDARD CONTRACT RIDER NO. 3 (Contd.) PARALLEL OPERATION AND STANDBY SERVICE AND STATION POWER STANDBY SERVICE

If the total of daily demand charges for the month is greater than the Rider 3 Daily Demand Cap the customer will pay the Daily Demand Cap. For customers served on supplemental rates schedule D4, The Daily Demand Cap will be determined as the **DII** Power Supply Demand Charge times the maximum standby contract capacity utilized plus the Rider 3 Generation Reservation Charge times the difference between the total standby contract capacity and the maximum standby utilized. For customers served on supplemental rates schedules D8 and D11, the Daily Demand Cap will be determined as the **DII** Power Supply Demand Charge times the maximum standby contract capacity utilized plus the difference between the product of the **DII** Distribution Demand Charge times the standby contract capacity utilized and the standby Distribution Charge times the standby contract capacity utilized plus the voltage specific **DII** Delivery Charge energy component applied to all standby energy delivered plus the Rider 3 Generation Reservation charge times the difference between the total standby contract capacity and the maximum standby utilized.

Waivers and limits for energy-only rates:

For customers taking supplemental service on energy-only rates for the entire billing cycle, schedules D3, D3.3, and E5, the following applies.

If the total of daily demand charges for the month is less than the monthly generation reservation fee, then the daily demand charges will be waived for that month.

If the total of daily demand charges for the month is greater than the monthly generation reservation fee, then the daily demand charges will be waived for that month provided that the supplemental rate continues as an energy-only rate. If not, then paragraphs (6)(b) and (6)(c) above will apply.

MAINTENANCE PERIODS: A customer may specify, subject to conditions below set by the Company, up to 20 on-peak days during a year as maintenance days. In addition standby daily demands on the day after Thanksgiving and on-peak days occurring during the period from December 24 through January 1 will be priced at the maintenance day rate specified above. A maintenance day is a calendar 24-hour day. Conditions for setting maintenance days:

- (a) The customer must request maintenance days in writing.
- (b) The Company must receive the request at least 45 days before the first requested maintenance day.
- (c) Requests will be honored according to the date received.
- (d) Requests may be refused by the Company if they conflict with the Company's own schedule of maintenance and expected demands. The Company will permit the customer to select alternative maintenance days.
- (e) If there is a substantial change in circumstances which make the agreed upon schedule impractical for either party, the other party upon request shall make reasonable efforts to adjust the schedule in a manner that is mutually agreeable.

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STANDARD CONTRACT RIDER NO. 3 (Contd.) PARALLEL OPERATION AND STANDBY SERVICE AND STATION POWER STANDBY SERVICE

Power Supply Pricing Option:

This option is available to customers desiring to have power supply standby energy service priced on the basis of the real time MISO locational hourly marginal energy price for the Company-appropriate load node. Service under this provision must be taken in 12 month increments. Service taken under this option replaces all standard power supply charges. Standby energy service is limited to unforeseen generator outages, deviations from standby contract capacity and maintenance. In addition to the MISO locational hourly marginal energy price the following charges will also apply:

0.733¢/kWh for MISO network transmission costs and MISO energy market costs plus,

An administrative charge of 0.540¢/kWh plus,

A voltage level service adder of 1% for transmission, 2% for subtransmission, 7% for primary, and 12% for secondary.

Surcharges and Credits Applicable to Power Supply, excluding PSCR, as approved by the Commission. See Section C8.5.

Delivery Charges:

Service Charge:

\$210.00 per customer per month for customers served at primary voltages and above.

\$ 70.00 per customer per month for customers served at secondary voltages.

Distribution Charge:

Distribution charges will be as follows:

\$2.18 per kW at primary voltage applied to the standby contract capacity

\$0.89 per kW at subtransmission voltage applied to the standby contract capacity

\$0.25 per kW at transmission voltage applied to the standby contract capacity

For service provided in conjunction with a secondary voltage base rate the Delivery Charge will be the greater of **\$8.18** per kW applied to standby contract capacity or **3.077¢/kWh** applied to all standby energy delivered.

Substation Credit: Available to customers served at subtransmission voltage level (24 to 41.6 kW) or higher who provide the on-site substation including all necessary transforming, controlling, and protective equipment. A credit of \$.30 per kW shall be applied to the distribution demand charge per kW of standby capacity. An additional credit of 0.040¢ per kWh of standby delivered will be given where the service is metered on the high voltage side of the transformer.

Surcharges and Credits Applicable to Delivery Service: As approved by the Commission. See Section C9.8.

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STANDARD CONTRACT RIDER NO. 3 (Contd.) PARALLEL OPERATION AND STANDBY SERVICE AND STATION POWER STANDBY SERVICE

ADJUSTMENT OF PRIOR RATCHETS: When a customer takes standby service under Rider No. 3, the setting or the increasing or decreasing of standby contract capacity will affect the existing ratchet levels on the supplemental rate as follows:

- (a) An amount in kW equal to the initial standby contract capacity (or to the increase or decrease) will be subtracted from (or subtracted from or added to) the existing ratcheted maximum demand level for customers on supplemental rates D8 *and* D11.
- (b) An amount in kW equal to 65% of the initial standby contract capacity (or of the increase or decrease) will be subtracted from (or subtracted from or added to) the existing ratcheted on-peak billing demand level for customers on supplemental rates D4, D8 *and* D11.

