

MN DG Rate Group, Docket No. E999/CI-01-1023
Principles for Setting Appropriate Rates

1. At a minimum, the applicable rate structures for should satisfy a “hold harmless” test. That is, the utility must ensure that the rate or rates paid by customers with distributed generation provides at least sufficient revenue to cover the utility’s incremental cost of providing service to those customers. This methodology will ensure that non-participating customers are not economically disadvantaged by the action of customers implementing distributed generation.
2. Rates should be cost-based and fully recover the costs associated with interconnection, supply and delivery services.
3. Rates applicable to distributed generation should make an equitable contribution toward the indirect allocated expenses of Operation and maintenance; Customer accounts; Customer service and information; Administrative and general; Depreciation; Interest; and Taxes.
4. Rate Structures should use a Fixed Charge to recover direct costs that are anticipated to be the similar among all customers participating in the DG rate.
5. The rate should be fair, in the sense that customers who impose the same costs on the electric system should pay similar rates.
6. If encouraging the development of distributed generation is in the long-term interest of electric utility customers, the applicable rates should be designed to encourage customers to install distributed generation in a way that maximizes benefits, minimizes problems and costs and promotes an efficient use of resources. That is, rates and/or incentives should be used to facilitate customer installation of distributed generation in desired geographical areas that is operated in a way that lowers the utility’s existing or future cost of providing service.
7. Cost Savings (Rebates/Credits) should reflect real benefits of DG, not overly optimistic assumed benefits.
8. Rate structures should be easy to administer and understand.