

June 27, 2003

Mr. Burl Haar, Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101-2147

**Subject: Reply Comments on Report on Distributed Generation Technical Standards and Tariffs Submitted to the Minnesota Public Utilities Commission by the Minnesota Department of Commerce Docket No. E-999/CI-01-1023**

Dear Mr. Haar:

On June 19, 2002, the Minnesota Public Utilities Commission (MPUC or Commission) issued its Order Organizing Work Groups and Setting Procedural Schedule in the Matter of Establishing Generic Standards for Utility Tariffs for Interconnection and Operation of Distributed Generation Facilities. This Order directed the Minnesota Department of Commerce (Department or DOC) to establish work groups to propose technical standards and rate standards governing interconnection of distributed generation facilities with utility electric distribution systems. On February 3, 2003, the Department issued its Report on Distributed Generation Technical Standards and Tariffs summarizing the results of the work groups, including independent recommendations from the Department. On February 18, 2003, the Commission issued a Notice of Comment Periods in this matter. On March 21, 2003, comments were submitted to the Commission by the following parties:

Cooperatives  
Distributed Generation Coalition  
Hennepin County  
Great River Energy  
Minnesota Municipal Utilities Association  
Missouri River Energy Services  
Regulated Electric Utilities

Following are the consolidated reply comments of Connexus Energy (Ramsey, Minnesota), East Central Energy (Braham, Minnesota), Minnesota Valley Electric Cooperative (Jordan, Minnesota) and Wright-Hennepin Cooperative Electric Association (Rockford, Minnesota). These four electric distribution cooperatives will be referred to collectively as Cooperatives.

### **Reply Comments**

The March 20, 2003 comments submitted by the Cooperatives address the areas of qualifications, non-firm standby service, threshold for standby charges and distribution credits. The Cooperatives continue to support these earlier comments and offer reply comments on the

issues of firm distribution, non-firm distribution and exemption from standby rates as reflected in the comments of the Distributed Generation Coalition.

### **Firm Distribution**

The Distributed Generation Coalition recommends that distribution standby service be categorized into local and bulk distribution with “the bulk distribution portion of the reservation fee should be discounted at 82 to 85 percent level under firm standby reservation fee, similar to generation and transmission because the distribution facilities will be freed up to serve other load” (Distributed Generation Coalition comments at page 11). The Cooperatives disagree with the Distributed Generation Coalition that 82 to 85 percent discount should be applied to distribution standby service. We find that there is no rationale for the Distributed Generation Coalition suggestion that distribution service can be divided into local and bulk categories. The distribution system is not like the generation market in which generation reserves can be shared and made available to others by the interconnected transmission network. Rather, the distribution network is required to serve 100 percent of the load should the distributed generation facility fail to operate.

### **Non-Firm Distribution**

The Distributed Generation Coalition proposes that non-firm distribution receive a 100 percent distribution discount for standby service. We disagree with this for the same reasons stated by the regulated utilities on page 22 of their March 20, 2003 comments: “In spite of what will be a contractual requirement for DG customers taking non-firm backup ..., instantaneous backup will take place for forced outages ...” That is to say, depending on the system configuration, non-firm standby service may in fact make use of distribution facilities. This will effectively require a distribution utility to reserve capacity on that feeder to cover the situation when instantaneous backup occurs. Failure to reserve such capacity could overload equipment and reduce reliability to other customers. For this reason, the utility must ensure that these customers pay for the distribution service required. The Cooperatives feel that if non-firm distribution standby service is desired, then it should only be provided under the physical assurance option and that the technical standards for physical assurance require the appropriate disconnect breakers and relays that will automatically and instantaneously remove the customer’s load from the distribution system for failure of the distributed generation.

