

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Dan Lipschultz	Commissioner
Matthew Schuerger	Commissioner
Katie J. Sieben	Commissioner
John A. Tuma	Commissioner

In the Matter of Updating Generic Standards for Utility Tariffs for Interconnection and Operation of Distributed Generation Facilities Under Minn. Stat. § 216B.1611

ISSUE DATE: March 19, 2019

DOCKET NO. E-999/CI-16-521

DOCKET NO. E-999/CI-01-1023

In the Matter of Establishing Generic Standards for Utility Tariffs for Interconnection and Operation of Distributed Generation Facilities Under Minn. Laws 2001, Ch. 212

ORDER AUTHORIZING FURTHER PROCEEDINGS

**PROCEDURAL HISTORY**

In 2001, the Legislature enacted Minn. Stat. § 216B.1611. This statute required the Commission to initiate a proceeding to establish generic standards for interconnection and operation of distributed generation (DG), which is defined as a generating facility with a capacity of ten megawatts (MW) or less. Following extensive stakeholder participation, the Commission issued its Order Establishing Standards in Docket No. E-999/CI-01-1023 on September 28, 2004. The September 2004 order included six attachments that comprised the generic standards required by Minn. Stat. § 216B.1611, referred to in this order as the 2004 Interconnection Standards.

The 2004 Interconnection Standards contain the following sections:

- Interconnection Process (Attachment 1)
- Technical Requirements (Attachment 2)
- Application (Attachment 3)
- Engineering Data Submittal (Attachment 4)
- Interconnection Agreement (Attachment 5)
- Rates (Attachment 6)

On January 24, 2017, after receiving stakeholder input regarding revisions to the 2004 Interconnection Standards, the Commission issued its Order Establishing Workgroup and Process to Update and Improve State Interconnection Standards. The January 2017 order initiated a two-phase process to update Attachments 1–5 of the 2004 Interconnection Standards.

On March 27, 2018, the following parties filed a Motion to Reopen and Amend the Distributed Generation Tariffs (Motion): Minnesota Solar Industries Association and Project, Environmental Law and Policy Center, Minnesota Center for Environmental Advocacy, Institute for Local Self-Reliance, Clean Energy Economy Minnesota, and Minnesota Brownfields (collectively, Movants). The Motion requested review and revision of Attachment 6 of the 2004 Interconnection Standards.

On June 1, 2018, the Motion was discussed at the Distributed Generation Workgroup Meeting convened at the Public Utilities Commission.<sup>1</sup>

On August 15, 2018, the Commission issued a notice requesting comment on the Motion.

By September 19, the following parties filed comments:

- Dairyland Power Cooperative
- Dakota Electric Association
- Department of Commerce, Division of Energy Resources (Department)
- Fresh Energy
- Geronimo Energy
- Midwest Cogeneration Association
- Minnesota Power
- Minnesota Rural Electric Association
- Otter Tail Power Company
- US Solar
- Vote Solar
- Xcel Energy

By October 3, 2018, the following parties filed reply comments:

- Innovative Power Solutions Solar
- Movants
- Otter Tail Power Company
- Xcel Energy

On January 17, 2019, the Commission met to consider the Motion.

## **FINDINGS AND CONCLUSIONS**

### **I. Attachment 6**

Attachment 6 of the 2004 Interconnection Standards is titled “Guidelines for Establishing the Terms of the Financial Relationship Between an Electric Utility and a Distributed Generation

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<sup>1</sup> See Final Distributed General Workgroup Meeting No. 6 Summary, filed November 30, 2018.

Customer with No More than 10 MW of Capacity.” It covers topics such as the requirement that utilities must purchase all of the energy offered by the DG customer, as well as the calculation of the costs that the utility was able to avoid because of the DG facility’s output (avoided costs). The utility’s avoided costs determine the rate that the utility must pay to the DG customer for the DG facility’s output. Attachment 6 also suggests credits that the utility should offer if a DG facility reduces the utility’s cost of providing service.

Utilities have developed their DG tariffs consistent with Attachment 6 (and the rest of the 2004 Interconnection Standards), as required by Minn. Stat. § 216B.1611, subd. 3(1).<sup>2</sup>

## **II. The Motion**

Movants request that the Commission review and update Attachment 6 to reflect the current status of DG in Minnesota. Movants proposed revisions to Attachment 6, including the avoided-cost methodology, and suggested a review of the utilities’ avoided-cost rates. Movants argued that like the other portions of the 2004 Interconnection Standards that the Commission is currently revising, Attachment 6 is outdated and needs updating to reflect technological advancements and new policies. They contend that Attachment 6 is unclear and fosters uncertainty surrounding DG development, which results in low utilization of the utilities’ DG tariffs as well as disputes. Movants requested creation of a new docket and working group to update Attachment 6 or addition of a Phase III to the DG Working Group in Docket No. E-999/CI-16-521.