LATE PAYMENT CHARGE: See Section C4.8.

SCHEDULE OF ON-PEAK HOURS: See Section C11.

POWER FACTOR CLAUSE: The rates and charges under this tariff are based on the customer maintaining a power factor of not less than 85% lagging. Customers are responsible for correcting power factors less than 70% at their own expense. The size, type and location of any power factor correction equipment must be approved by the Company. Such approval will not be unreasonably withheld. A penalty will be applied to the total amount of the monthly billing for supplemental and standby service for power factor below 85% lagging in accordance with the table in Power Factor Determination, Section C12. The penalty will not be applied to the on-peak billing demand ratchet nor to the minimum contract demand of the supplemental rate, but will be applied to metered quantities.

INTERRUPTIBLE STANDBY SERVICE:

- (a) Interruptible standby service is supplied in conjunction with supplemental rates D8 and D3.3, provided that the customer qualifies for D8 or D3.3 under the provisions of the respective rates.
- (b) For customers taking service on supplemental rate D8, the daily demand charge for back-up power and maintenance power will be waived on a day that the Company requests interruption, provided that the customer is assessed neither a non-interruption fee nor a non-interruption penalty under the terms of the D8 rates.
- (c) For customers taking service on supplemental rate D3.3, the customer's generator, prime mover, or other source of energy must be connected only to the interruptible circuit. The energy charge for back-up power and maintenance power will be the same as the energy charge for the D3.3 rate. The daily demand charge will be waived on a day that the Company interrupts the circuit.
- (d) Interruptible standby service will also be supplied in conjunction with any new interruptible supplemental rates approved by the Commission after January 1, 1989, under terms to be incorporated in this section.

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STANDARD CONTRACT RIDER NO. 3 (Contd.) PARALLEL OPERATION AND STANDBY SERVICE AND STATION POWER STANDBY SERVICE

SPECIAL TERMS AND CONDITIONS: Customer-owned equipment must be operated so that voltage fluctuations on the Company's system shall not exceed permissible limits.

Upon the request of a customer, the Company will provide monthly reports of the data from the meters measuring the load served by the Company and the output of the customer's generators, for a charge of \$10.00 per report per month. Each report contains data from one meter.

Application of Rider No. 2 for redundant service for customers served under this rider will be the same as for customers without generating equipment.

Service under this rider will not be affected by ownership of the generation facility provided that: (1) the generation facility is located on the customer's site, (2) the load served by the generation facility is on the same site, and (3) the total output of the generation facility is utilized by the customer or sold to the Company.

CONTRACT TERM: The contract term is for a five-year period unless terminated by mutual consent and extending thereafter from month to month until terminated by mutual consent or by thirty day's written notice by either party.

DISPUTE RESOLUTION PROCEDURE: Any customer who disputes a determination or interpretation made by the Company under this rider may deliver a written notice of such dispute to the customer's service representative at the Company. The Company will respond to the notice in writing within 20 working days.

Disputes between the Company and the customer may be presented to the Commission for informal resolution.

Any customer who disputes a determination made by the Company under this rider may at any time file a formal complaint with the Office of the Secretary of the Commission.

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**STANDARD CONTRACT RIDER NO. 3 (Contd.) PARALLEL OPERATION AND STANDBY SERVICE AND
STATION POWER STANDBY SERVICE**

STATION POWER STANDBY SERVICE

SERVICE UNDER THIS PROVISION BECOMES EFFECTIVE APRIL 1, 2014

STATION POWER STANDBY SERVICE: Available to customers with generation facilities that are located within the Company's retail service territory and that are interconnected to ITC Transmission. The power supply requirements necessary to maintain and operate the generating facility that are normally served by the facility's on-site generation but which instead are provided by the facility's taking power through its transmission interconnection must be provided under the station Power Standby Service provisions of this rider.

APPLICABLE TO: General Service Rate Schedule Designation D3

HOURS OF SERVICE: 24 hours, subject to interruption by agreement, or by advance notice.

CONTRACT CAPACITY: Customers shall initially contract for a specified capacity in kilowatts sufficient to meet expected maximum requirements. Any single reading of the demand meter or aggregation of demand meters recording inflow to the facility in any month that exceeds the contract capacity then in effect shall become the new contract capacity.

METERING REQUIREMENTS: All customers taking service under this rider must install the necessary equipment to permit metering. The Company will supply the metering equipment. Service to the customer under this Rider will be metered with demand-recording equipment. Any equipment installed by the customer necessary to accommodate the Company's metering equipment must be approved by the Company and must be compatible with the Company's Meter Data Acquisition System.

RATES:

Power Supply:

Station Power Energy Service will be priced on the basis of the real time MISO locational hourly marginal energy price for the Company-appropriate load node. In addition to the MISO locational hourly marginal energy price the following charges will also apply:

0.733¢/kWh for MISO network transmission costs and MISO energy market costs plus,
An administrative charge of 0.540¢/kWh plus,
Surcharges and Credits Applicable to Power Supply, excluding PSCR, as approved by the Commission.
See Section C8.5

Service Charge:

\$210.00 per customer per month

LATE PAYMENT CHARGE: See Section C4.8

CONTRACT TERM: The contract term is from month to month until terminated by mutual consent or on one month written notice by either party.

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