### **Maximum Size to Avoid Standby Charges**

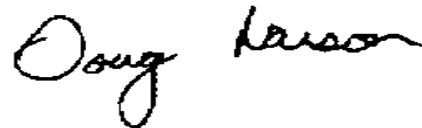
The Distributed Generation Coalition supports the Department of Commerce recommendation to exempt distributed generation projects of 100 kW or less from any standby charges. As we stated in our March 20, 2003 comments, this threshold for exempting distributed generation facilities from paying standby charges concerns the Cooperatives. In the report on Distributed Generation Technical Standards and Tariffs, the Department accurately points out that “on pure economic principles, the 100 kW exemption is not justified.” While the Cooperatives appreciate the Department’s attempt to use this threshold to “encourage” the installation of distributed generation facilities in Minnesota, we are concerned that this proposal will have unexpected financial impacts on other electric utility customers. This concern is heightened if new small scale technologies become more commonplace in the market. In such cases, utilities could be faced with installing distribution facilities capable of providing service to customers and yet receive no distribution revenue to pay for these plant investments and associated operation and

maintenance expenses. Instead, all other remaining customers would be forced to pay for these costs. This could pose a significant financial hardship on other customers, and hence we do not recommend an exemption threshold.

### **Conclusion**

The Cooperatives appreciate the opportunity to submit reply comments on this important matter. We believe that distributed generation holds the promise to provide important benefits to our members and distribution systems. We look forward to further Commission developments in this matter and our ultimate implementation of appropriate Distributed Generation Interconnection Standards and Tariffs in compliance with the provisions of the Minnesota Energy Security and Reliability Act. If you or your staff has any questions regarding these comments, please me at 763-755-5122.

Sincerely,

A handwritten signature in black ink that reads "Doug Larson". The signature is written in a cursive, slightly slanted style.

Douglas R. Larson, Vice president  
Power System Engineering, Inc.  
On behalf of  
Connexus Energy  
East Central Energy  
Minnesota Valley Electric Cooperative  
Wright-Hennepin Cooperative Electric Association

STATE OF MINNESOTA

SS

COUNTY OF ANOKA

AFFIDAVIT OF SERVICE

I, Joyce Lubbesmeyer, being first duly sworn, deposes and says:

That on the 27th day of June 2003 I served the attached Reply Comments on Report on Distributed Generation Technical Standards and Tariffs Submitted to the Minnesota Public Utilities Commission by the Minnesota Department of Commerce.

Docket No. E999/CI-01-1023

X by depositing in the United States Mail at the City of Blaine, a true and correct copy thereof, properly enveloped with postage prepaid

by personal service

by delivery service

by express mail

to all persons at the addresses on the attached list:

\_\_\_\_\_  
Joyce Lubbesmeyer

Subscribed and sworn to before me  
this 27th of June 2003.

\_\_\_\_\_  
Shelley J. Almeida

In the Matter of All Electric  
Companies Establishing Generic Standards  
for Utility Tariffs for 1 Service List  
Docket No. E-999/CI-01-1023

Burl W. Haar (0+15)  
Executive Secretary  
MN Public Utilities Commission  
Suite 350  
121 East Seventh Place  
St. Paul, MN 55101-2147

Kathy Aslakson (4)  
Docket Coordinator  
MN Department of Commerce  
Suite 500  
85 7<sup>th</sup> Place East  
St. Paul, MN 55101-2198

Julia Anderson  
Special Assistant Attorney General  
MN Office of The Attorney General  
525 Park Street  
Suite 200  
St. Paul, MN 55103-2106

Christopher Anderson  
Senior Attorney  
Minnesota Power  
30 West Superior Street  
Duluth, MN 55802-2093

Scott Brener  
The Brener Group  
Suite 101  
570 Asbury Street  
St. Paul, MN 55104

Bernadeen Brutlag  
Manager  
Otter Tail Power Company  
P.O. Box 496  
215 South Cascade  
Fergus Falls, MN 56538-0496

Jeffrey A. Daugherty  
CenterPoint Energy Minnegasco  
P.O. Box 59038  
800 LaSalle Avenue, F1 11  
Minneapolis, MN 55459-0038

Gary J. Erickson  
Asst. Hennepin County Administrator  
Public Works and County Engineer  
A-2303 Government Center  
Minneapolis, MN 55487-0233

Curt Nelson  
OAG-RUD  
900 NCL Tower  
445 Minnesota Street  
St. Paul, MN 55101-2130

Peter A. Daly  
Power System Engineering, Inc.  
250 Crosstown Bank Building  
12301 Central Avenue NE  
Blaine, MN 55434

Steve Downer  
Minnesota Municipal Utilities Association  
Suite 212  
12805 Highway 55  
Plymouth, MN 55441-3859

Lori Fisk-Thompson  
Utilities Plus  
459 South Grove Street  
Blue Earth, MN 56013

