

July 11, 2003

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Reply Comments of the Minnesota Department of Commerce**
Distributed Generation Technical Issues
Docket No. E999/CI-01-1023

Dear Dr. Haar:

Attached please find the reply comments of the Energy Division of the Department of Commerce in the following matter:

Establishing generic standards on technical issues concerning interconnections and operations of Distributed Generation Facilities.

These reply comments respond to the comments filed by parties regarding issues developed in the Technical Issues workgroup conducted by the Department. On June 27, 2003, the Department filed its comments on the issues developed in the Rate workgroup and, at that time, requested a 14-day extension for filing the comments found herein. The Department appreciates the Commission's and parties' indulgence in allowing the time extension for these comments.

In reviewing the May 22, 2003 Technical Issues report, the Department found that it inadvertently mislabeled certain attachments as follows:

- Attachment 1, Appendix B is found in Attachment 3
- Attachment 1, Appendix C is found in Attachment 4
- Attachment 1, Appendix E is found in Attachment 5

The Department apologizes for any confusion this may have caused. The Department is available to answer any questions the Commission may have.

Sincerely,

KATE O'CONNELL
Supervisor, Electric Planning and Advocacy

KO/jl
Attachment



BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

REPLY COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE

DOCKET NO. E999/DI-01-1023

The Department has reviewed the reports provided to the Commission by the Technical Issues workgroup and applauds their work. These are highly complex issues and it is obvious that the participants of the workgroup worked diligently and in good faith. The work by this group is even more important with the culmination of the 2003 Legislation which placed a strong emphasis on renewable energy sources that, by their very nature, are considered distributed generation. In order to make the efforts of the Legislature a reality, renewable energy sources must be able to interconnect successfully with the electric “grid”. The work of the Technical Issues workgroup along with the Rate workgroup is key to making this happen.

Although agreement on many issues was reached by the workgroup, the report states that agreement was not achieved on four basic issues. In all four issues, the needs of the developers in trying to keep costs low versus the utilities’ need for smooth interconnections are illustrated. The Department recognizes that both the developers’ and the utilities’ needs are legitimate but that experience and information is lacking at the current time to cleanly resolve the issues. Therefore, the Department addresses each of these issues and makes recommendations with the understanding that such recommendations may be revisited as parties bring forward information based on actual experience in future annual reports (per Minn. Stat. 216B.1611, subd. 4).

INSURANCE

This issue concerns the amount of liability insurance that a distributed generator or developer should carry for the facility to be interconnected into the electric system. The report provides an overview table of different insurance levels ordered by the Federal Energy Regulatory Commission (FERC) and various states (see page 9 of the May 22, 2003 report.) The table on page 9 also provides a proposed Minnesota standard level of insurance. The utilities believe that this is the minimum level that should be required. Developers believe that a lesser amount is adequate. An insurance claims history has not yet been established to assist in formulating a

more accurate level than that provided in the proposed agreement, however, the proposed levels appear to be reasonable when compared to established levels ordered in other jurisdictions. Therefore, the Department recommends that the Commission approve the proposed Minnesota standard level for the time being with the understanding that parties may bring this issue forward in the future when more information is available.

UTILITY RESPONSE TIMES

The issue concerns how soon a utility can perform whatever studies and other work that needs to be done to ensure that a facility's interconnection will smoothly and safely interface with the electric system. Developers would like a specific timeframe to complete this work. Utilities want to have flexible timeframes to accommodate unforeseen complications in performing studies, etc. Until more experience is gained in this area, the Department recommends that the Commission approve the proposed Minnesota standard (found on page 7 of the May 22, 2003 report) of 15 days each for the application and final reviews with the understanding that if a utility needs more time, it must notify the applicant and explain the reasons for the time extension. This proposal represents a reasonable balance between the legitimate concerns of both the developers and the utilities and appears to be in line with timeframes established in other jurisdictions. Once more interconnection experience is gained, the Department expects that these standard timeframes may be shortened, especially for more generic small projects.

DEVELOPER COST

Because of the uncertainty surrounding timeframes (that may be extended) and the studies that utilities perform, Developers are concerned about uncertain and, perhaps high, costs to complete an interconnection. Developers are also concerned that utilities may conduct unnecessary studies, rather than rely on prior experience and results of other studies. Utilities, on the other hand, want the ability to do whatever work they think is necessary to ensure smooth interconnections in every case. As shown on page 8 of the May 22, 2003 report, many other jurisdictions allow utilities to recover actual costs for studies. For the time being the Department recommends that the Commission allow utilities to charge developers the actual costs for the studies needed to complete interconnections. The need for studies should be negotiated between the parties at the beginning of the interconnection process. Any disagreement should be subject to the dispute resolution process defined in the technical standards (see Attachment 1, page 3 of the May 22, 2003 report). However, after more experience is gained in studying various interconnections, the Department expects that certain sizes or types of interconnections should be able to be performed with little or no study or fee involved.

STANDARD OPERATION AND MAINTENANCE AGREEMENTS

Attachment 5, Exhibits D and E of the May 22, 2003 report provides general Operating and Maintenance (O&M) Agreements for use in Interconnection Agreements. These O&M Agreements are presented as generic guidelines to be followed in negotiating individual interconnection agreements. Developers desire more solid O&M standards in order to calculate better estimates of the costs associated with the interconnection. Utilities believe that each interconnection poses unique O&M needs and should be reviewed and negotiated individually. Disagreements on O&M costs and practices can be resolved through the dispute resolution process mentioned above. Until more experience provides better information, the Department recommends that the Commission adopt the generic guidelines for O&M as provided in the report with the understanding that this recommendation may be reviewed once more information is garnered by utilities and developers.

In summary, the Department appreciates the work that the Technical Issues workgroup invested in resolving many complex issues. The Department reviewed the report and the information and proposed resolutions for the four contested issues listed in the report. The Department agrees with the resolutions proposed in the workgroup report and recommends that the Commission approve these contested-issue resolutions, along with the agreed-upon issue resolutions. However, once more interconnection experience is gained by utilities and developers, information provided in the parties' annual reports may warrant a revisiting of the issues and resolutions.

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