## **III. Parties’ Comments**

### **A. Motion Opponents**

The utilities and utility groups that commented opposed the Motion and any reopening or revision of Attachment 6. These opponents argued that Movants had not offered sufficient justification for revising Attachment 6, and that Movants’ concerns could be addressed in specific dockets pertaining to the utilities’ individual DG tariffs. They disagreed with Movants that problems with Attachment 6 have hampered DG development in Minnesota, and took issue with Movants’ characterization of disputes that have arisen under DG tariffs. They emphasized that Attachment 6 contains guidelines, not standards or requirements, and expressed concern with divulging trade secret information such as their avoided-cost calculations. Some opponents cautioned about the potential implications to cooperative electric associations and municipal utilities if Attachment 6 is revised. Certain opponents also noted that the Federal Energy Regulatory Commission (FERC) and Midcontinent Independent System Operation (MISO) currently have pending proceedings related to DG that could impact the issues raised by Movants.

Many opponents maintained that any revisions to Attachment 6 must be consistent with relevant federal and state statutes and rules and should not duplicate proposals addressed in other Commission proceedings. Some opponents suggested that if the Commission decides to review Attachment 6, the process could be limited to comments from interested parties, while other opponents suggested a working group similar to the original working group that created

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<sup>2</sup> Under Minn. Stat. § 216B.1611, subd. 3(2), cooperative electric associations and municipal utilities must adopt a DG tariff “that addresses the issues” contained in the 2004 Interconnection Standards.

Attachment 6. Many opponents recommended that any review of Attachment 6 should have a clearly and narrowly defined scope.

### **B. Motion Supporters**

Other DG advocates besides Movants commented in support of the Motion. Supporters echoed Movants' arguments regarding difficulties in participating in the DG tariffs implemented under Attachment 6, and further argued that a lack of transparency regarding DG tariffs increases those difficulties. Some supporters found a notice and comment process to be sufficient for reviewing Attachment 6, while other supporters advocated for a working group. Some supporters disagreed that the pending MISO and FERC proceedings would impact a review of Attachment 6.

### **C. The Department**

The Department stated that it may be appropriate to review Attachment 6 because the Commission is currently updating the rest of the 2004 Interconnection Standards. The Department recommended that, due to time and resource constraints of the parties involved, any Commission proceeding to review Attachment 6 should occur after Phase II of the DG Working Group. The Department further recommended that the Commission establish a workshop process to review Attachment 6.

## **IV. Commission Action**

After reviewing the comments submitted by the parties, the Commission concludes that it is time to review and potentially update Attachment 6 to ensure its continued relevance. Recent developments in DG, including technological and rule changes, have occurred since Attachment 6 was adopted and are not reflected in the document. Accordingly, the Commission will authorize a notice and comment process to develop a written record for considering possible updates to Attachment 6.

The scope of this process will include, but not be limited to, the following issues:

- 1) The consistency of Attachment 6 with existing statutes and rules (e.g. Minn. Stat. §§ 216B.1611 and .164 and Minn. R. ch. 7835);
- 2) For facilities between 1 and 10 MW, guidance on ensuring adequate transparency of negotiated rates and availability or consideration of Attachment 6 credits;
- 3) Better alignment of avoided capacity costs with Integrated Resource Planning and other regulatory proceedings;
- 4) Guidance that recognizes technology, location and time-specific avoided-cost considerations.

Not included in the scope of this process is the establishment of fixed rates.

The Commission will direct Xcel, Minnesota Power, Otter Tail Power, and Dakota Electric Association to file detailed descriptions of how they calculate their DG tariffed rates and

negotiated DG rate offerings, including how they apply Attachment 6 in those calculations, for DG projects between 1 and 10 MW within 90 days of the date of this order.

The Commission will delegate authority to the Executive Secretary to issue notices, set schedules, and designate comment periods to further develop the record for Commission consideration of updates to Attachment 6 as needed. The schedule is anticipated to be completed within 18 months of the date of this order.

## **ORDER**

1. The Commission will authorize a notice and comment process to develop a written record for considering possible updates to Attachment 6.
2. The scope of this process will include but not be limited to the following issues:
  - a. The consistency of Attachment 6 with existing statute and rules (e.g. Minn. Stat. §§ 216B.1611 and .164 and Minn. R. ch. 7835);
  - b. For facilities between 1 and 10 MW, guidance on ensuring adequate transparency of negotiated rates and availability or consideration of Attachment 6 credits;
  - c. Better alignment of avoided capacity costs with Integrated Resource Planning and other regulatory proceedings;
  - d. Guidance that recognizes technology, location and time-specific avoided-cost considerations.

Not included in the scope of this process is the establishment of fixed rates.

3. Within 90 days of the date of this order, Xcel, Minnesota Power, Otter Tail Power, and Dakota Electric Association shall file detailed descriptions of how they calculate their DG tariffed rates and negotiated DG rate offerings, including how they apply Attachment 6 in those calculations, for DG projects between 1 and 10 MW.

4. The Commission delegates authority to the Executive Secretary to issue notices, set schedules, and designate comment periods to further develop the record for Commission consideration of updates to Attachment 6 as needed. The schedule is anticipated to be completed within 18 months of the date of this order.
5. This order shall become effective immediately.

BY ORDER OF THE COMMISSION

Daniel P. Wolf  
Executive Secretary



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