Darcy Hackel  
Alliant Energy  
P.O. Box 77007  
4902 N. Biltmore Lane  
Madison, WI 53707-1077

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John S. Jaffray  
Prairie Gen LLC  
Suite 4040  
80 South 8<sup>th</sup> Street  
Minneapolis, MN 55402-2204

Douglas R. Larson  
Power System Engineering, Inc.  
250 Crosstown Bank Building  
12301 Central Avenue NE  
Blaine, MN 55434

Mrg Simon  
Missouri River Energy Services  
P.O. Box 84610  
3005 West Russell  
Sioux Falls, SD 57118-4610

Ritchie J. Sturgeon  
Senior Regulatory Attorney  
Alliant Energy - IPL  
P.O. Box 77007  
4902 N. Biltmore Lane  
Madison, WI 53707-1007

Daniel Tonder  
Distribution Operations Administrator  
Minnesota Power  
P.O. Box 60  
Little Falls, MN 56345

Sam McCahon  
Suite 105  
308 High Street  
Jefferson City, MO 65102

Rafi Sohail  
Reliant Energy Minnegasco  
800 LaSalle Avenue, 11<sup>th</sup> Floor  
Minneapolis, MN 55402

SaGonna Thompson, Records Analyst  
Xcel Energy  
414 Nicollet Mall, 5<sup>th</sup> Floor  
Minneapolis, MN 55401-1993

Craig Turner  
Dakota Electric Association  
4300 - 220<sup>th</sup> Street West  
Farmington, MN 55024-9583

Ian Goodman  
The Goodman Group  
Suite 11  
2515 Piedmont Avenue  
Berkeley, CA 94704-3142

John Bailey  
Institute for Local Self-Reliance  
1313 Fifth Street SE  
Minneapolis, MN 55414

Christopher Clark  
Deputy General Counsel  
Xcel Energy  
Floor 29  
800 Nicollet Mall  
Minneapolis, MN 55402-2023

Janet Anderson  
1799 Sargent  
St. Paul, MN 55105

William L. Glahn  
Dahlen, Berg & Company  
Suite 300  
200 South Sixth Street  
Minneapolis, MN 55402

William Grant  
Director  
Izaak Walton League, Midwest Office  
1619 Dayton Avenue  
Suite 202  
St. Paul, MN 55104-6206

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Michael Noble  
Minnesotans For An  
Energy-Efficient Economy  
46 East Fourth Street, Suite 600  
St. Paul, MN 55101-1109

Peter H. Grills  
O'Neill, Grills & O'Neill, P.L.L.P.  
W1750 First National Bank Building  
332 Minnesota Street  
St. Paul, MN 55101

Stephen S. Kalland  
Associate Director  
North Carolina Solar Center  
Campus Box 7401  
NC State University  
Raleigh, NC 27695

Carl Nelson  
The Minnesota Project  
Suite 315  
1885 University Avenue West  
St. Paul, MN 55104

Debra J. Paulson  
Xcel Energy  
414 Nicollet Mall  
Minneapolis, MN 55401-1993

Renee Doyle  
Doyle Electric Inc.  
PO Box 295  
Amboy, MN 56010

Carl Michaud  
Hennepin County  
Department of Environmental Services  
417 North Fifth Street, Suite 200  
Minneapolis, MN 55401-1397

Steve Korstad  
Korridor Capital Investments, LLC  
20 Red Fox Road  
St. Paul, MN 55127-6331

C. William Uhr, Jr.  
UHR Technologies L.P.  
6705 Valley Brook Drive  
Falls Church, VA 22042

Rick Lancaster  
Great River Energy  
P.O. Box 800  
17845 East Highway 10  
Elk River, MN 55330-0800

Paul J. Lehman  
Xcel Energy  
414 Nicollet Mall  
Minneapolis, MN 55401-1993

Michael C. Krikava, Attorney  
Briggs & Morgan  
2400 IDS Center  
80 South 8<sup>th</sup> Street  
Minneapolis, MN 55402

Mark Bergstrom  
Alliant Energy Integrated Services  
920 Plymouth Building  
12 South 6<sup>th</sup> Street  
Minneapolis, MN 55402

Bethany Owen  
Minnesota Power  
30 West Superior Street  
Duluth, MN 55802